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Financial Summary

For the six months ended 30 April 2006

	Ordinary Shares 30 April 2006	Ordinary Shares 30 April 2005 (restated)*	Ordinary Shares 31 October 2005 (restated)*
Net assets	£11,547,000	£13,177,000	£10,942,000
Net profit/(loss) before tax	£726,000	£1,047,000	(£773,000)
Earnings/(loss) per share	6.5p	9.4p	(6.9)p
Net asset value per share	104.6p	118.2p	97.9p
Dividends per share (proposed and paid)	1.0p	2.5p	6.5p
Cumulative dividends	7.65p	2.65p	6.65p

	'C' Shares 30 April 2006	'C' Shares 30 April 2005 (restated)*	'C' Shares 31 October 2005 (restated)*
Net assets	£5,248,000	£2,691,000	£4,917,000
Net profit/(loss) before tax	£307,000	(£2,000)	(£43,000)
Earnings/(loss) per share	6.5p	(1.0)p	(1.3)p
Net asset value per share	100.1p	94.9p	94.2p

Phoenix VCT plc ("Phoenix" or "Company") is a Venture Capital Trust ("VCT"). The Investment Manager is Octopus Investments Limited ("Octopus"). The Company was launched in November 2002 and raised over £11.3 million (£10.8 million net of expenses) through an offer for subscription. The Company invests in AIM-quoted companies and aims to generate attractive long-term returns to shareholders.

Phoenix raised more money in 2005 in the form of a 'C' Share issue (i.e. the issue for subscription of a new class of share referred to a "C' shares"). In total, Phoenix raised £5.1 million (£5 million net of expenses) by the closing date of the offer on 30 June 2005.

*Comparative figures have been extracted from the interim results for the period ended 30 April 2005 and the statutory accounts for the period ended 31 October 2005 and have been restated in accordance with FRS21 in respect of declared dividends and FRS26 in respect of the valuation of quoted investments and the treatment of investments as at fair value through profit and loss as disclosed in note 1.

Chairman's statement

I am pleased to be able to report good progress in both the Ordinary share portfolio and the 'C' share portfolio during the six-month period to 30 April 2006.

Change in accounting standards

Following the introduction of new UK Financial Reporting Standards, we are now required to value the investments held by Phoenix using the bid price for each holding. This compares with the previous accounting convention, used in our previous announcements of results for Phoenix, under which we had valued the investments using the mid-market price. The introduction of the new accounting standards has resulted in a net asset value at 30 April that is approximately 2.2p lower for Ordinary shares and 0.9p lower for 'C' shares than it would have been under previous accounting standards. Further details of this change and the effect of the restatement are explained in note 1 to the financial statements.

In the interests of clarity, I will first discuss the performance of the Ordinary share portfolio, before moving on to discuss the 'C' share portfolio.

Ordinary Share Portfolio

At 30 April 2006, the Ordinary share portfolio was comprised of investments in 36 AIM-quoted companies with a total value of £9.74 million and was 84% (by net assets) invested in qualifying holdings at the end of the period under review. During the period, we sold, either partially or wholly, several holdings, generating a net realised profit of £138,000. Consequently, the Board proposes that an interim dividend of 1p per Ordinary share be paid on 7 September 2006 to shareholders on the register on 11 August 2006. This dividend will be paid out of capital reserves and will take the total tax-free dividends paid to shareholders to 7.65p per Ordinary share since the company's launch.

Before providing for the proposed dividend, the Net Asset Value ("NAV") per Ordinary share increased by 6.7p (after restatement of prior period figures due to the accounting convention as discussed) to 104.6p during the period, notably as a result of good performance by a number of the holdings in the portfolio.

The table below shows the movement in the NAV of the Ordinary shares and lists the dividends that have been paid since the launch of the fund.

Chairman's statement (continued)

Period ended	NAV	Dividend	NAV + cumulative dividends
31 October 2003	100.7p	0.15p	100.85p
30 April 2004	111.7p	–	111.85p
31 October 2004	110.9p	–	111.05p
30 April 2005	118.2p*	2.50p	120.85p
31 October 2005	97.9p*	4.00p	104.55p
30 April 2006	104.6p	–	111.25p

*restated NAV to reflect changes in accounting policies as set out in Note 1.

At 30 April 2006, the share price was 97p. During the period, 436,652 Ordinary shares were bought back at an average price of 96.7p. In addition, 296,543 Ordinary shares were issued at a price of 106.1p.

'C' share Portfolio

At 30 April 2006, the 'C' share portfolio contained investments in 16 AIM-quoted companies, with a total value of £1.78 million and was 33% (by net assets) invested in qualifying holdings at the end of the period under review.

I am pleased to be able to report that the NAV rose by 5.9p (after restatement of prior period figures due to the accounting convention as discussed) to 100.1p during the period, driven by good performance from a number of the investments.

The table below shows the movement in the NAV of the 'C' shares since the completion of the fundraising for this class of share.

Period ended	NAV
30 April 2005*	94.9p
31 October 2005*	94.2p
30 April 2006	100.1p

*restated NAV to reflect changes in accounting policies as set out in Note 1.

At this early stage of the development of the 'C' share portfolio, it is not appropriate to propose the payment of an interim dividend.

At 30 April 2006, the price per 'C' share was 100p. During the period, 104,250 'C' shares were bought back at a price of 95p per share. In addition, 127,567 'C' shares were issued at an average price of 99p.

