NewMedia SPARK

Annual Report & Accounts
Year ended 31 March 2005

Investors in Technology, Digital Media & Telecoms

About Spark

NewMedia SPARK ('SPARK') is a venture capital investor based in London and listed on the Alternative Investment Market (AIM) of the London Stock Exchange. Formed in 1999, SPARK has built up a portfolio of investments in the technology, media and telecom sectors (TMT) ranging from enterprise software to digital media and semiconductors.
As an investor, SPARK expects to add value to its investments through active support and strategic direction. Our investment approach is to make a limited number of investments in early stage companies with the objective of developing significant capital growth over the medium term. We typically take a lead investor role, own 20% or more of a company, hold a board seat and expect to invest through the growth cycle to full value. Some of our portfolio is now reaching maturity and during the year we exited from three of our private investments and substantially divested ourselves of our quoted German subsidiary.

✶ Business & Financial Highlights

11.3% growth in Net Assets
Total cash balances up to **£21.7m**
64% reduction in operating losses

- Strong growth of most significant companies within the portfolio drives 11.3% growth in Net Assets per share to 12.8p (March 2004: 11.5p)
- Substantial exits in the year put total cash balances (restricted and unrestricted) up to £21.7m (March 2004: £11.3m)
- Buy-back of 9.75 million shares at an average price of 10.7p represents a 16.4% discount to year end net asset value
- Sufficient cash reserves to continue backing successful portfolio companies and support a limited number of targeted new investments within our preferred sectors, as well as to continue buy-backs as appropriate
- 64% reduction in operating losses reflecting the full effects of the sale of a controlling stake in Spuetz AG ('Spuetz') and successful subletting of excess office space

Many of our biggest investments by value are doing very well and now looking 'oven-ready' for float or trade sale over the next year or two

Chairman's Statement

Thomas Teichman

DEAR FELLOW SHAREHOLDER

It's been a much better year. We have exited some of our older investments made five to six years ago and some more are looking rather rosy, making profits and with positive cash flows.

Many of our biggest investments by value are doing very well and now looking 'oven-ready' for float or trade sale over the next year or two. Fortunately, given the healthy level of cash we now have, we are not in a rush and can take our time building them up further to the optimum value level - and that's the way we want to be. Our single biggest investment by book value, Aspex, has seen its order book grow nicely and appears to be amongst the leaders in the emerging market place for Extreme processors, although getting adoption for this technology from customers has taken longer than expected. As it gears up, it may still absorb more of our cash resources. Also we had a few write downs but these were more than compensated for by the positive revaluations.

We've managed to extricate ourselves from our large majority holding in Spuetz in Germany, repatriating £14.3 million by way of dividend and share sale. This investment took two years to exit, even after the work involved in selling a few nice jewels from the Spuetz portfolio such as a piece of the Deutche Boerse and Tullett and Tokyo. We found operating in the public arena in Germany quite another matter from operating in the UK, with indiscriminate and costly sabotaging from minority investors making business very hard and expensive in terms of time and legal costs. Fortunately, the shareholder base of SPARK remains high quality with few major changes amongst the long term investors in our company, although we have undertaken a reasonable level of share buy-backs.

The team here has been cut to the core and we are playing ever increasing roles in managing the portfolio companies with their 'in-house' teams. This has, I believe, proved extremely useful in improving their performances and adding value.

Our property albatross seems to have now been almost lifted which is also very good news. Although we still hold a longish lease, we have paying tenants for the vast majority of our building.

So, all in all, things are looking positive with a nice backdrop in M&A and the IPO markets and a great deal of cash in the markets, we are confident that our portfolio will continue to gain value over this year.

I would like to thank John Maples and Tony Sarin, who left our Board this year, for their very valuable input during their time with us in some turbulent times and to congratulate Charles Berry and Andy Betton on their promotions to the SPARK board. They know our business very well having been with us for over four years and continue to play a key role in managing some of our investments and handling the day to day management of the SPARK business.
Also I would like to thank Jay Patel for contributing significantly to our business in India – IMI. He is spending a good deal of time there for us.