VCT status

The Directors believe that the Company continues to comply with the conditions laid down by HM Revenue & Customs for maintaining its approval as a VCT. PricewaterhouseCoopers LLP has been retained by the Company to work closely with the Investment Manager to ensure that Phoenix continues to meet the criteria of a qualifying VCT.

Outlook

Since the end of the period the AIM market has been impacted by the volatility that has hit global financial markets. However, the recent downward movement in AIM has been led by the natural resources sector, which is a sector we do not invest in, and the performance of the holdings in Phoenix has been much better than the overall market. Going forward, the Investment Manager will continue to look for new investment opportunities and focus on established businesses with either a niche or proprietary product or service.

Stephen Hazell-Smith

Chairman
27 July 2006

Investment Manager's Review

Personal Service

At Octopus, we pride ourselves not only on our team's track record but also on our personalised customer service. We believe in open communication and our regular updates are designed to keep you involved and informed.

If you have any questions about this review, or if it would help to speak to one of the fund managers, please do not hesitate to contact us on 020 7710 2800.

The AIM Market

The AIM market continued to increase in size in early 2006, reaching almost 1500 companies at 30 April 2006. However, many of the companies that took advantage of buoyant market conditions to float on AIM were overseas companies or were in sectors such as natural resources which we do not invest in. Our focus remains on investing in those businesses which we believe have the appropriate characteristics to generate attractive medium-term returns for shareholders.

We have set out below a review of the Ordinary share portfolio, including details of our new investments and the portfolio's ten largest holdings, and then following this an equivalent review for the 'C' share portfolio.

Review of Ordinary Share Portfolio

As at 30 April 2006, the Ordinary share portfolio comprised investments in 36 companies, accounting for 84% of the Ordinary share portfolio by net assets. During the period, we disposed of two holdings: Armour Group and Air Music & Media Group, both of which were sold in early 2006 in order to reduce the portfolio's exposure to companies which are dependent on the level of consumer spending. In addition, we took advantage of share price appreciation to reduce our holdings in a further five companies: TRL Electronics, Sovereign Oilfield Group, Bond International Software, Zetar, and Tanfield Group. In total, we generated a net realised profit of £138,000 from the disposal of investments during the six-month period to 30 April 2006.

Seven new investments were made during the period:

Autoclenz Holdings plc

Autoclenz, founded in 1990, is the UK's leading provider of valeting services to automotive retailers, auction houses, rental companies and car supermarkets. The company floated on AIM in December 2005, having previously been a subsidiary of Yule Catto, the chemical company.

Clarity Commerce Solutions plc

Clarity is a leading supplier of management software solutions for the entertainment, ticketing, hospitality, retail and leisure sectors. The company has won large contracts from companies such as Sodexho, the global catering company.

Plethora Solutions Holdings plc

Plethora is a speciality pharmaceutical company that is focused on the development of products that are targeted at a range of urological disorders.

Jelf Group plc

Jelf provides commercial insurance, healthcare cover and financial services to small-and medium-sized businesses. The company was founded in 1989 and floated on AIM during 2004. Phoenix participated in a £4 million fundraising in February 2006 at the time of Jelf's acquisition of Goss Group, an established independent insurance broking and financial services business with four regional offices.

Ovum plc

Ovum is a leading information, communication and technology research consultancy. The company acts as a source of industry data, knowledge and expertise on the commercial impact of technology, regulatory and market changes. This data is packaged into detailed research documents and distributed through a range of bespoke and tailored products. Current clients include IBM, BT, and Vodafone as well as Government bodies such as the Department of Trade and Industry.

Invocas plc

Invocas is the leading provider of personal insolvency solutions in Scotland with a 16% share of the Protected Trust Deed market. The company has been profitable and cash generative for the past seven years. Demand in Scotland for Protected Trust Deeds, which help individuals who are having difficulty servicing their debt, grew by 14% in 2005 and is expected to grow by 20% in 2006.

Cohort plc

Cohort was incorporated to acquire Systems Consultants Services (SCS), a UK based company providing training support and equipment trials to the defence sector. The market for technical services, outside of the recently privatised Government agency Qinetiq, is largely fragmented but has been consolidating. Cohort's strategy is to acquire complementary technical services companies and position them alongside the fast-growing SCS business.

The combined book cost of these seven investments was £1.36 million and the market value at 30 April 2006 was £1.48 million.

The Ordinary share portfolio is at an investment level of approximately 84% which is well above the HM Revenue & Customs requirement to remain at least 70% invested in VCT qualifying companies after the initial investment period of three years.

Investment Manager's Review (continued)

A full list of the VCT qualifying investments is set out below. There were no non-qualifying investments as 30 April 2006.

AIM quoted Qualifying Investments	Book cost £'000	Valuation at Bid Price £'000	Unrealised gain/(loss) £'000
Tanfield Group plc	285	656	371
Cello Group plc	500	635	135
BBI Holdings plc	248	555	307
TRL Electronics plc	188	501	313
Staffline Recruitment Group plc	300	491	191
Media Square plc	303	458	155
Disperse Group plc	500	444	(56)
Autoclenz Holdings plc	425	435	10
Augean plc	500	436	(64)
Strategic Thought Group plc	194	409	215
Clarity Commerce Solutions plc	367	367	–
Access Intelligence plc	500	375	(125)
Concateno plc	500	350	(150)
Bond International Software plc	120	348	228
Zetar plc	158	296	138
Real Good Food Company plc	500	274	(226)
Sovereign Oilfield Group plc	140	265	125
SectorGuard plc	200	243	43
Brooks Macdonald Group plc	156	251	95
Top Ten Holdings plc	200	260	60
Tissue Science Laboratories plc	246	238	(8)
Ovum plc	150	156	6
Cohort plc	135	156	21
Public Recruitment Group plc	500	132	(368)
fountains plc	240	134	(106)
Invocas Group plc	80	131	51
Abcam plc	89	129	40
Plethora Solutions Holdings plc	122	117	(5)
Jelf Group plc	78	116	38
Inditherm plc	200	80	(120)
Belgravium Technologies plc	67	80	13
Asfare Group plc	95	69	(26)
4Less Group plc	200	57	(143)
Dawmed Systems plc	79	42	(37)
Screen FX plc	244	33	(211)
Bright Futures Group plc	125	21	(104)
Total Qualifying Investments	8,934	9,740	806

Ten largest holdings in Ordinary share portfolio

Tanfield Group plc

Tanfield has a range of subsidiaries that are focused on providing zero emission vehicles and industrial products. Smith Electric Vehicles is one of the largest manufacturers of electric vehicles in the world with more than 500 customers operating both in the private and public sectors. Norquip is one of the world's leading providers of ground support equipment in the form of airport service vehicles and passenger transfer units. Another Tanfield division, Aerial Access, is a manufacturer of electrically powered aerial lifts and access platforms.

<i>Initial Investment</i>	<i>December 2004</i>
<i>Cost (£'000)</i>	285
<i>Valuation at 30.04.06 (£'000)</i>	656
Equity Held	1.11%

Cello Group plc

Cello Group was created as a vehicle to identify and acquire well-established media services companies operating in niche markets. In October 2004 the company raised £15 million to complete three acquisitions, provide working capital for further growth and to float on AIM. Since November 2004, Cello has successfully completed the acquisition of further companies.

<i>Initial Investment</i>	<i>October 2004</i>
<i>Cost (£'000)</i>	500
<i>Valuation at 30.04.06 (£'000)</i>	635
Equity Held	1.59%

BBI Holdings plc

BBI develops and manufactures diagnostic tests for the point of care market. The company derives income from the manufacture and supply of gold colloids, bespoke product development for third parties and the manufacture of diagnostic tests for industry partners. In April 2006, the company acquired Alchemy Laboratories Ltd, a Dundee based company with operations in similar fields to BBI.

<i>Initial Investment</i>	<i>April 2004</i>
<i>Cost (£'000)</i>	248
<i>Valuation at 30.04.06 (£'000)</i>	555
Equity Held	2.34%

Investment Manager's Review (continued)

TRL Electronics plc

TRL Electronics, a former division of Telematrix plc, floated on AIM in July 2004 at a price of 130p per share. The company is a specialist defence electronics group focused on the protection against terrorism and subversive threats, organised crime and drug trafficking. It designs and develops a range of intercept, surveillance, electronic warfare and communications products, which are supplied to military and Government security organisations around the world. In May 2006 the company received an agreed bid from L-3 Communications, a US company, at a price of 350p per share.

<i>Initial Investment</i>	<i>July 2004</i>
<i>Cost (£'000)</i>	188
<i>Valuation at 30.04.06 (£'000)</i>	501
Equity Held	0.58%

Staffline Recruitment Group plc

Staffline is a specialist supplier of blue collar contract staff to industry. It operates 21 branches throughout the UK and through "OnSite" operations located in customers' premises. The company also runs a division called Techsearch which specialises in temporary and permanent placements in the engineering, manufacturing, IT and technical sectors.

<i>Initial Investment</i>	<i>December 2004</i>
<i>Cost (£'000)</i>	300
<i>Valuation at 30.04.06 (£'000)</i>	491
Equity Held	1.77%

Media Square plc

Media Square is the holding company for a group of businesses engaged in a diverse range of marketing communications, retail marketing services, specialist advertising services and on-line advertising. Since it floated on AIM in 2000 the company has acquired more than 16 others and is now the fifth largest quoted marketing communications and marketing services business based in the UK.

<i>Initial Investment</i>	<i>December 2003</i>
<i>Cost (£'000)</i>	303
<i>Valuation at 30.04.06 (£'000)</i>	458
Equity Held	0.69%

Disperse Group plc

Disperse Group operates in the branded cosmetics industry and comprises several divisions. One of the divisions, Disperse Technology, owns patents associated with technology concerning the absorption of cosmetic and pharmaceutical creams and lotions into the skin. Disperse also owns Elizabeth French, a designer, importer and distributor of branded cosmetic products. In June 2005 Disperse acquired Woods of Windsor, an established operator in the premium quality toiletry and home fragrance market.

<i>Initial Investment</i>	<i>July 2004</i>
<i>Cost (£'000)</i>	500
<i>Valuation at 30.04.06 (£'000)</i>	444
Equity Held	3.25%

Autoclenz Holdings plc

Autoclenz is a leading provider of valet services to automotive retailers, car auction houses, car supermarkets and car rental companies in the UK. The company also provides specialist deep cleaning and decontamination services to rail companies, prisons and the police.

<i>Initial Investment</i>	<i>December 2005</i>
<i>Cost (£'000)</i>	425
<i>Valuation at 30.04.06 (£'000)</i>	435
Equity Held	3.22%

Augean plc

Augean was incorporated in September 2004 in order to acquire assets in the waste sector. The company raised a further £100 million on AIM in November 2004 to fund the purchase of two hazardous waste landfill sites: Atlantic Waste Holdings and Zero Waste Holdings. Over the last twelve months the company has acquired Proactive Waste Solutions and Credential Hazardous Waste, both of which are leading hazardous waste treatment operators.

<i>Initial Investment</i>	<i>December 2004</i>
<i>Cost (£'000)</i>	500
<i>Valuation at 30.04.06 (£'000)</i>	436
Equity Held	0.67%

Investment Manager's Review (continued)

Strategic Thought Group plc

Strategic Thought is a technology and services company specialising in risk management. The company's enterprise risk management system is used by a number of leading companies and organisations such as NASA, Boeing, and BAE Systems. The company also has a division which is focused on the provision of high quality solutions and consultancy associated with the IBM WebSphere family of products. The company floated on AIM in July 2005 after raising £3 million. Since then the company has won a number of significant new contracts.

<i>Initial Investment</i>	<i>July 2005</i>
<i>Cost (£'000)</i>	<i>194</i>
<i>Valuation at 30.04.06 (£'000)</i>	<i>409</i>
Equity Held	0.61%

Review of 'C' share Portfolio

At 30 April 2006, the 'C' share portfolio comprised investments in 16 companies, an increase of eight compared with the figure at 31 October 2005. The portfolio of investments in AIM quoted companies at the end of the period represented a total of 33% of the 'C' share fund by net assets, with the remainder being held in money market securities. This is in line with our expectations for the portfolio at this stage. We expect to make a number of further investments in AIM quoted companies in the coming months as we progress towards the HM Revenue & Customs requirement to invest 70% of the 'C' share fund in VCT qualifying investments by 31 October 2007.

We did not dispose of any holdings over the period, although we did take advantage of an increase in the share price to reduce the holding in Sovereign Oilfield Services, which was sold at a 42% premium to the purchase price.

Eight new investments were made during the period:

Autoclenz Holdings plc

Autoclenz, founded in 1990, is the UK's leading provider of valeting services to automotive retailers, auction houses, rental companies and car supermarkets. The company floated on AIM in December 2005, having previously been a subsidiary of Yule Catto, the chemical company.

Clarity Commerce Solutions plc

Clarity is a leading supplier of management software solutions for the entertainment, ticketing, hospitality, retail and leisure sectors. The company has won large contracts from companies such as Sodexo, the global catering company.

Plethora Solutions Holdings plc

Plethora is a speciality pharmaceutical company that is focused on the development of products that are targeted at a range of urological and sexual disorders.

Jelf Group plc

Jelf provides commercial insurance, healthcare cover and financial services to small-and medium-sized businesses. The company was founded in 1989 and floated on AIM during 2004. Phoenix participated in a £4 million fundraising in February 2006 at the time of Jelf's acquisition of Goss Group, an established independent insurance broking and financial services business with four regional offices.

Ovum plc

Ovum is a leading information, communication and technology research consultancy. The company acts as a source of industry data, knowledge and expertise on the commercial impact of technology, regulatory and market changes. This data is packaged into detailed research documents and distributed through a range of bespoke and tailored products. Current clients include IBM, BT, and Vodafone as well as Government bodies such as the Department of Trade and Industry.

Invocas plc

Invocas is the leading provider of personal insolvency solutions in Scotland with a 16% share of the Protected Trust Deed market. The company has been profitable and cash generative for the past seven years. Demand in Scotland for Protected Trust Deeds, which help individuals who are having difficulty servicing their debt, grew by 14% in 2005 and is expected to grow by 20% in 2006.

Cohort plc

Cohort was incorporated to acquire Systems Consultants Services (SCS), a UK based company providing training support and equipment trials to the defence sector. The market for technical services, outside of the recently privatised government agency Qinetiq, is largely fragmented but has been consolidating. Cohort's strategy is to acquire complementary technical services companies and position them alongside the fast-growing SCS business.

BBI Holdings plc

BBI develops and manufactures diagnostic tests for the point of care market. BBI has also established a healthcare division, the lead product of which is GlucoGel, a dextrose gel that is used by diabetics. BBI completed a £3 million fund raising in May 2006 in order to complete the acquisition of its main competitor, Alchemy.

The combined book cost of these eight investments was £825,000 and the market value as at 30 April 2006 was £916,000.

Investment Manager's Review (continued)

A full list of the 'C' share qualifying investments is set out below. There were no non-qualifying investments at 30 April 2006.

AIM Listed Qualifying Investments	Book cost £'000	Valuation at Bid Price £'000	Unrealised gain/(loss) £'000
Tanfield Group plc	160	184	24
Clarity Commerce Solutions plc	183	183	–
Autoclenz Holdings plc	169	173	4
Disperse Group plc	160	160	–
Strategic Thought Group plc	68	143	75
SectorGuard plc	100	121	21
Sovereign Oilfield Group plc	62	118	56
BBi Holdings plc	93	108	15
Ovum plc	94	97	3
Cohort plc	85	98	13
Invocas Group plc	50	82	32
Plethora Solutions Holdings plc	81	78	(3)
InterQuest Group plc	75	72	(3)
Jelf Group plc	51	76	25
Abcam plc	44	65	21
Belgravium Technologies plc	23	26	3
Total Qualifying Investments	1,498	1,784	286

Ten largest holdings in 'C' share Portfolio

Tanfield Group plc

Tanfield has a range of subsidiaries that are focused on providing zero emission vehicles and industrial products. Smith Electric Vehicles is one of the largest manufacturers of electric vehicles in the world with more than 500 customers operating both in the private and public sectors. Norquip is one of the world's leading providers of ground support equipment in the form of airport service vehicles and passenger transfer units. Another Tanfield division, Aerial Access, is a manufacturer of electrically powered aerial lifts and access platforms.

<i>Initial Investment</i>	<i>May 2005</i>
<i>Cost (£'000)</i>	<i>160</i>
<i>Valuation at 30.04.06 (£'000)</i>	<i>184</i>
Equity Held	0.31%

Clarity Commerce Solutions plc

Clarity Commerce's principal activities encompass system solutions, software tools for business management, marketing and decision support applications, and IT support services. The company has secured contracts with cinema operators, hotel and restaurant networks, bar operators, sport and leisure facilities and high street retailers. The £1.95 million raised through a placing in April 2006 will be used to acquire Matra Systems, a global software and solutions provider to the retail sector, and to provide further working capital.

<i>Initial Investment</i>	<i>April 2006</i>
<i>Cost (£'000)</i>	<i>183</i>
<i>Valuation at 30.04.06 (£'000)</i>	<i>183</i>

Equity Held **1.46%**

Autoclenz Holdings plc

Autoclenz is a leading provider of valet services to automotive retailers, car auction houses, car supermarkets and car rental companies in the UK. The company also provides specialist deep cleaning and decontamination services to rail companies, prisons and the police.

<i>Initial Investment</i>	<i>December 2005</i>
<i>Cost (£'000)</i>	<i>169</i>
<i>Valuation at 30.04.06 (£'000)</i>	<i>173</i>

Equity Held **1.27%**

Disperse Group plc

Disperse Group operates in the branded cosmetics industry and comprises several divisions. One of the divisions, Disperse Technology, owns patents associated with technology concerning the absorption of cosmetic and pharmaceutical creams and lotions into the skin. Disperse also owns Elizabeth French, a designer, importer and distributor of branded cosmetic products. In June 2005 Disperse acquired Woods of Windsor, an established operator in the premium quality toiletry and home fragrance market.

<i>Initial Investment</i>	<i>June 2005</i>
<i>Cost (£'000)</i>	<i>160</i>
<i>Valuation at 30.04.06 (£'000)</i>	<i>160</i>

Equity Held **1.17%**

Investment Manager's Review (continued)

Strategic Thought Group plc

Strategic Thought is a technology and services company specialising in risk management. The company's enterprise risk management system is used by a number of leading companies and organisations such as NASA, Boeing, and BAE Systems. The company also has a division which is focused on the provision of high quality solutions and consultancy associated with the IBM WebSphere family of products. The company floated on AIM in July 2005 after raising £3 million. Since then the company has won a number of significant new contracts.

<i>Initial Investment</i>	<i>July 2005</i>
<i>Cost (£'000)</i>	68
<i>Valuation at 30.04.06 (£'000)</i>	143
Equity Held	0.21%

SectorGuard plc

Sectorguard operates in the security industry, providing businesses with manned guarding solutions, mobile patrols, key holding/ alarm response and electronic security services. The company floated on AIM in March 2002 and raised additional funds in order to pursue further acquisitions in the manned guarding industry.

<i>Initial Investment</i>	<i>August 2005</i>
<i>Cost (£'000)</i>	100
<i>Valuation at 30.04.06 (£'000)</i>	121
Equity Held	0.92%

Sovereign Oilfield Services plc

Sovereign Oilfield Group is an Aberdeen-based oil services group. The company provides engineering, fabrication and drilling services to a number of oil and gas companies in the UK and internationally. In addition, the company offers high-technology solutions that can enhance the level of oil and gas drilling and production.

<i>Initial Investment</i>	<i>September 2005</i>
<i>Cost (£'000)</i>	62
<i>Valuation at 30.04.06 (£'000)</i>	118
Equity Held	0.27%

BBI Holdings plc

BBI develops and manufactures diagnostic tests for the point of care market. The company derives income from the manufacture and supply of gold colloids, bespoke product development for third parties and the manufacture of diagnostic tests for industry partners. In April 2006, the company acquired Alchemy Laboratories Ltd, a Dundee based company with operations in similar fields to BBI.

<i>Initial Investment</i>	<i>December 2005</i>
<i>Cost (£'000)</i>	93
<i>Valuation at 30.04.06 (£'000)</i>	108
Equity Held	0.45%

Ovum plc

Ovum is a leading information, communication and technology research consultancy. The company acts as a source of industry data, knowledge and expertise on the commercial impact of technology, regulatory and market changes. The data is packaged into detailed research documents and distributed through a range of bespoke and tailored products. The company floated on AIM in March 2006 having raised £7 million to fund product development and acquisitions.

<i>Initial Investment</i>	<i>March 2005</i>
<i>Cost (£'000)</i>	94
<i>Valuation at 30.04.06 (£'000)</i>	97
Equity Held	0.40%

Cohort plc

Cohort was incorporated to acquire Systems Consultants Services (SCS), a UK based company providing training support and equipment trials to the defence sector. The company's strategy is to acquire complementary technical services companies and position them side by side with the fast-growing SCS business. The company floated on AIM in February 2006 having raised £5 million.

<i>Initial Investment</i>	<i>February 2006</i>
<i>Cost (£'000)</i>	85
<i>Valuation at 30.04.06 (£'000)</i>	98
Equity Held	0.31%

If you have any questions about the information set out in this review, please contact one of the team on 020 7710 2800.

Profit and loss account

For the six months to 30 April 2006

	Ordinary Shares £'000	'C' Shares £'000	Total £'000
Gain on disposal of investments held at fair value	138	6	144
Unrealised gain on fair value of investments	712	248	960
Investment income	92	143	235
Investment management fees	(133)	(59)	(192)
Other expenses	(83)	(31)	(114)
Profit on ordinary activities before taxation	726	307	1,033
Taxation on profit on ordinary activities	–	–	–
Profit on ordinary activities after taxation	726	307	1,033
Earnings per share	6.5p	6.5p	

Profit and loss account

For the period to 30 April 2005

	(restated)* Ordinary Shares £'000	(restated)* 'C' Shares £'000	(restated)* Total £'000
Gain on disposal of investments held at fair value	450	–	450
Unrealised gain on fair value of investments	710	–	710
Investment income	105	5	110
Investment management fees	(145)	(4)	(149)
Other expenses	(73)	(3)	(76)
Profit/(loss) on ordinary activities before taxation	1,047	(2)	1,045
Taxation on profit on ordinary activities	–	–	–
Profit/(loss) on ordinary activities after taxation	1,047	(2)	1,045
Earnings/(loss) per share	9.4p	(1.0)p	

Profit and loss account

For the period to 31 October 2005

	(restated)* Ordinary Shares £'000	(restated)* 'C' Shares £'000	(restated)* Total £'000
Gain on disposal of investments held at fair value	104	–	104
Unrealised loss on fair value of investments	(574)	(17)	(591)
Investment income	165	74	239
Investment management fees	(291)	(54)	(345)
Other expenses	(177)	(46)	(223)
Loss on ordinary activities before taxation	(773)	(43)	(816)
Taxation on loss on ordinary activities	–	–	–
Loss on ordinary activities after taxation	(773)	(43)	(816)
Loss per share	(6.9)p	(1.3)p	

*Comparative figures have been extracted from the interim results for the period ended 30 April 2005 and the statutory accounts for the period ended 31 October 2005 and have been restated in accordance with FRS21 in respect of declared dividends and FRS26 in respect of the valuation of quoted investments and the treatment of investments as at fair value through profit and loss as disclosed in note 1.

Note of historical cost profits and losses

For the six months ended 30 April 2006

	Ordinary Shares £'000	'C' Shares £'000	Total £'000
Profit on ordinary activities before taxation	726	307	1,033
Realisation of prior years' net unrealised gains on investment	18	2	20
Historical cost profit on ordinary activities before taxation	744	309	1,053
Historical cost profit on ordinary activities after taxation	744	309	1,053

Note of historical cost profits and losses

For the period ended 30 April 2005

	(restated)* Ordinary Shares £'000	(restated)* 'C' Shares £'000	(restated)* Total £'000
Profit/(loss) on ordinary activities before taxation	1,047	(2)	1,045
Realisation of prior years' net unrealised gains on investment	390	–	390
Historical cost profit/(loss) on ordinary activities before taxation	1,437	(2)	1,435
Historical cost profit/(loss) on ordinary activities after taxation	1,437	(2)	1,435

Note of historical cost profits and losses

For the period ended 31 October 2005

	(restated)* Ordinary Shares £'000	(restated)* 'C' Shares £'000	(restated)* Total £'000
Loss on ordinary activities before taxation	(773)	(43)	(816)
Realisation of prior years' net unrealised gains on investment	680	–	680
Historical cost loss on ordinary activities before taxation	(93)	(43)	(136)
Historical cost loss on ordinary activities after taxation	(93)	(43)	(136)

Balance Sheet

As at 30 April 2006

	Ordinary Shares £'000	'C' Shares £'000	Total £'000
Fixed asset investments	9,740	1,784	11,524
Current assets:			
Investments	1,665	2,976	4,641
Debtors	252	136	388
Cash	(96)	385	289
	1,821	3,497	5,318
Creditors: amounts falling due within one year	(14)	(33)	(47)
Net current assets	1,807	3,464	5,271
Total assets less current liabilities	11,547	5,248	16,795
Capital and reserves:			
Share capital	1,104	524	1,628
Share premium	323	4,550	4,873
Special distributable reserve	9,168	–	9,168
Capital redemption reserve	52	10	62
Revaluation reserve	806	229	1,035
Profit and loss account	94	(65)	29
Shareholders' funds	11,547	5,248	16,795
Net asset value per share	104.6p	100.1p	

Balance Sheet

As at 30 April 2005

	(restated)* Ordinary Shares £'000	(restated)* 'C' Shares £'000	(restated)* Total £'000
Fixed asset investments	10,056	–	10,056
Current assets:			
Investments	2,668	–	2,668
Debtors	9	–	9
Cash	474	2,691	3,165
	3,151	2,691	5,842
Creditors: amounts falling due within one year	(30)	–	(30)
Net current assets	3,121	2,691	5,812
Total assets less current liabilities	13,177	2,691	15,868
Capital and reserves:			
Share capital	1,115	260	1,375
Share premium	–	2,213	2,213
Special distributable reserve	9,615	–	9,615
Shares to be issued	–	220	220
Capital redemption reserve	7	–	7
Revaluation reserve	1,668	–	1,668
Profit and loss account	772	(2)	770
Shareholders' funds	13,177	2,691	15,868
Net asset value per share	118.2p	94.9p	

Balance Sheet

As at 31 October 2005

	(restated)* Ordinary Shares £'000	(restated)* 'C' Shares £'000	(restated)* Total £'000
Fixed asset investments	8,422	690	9,112
Current assets:			
Investments	1,865	4,030	5,895
Debtors	19	5	24
Cash	745	287	1,032
	2,629	4,322	6,951
Creditors: amounts falling due within one year	(109)	(95)	(204)
Net current assets	2,520	4,227	6,747
Total assets less current liabilities	10,942	4,917	15,859
Capital and reserves:			
Share capital	1,118	522	1,640
Share premium	54	4,438	4,492
Special distributable reserve	9,587	–	9,587
Capital redemption reserve	9	–	9
Revaluation reserve	94	(17)	77
Profit and loss account	80	(26)	54
Shareholders' funds	10,942	4,917	15,859
Net asset value per share	97.9p	94.2p	

*Comparative figures have been extracted from the interim results for the period ended 30 April 2005 and the statutory accounts for the period ended 31 October 2005 and have been restated in accordance with FRS21 in respect of declared dividends and FRS26 in respect of the valuation of quoted investments and the treatment of investments as at fair value through profit and loss as disclosed in note 1.

Cash Flow Statement

For the six months to 30 April 2006

	Ordinary Shares £'000	'C' Shares £'000	Total £'000
Net cash outflow from operating activities	(452)	(139)	(591)
Financial investment:			
Purchase of listed securities	(1,356)	(806)	(2,162)
Sale of listed securities	889	22	911
Net cash outflow from financial investment	(467)	(784)	(1,251)
Management of liquid resources:			
Return of cash investments	199	996	1,195
Financing:			
Issue of own shares	308	125	433
Purchase of own shares	(420)	(100)	(520)
Share issue expenses	(9)	–	(9)
	(121)	25	(96)
(Decrease)/increase in cash resources	(841)	98	(743)

Cash Flow Statement

For the period ended 30 April 2005

	(restated)* Ordinary Shares £'000	(restated)* 'C' Shares £'000	(restated)* Total £'000
Net cash outflow from operating activities	(8)	(2)	(10)
Financial investment:			
Purchase of listed securities	(4,070)	–	(4,070)
Sale of listed securities	1,637	–	1,637
Net cash outflow from financial investment	(2,433)	–	(2,433)
Equity dividends paid	(280)	–	(280)
Management of liquid resources:			
Return of cash investments	3,173	–	3,173
Financing:			
Issue of own shares	–	2,693	2,693
Purchase of own shares	(40)	–	(40)
	(40)	2,693	2,653
Increase in cash resources	412	2,691	3,103

Cash Flow Statement

For the period ended 31 October 2005

	(restated)* Ordinary Shares £'000	(restated)* 'C' Shares £'000	(restated)* Total £'000
Net cash (outflow)/inflow from operating activities	(129)	64	(65)
Financial investment:			
Purchase of listed securities	(4,798)	(707)	(5,505)
Sale of listed securities	2,368	–	2,368
Net cash outflow from financial investment	(2,430)	(707)	(3,137)
Equity dividends paid	(726)	–	(726)
Management of liquid resources:			
Return/(purchase) of cash investments	3,976	(4,030)	(54)
Financing:			
Issue of own shares	59	5,112	5,171
Purchase of own shares	(67)	–	(67)
Share issue expenses	–	(152)	(152)
	(8)	4,960	4,952
Increase in cash resources	683	287	970

Reconciliation of operating profit to cash flow from operating activities

For the six months to 30 April 2006

	Ordinary Shares	'C' Shares	Total
Profit on ordinary activities before tax	726	307	1,033
Gain on disposal of fixed asset investments	(138)	(6)	(144)
Unrealised gain on fair value of investments	(712)	(248)	(960)
Increase in debtors	(233)	(131)	(364)
Decrease in creditors	(95)	(61)	(156)
Net cash outflow from operating activities	(452)	(139)	(591)

Reconciliation of operating profit to cash flow from operating activities

For the period ended 30 April 2005

	(restated)* Ordinary Shares	(restated)* 'C' Shares	(restated)* Total
Profit on ordinary activities before tax	1,047	(2)	1,045
Gain on disposal of fixed asset investments	(450)	–	(450)
Unrealised gain on fair value of investments	(710)	–	(710)
Decrease in debtors	97	–	97
Increase in creditors	8	–	8
Net cash outflow from operating activities	(8)	(2)	(10)

Reconciliation of operating profit to cash flow from operating activities

For the period ended 31 October 2005

	(restated)* Ordinary Shares	(restated)* 'C' Shares	(restated)* Total
Loss on ordinary activities before tax	(773)	(43)	(816)
Gain on disposal of fixed asset investments	(104)	–	(104)
Unrealised loss on fair value of investments	574	17	591
Decrease in debtors	87	(5)	82
Increase in creditors	87	95	182
Net cash (outflow)/inflow from operating activities	(129)	64	(65)

Reconciliation of Movements in Shareholders' Funds

As at 30 April 2006

	Ordinary Shares £'000	'C' Shares £'000	Total £'000
Equity shareholders' funds as at 1 November 2005			
As previously reported	11,229	4,946	16,175
Prior year adjustment:			
Adjustment in valuation of quoted investments to bid price	(287)	(29)	(316)
As restated	10,942	4,917	15,859
Return on ordinary activities after tax	726	307	1,015
Net proceeds of share issue	299	124	423
Shares purchased for cancellation	(420)	(100)	(520)
Equity shareholders funds at 30 April 2006	11,547	5,248	16,795

Reconciliation of Movements in Shareholders' Funds

As at 30 April 2005

	Ordinary Shares £'000	'C' Shares £'000	Total £'000
Equity shareholders' funds as at 1 November 2004			
As previously reported	12,405	–	12,405
Prior year adjustment:			
Adjustment in valuation of quoted investments to bid price	(236)	–	(236)
Proposed dividend not accounted for until declared and paid	281	–	281
As restated	12,450	–	12,450
Return/(loss) on ordinary activities after tax	1,047	(2)	1,045
Dividends recognised in period	(280)	–	(280)
Shares awaiting issue	220	220	
Net proceeds of share issue	0	2,473	2,473
Shares purchased for cancellation	(40)	–	(40)
Equity shareholders funds at 30 April 2005	13,177	2,691	15,868

Reconciliation of Movements in Shareholders' Funds

As at 31 October 2005

	Ordinary Shares £'000	'C' Shares £'000	Total £'000
Equity shareholders' funds as at 1 November 2004			
As previously reported	12,405	–	12,405
Prior year adjustment:			
Adjustment in valuation of quoted investments to bid price	(236)	–	(236)
Proposed dividend not accounted for until declared and paid	281	–	281
As restated	12,450	–	12,450
Loss on ordinary activities after tax	(773)	(43)	(816)
Dividends recognised in period	(726)	–	(726)
Net proceeds of share issue	59	4,960	5,019
Shares purchased for cancellation	(68)	–	(68)
Equity shareholders funds at 31 October 2005	10,942	4,917	15,859

Notes to the interim financial statements

1. Accounting policies

The Company is required to comply with a number of new UK Financial Reporting Standards (FRSs) in presenting its financial statements for the year ending 31 October 2006. These standards have been introduced as part of the process of converging UK standards with International Financial Reporting Standards (IFRS). The financial information provided in the unaudited interim results for the six months ended 30 April 2006 has been prepared on a consistent basis with the accounting policies as disclosed in the Company's annual report and accounts for the period ended 31 October 2005 except for such changes as are required by the new FRSs. These changes arise from the adoption of FRS21 "Events after the Balance Sheet Date" and FRS26 "Financial Instruments: Measurement".

The nature and effect of these changes are explained below and the comparative figures for the period ended 30 April 2005 and the year ended 31 October 2005 have been restated accordingly.

Under FRS21, dividends to shareholders are accounted for in the period in which the company is liable to pay them rather than in the period in respect of which they are declared. Therefore, the dividend of £446,000 that was shown as proposed in the 2005 Interim Report and Accounts has been added back to the profit and loss account and deducted from creditors in the comparative figures for the period ended 30 April 2005, and has been recognised as paid in the six months ended 31 October 2005. Also the dividend of £281,000 that was proposed in the Annual Report and Accounts for the period to 31 October 2004 has been added back to the profit and loss account and deducted from creditors and recognised as paid in the six months ended 30 April 2005.

Under FRS26, quoted investments are valued at bid price rather than mid-market price. The effect of this is to decrease the valuations at which such investments are stated in the balance sheet and to decrease the unrealised gains on investments shown in the capital column of the statement of total return. This change resulted in reductions of £329,000 and £287,000 in the valuation of Ordinary share fixed asset investments at 30 April 2005 and 31 October 2005 respectively and a corresponding decrease in the unrealised revaluation reserve at those dates. This change also resulted in a reduction of £29,000 in the valuation of 'C' share fixed asset investments at 31 October 2005 and a corresponding decrease in the unrealised revaluation reserve at these dates.

The Company invests in financial assets with a view to profiting from their total return through income and capital growth. These investments are managed and their performance is evaluated on a fair value basis in accordance with a documented investment strategy. Accordingly are permitted by FRS 26, the investments as designated as at fair value through profit and loss. Unrealised gains or losses on valuations are now recognised through the profit and loss account.

The interim results for the six months ended 30 April 2006 and the period ended 30 April 2005 do not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985 and have not been audited or delivered to the Registrar of Companies. The comparative figures for the period ended 31 October 2005 have been extracted, before restatement, from the audited financial statements for that year, which have been delivered to the Registrar of Companies. The independent auditors' report on those financial statements under Section 235 of the Companies Act 1985 was unqualified.

2. Earnings per share

Ordinary Share

The earnings per share is based on a profit from ordinary activities after tax of £726,000 and on 11,116,657 shares, being the weighted-average number of shares in issue during the period (31/10/05 – £(773,000) and 11,171,000 shares & 30/04/2005 – £1,047,000 and 11,188,361 shares).

'C' Share

The earnings per share is based on a profit from ordinary activities after tax of £307,000 and on 4,699,457 shares, being the weighted-average number of shares in issue during the period (31/10/2005 – £(43,000) and 3,436,012 shares & 30/04/2005 – £(2,000) and 193,521 shares).

There are no potentially dilutive capital instruments in issue and, therefore, no diluted return per share figures are relevant.

3. Net asset value per share

The calculation of net asset value per ordinary share is based on the net assets at 30 April 2006 and on 11,036,298 (30 April 2005: 11,186,882 and 31 October 2005: 11,176,407) being the number of shares in issue at the same date. It should be noted that the value of shares awaiting issue are excluded from this calculation.

The calculation of net asset value per 'C' share is based on the net assets at 30 April 2006 and on 5,244,505 (30 April 2005: 2,603,275 and 31 October 2005: 5,221,188) being the number of shares in issue at the same date. It should be noted that the value of shares awaiting issue are excluded from this calculation.

4. The proposed interim dividend of 1.0p per share for the year ending 31 October 2006 will be paid on 7 September 2006 to shareholders on the register at the close of business on 11 August 2006.
5. Copies of this statement are being sent to all shareholders. Copies are available from the registered office of the Company at 8 Angel Court, London, EC2R 7HP.