Yours sincerely,

Thomas Teichman
Chairman
3 August 2005

SPARK's maturing portfolio of investments is now beginning to deliver substantial asset sales, increasing cash balances and improvements to net asset values

Chief Executive's Review

Andrew Carruthers

OVERVIEW

The value of investments has risen by £6.6m this year (March 2004: £2.1m) as companies within the portfolio performed strongly enough to enable valuations based on earnings rather than previous funding rounds. Of this, £0.3m is shown on the face of the Profit and Loss account as a 'Gain on investments', and £6.3m as an 'Unrealised gain' on investments shown in the Consolidated Statement of Total Recognised Gains and Losses. The £0.3m gain is the net result of a £3m gain on the sale of Pricerunner offset by a series of smaller losses or write-offs, the largest of which (£1.2m) was for the sale of 24% of Spuetz.

In all, these sales raised £10.9m of cash leaving £21.7m at the year end – after operating costs, investments and share buy-backs. Of this, £2.5m is restricted in accordance with the Court's requirements following the share premium reduction, and £0.4m is a rent deposit. A further £1.1m, currently in debtors, is expected to be transferred to cash once the funds put in escrow to cover potential warranty claims from the sale of Pricerunner ends in August 2005. Just over £1m was returned to shareholders via share buy-backs which started in December.

Net operating costs after rental income have fallen by 64%, reflecting a full year's benefit of the rationalisation that took place when our holding in Spuetz was sold down so that it was no longer consolidated into the group. It also reflects the success at letting excess space at our offices in Glasshouse Street, which generated revenues of £1.2m in the year (2004: £0.5m).

COMMENTARY

Investment Values

The increased value of investments of £6.3m that have not yet been realised (i.e. sold or written off) is driven principally by four investments. In accordance with BVCA valuation guidelines, three of these have been revalued on the basis of their earnings and one on the basis of the value at which further investment has been made into the company.

Mergermarket

The largest uplift is mergermarket, a company that delivers M&A research and intelligence tools for investment banks, hedge funds, solicitors and other advisers. The business has grown its turnover in the first four months of the current year by 82% over the same period last year, has been cash flow positive since the last investment almost two years ago, and now has almost 1,000 customers across Europe and the US.

Aspex Accelera Board: A solution for acceleration of complex image & signal processing tasks.

Mergermarket invested heavily into a US launch in 2004, thereby depressing short term profitability. However, it is a substantial, cash generative business, now showing operating profits at group level and it has substantial cash reserves (47% up on prior year) enabling us to increase the value of our 26.8% holding by £5.7m to £8m.

FootFall

The value of our investment in FootFall has also increased this year. Following four years of 60% compound sales growth and a second year of profits, we are now increasing the carrying value of our 17.46% holding in this business by £1.3m to £3.8m. FootFall provides counting solutions for pedestrian traffic ('footfall') in retail environments and is the market leader in Europe and Asia. More than 50% of income is attributable to recurring contracts, usually with blue chip customers, whose renewal rate is close to 100%. It has sold eight out of the ten biggest people counting systems outside the US and addresses a market that is less than 5% penetrated in the developed countries, therefore offering significant growth potential.

Firebox

Firebox has also reported another good year. On the basis of revenues up by 28% on the prior year and a third year of profits (up by 62% on prior year), the valuation of this business has also been adjusted up by £0.8m to £1.5m for our 29.4% holding.

IMI

The final positive revaluation of substance relates to IMI, a business providing content management systems and data services for mobile operators and major internet portals in India. Whilst this has been an investment in our portfolio since July 2000, it was only in September 2004 that IMI Mobile (a division of IMI) began to generate meaningful revenues from its activities in the mobile arena. The company has relationships with major Indian operators and media owners, and is witnessing a rapid growth in revenues from them as they build their services. Whilst revenues were a modest $2m for the year to March 2005 with operating profit margins of 25%, two months into the new financial year, the revenue run-rate is already twice this level and generating higher operating profit margins. In view of this growth, SPARK has agreed to invest a further £1.4m into IMI to fund its expansion into new territories and services - only a part of which had been invested at the year end. Last year, our 35.7% holding in this business had a legacy value of £0.3m, so the valuation of this stake has been raised by £0.9m to reflect the value being placed on the business in the new round of funding.

Written down investments

Against these positive valuation movements, our 38% holding in Synaptic has been written down by £1.9m to £1m. Synaptic Systems is a mature, profitable business providing research and product information services for financial planning professionals such as Independent Financial Advisers (IFA). Whilst this is a cash generative company that has in the past paid dividends, a recent slow down in the IFA market has had a corresponding effect on Synaptic Systems. Whilst the company has adapted its business to this new environment and is exploring some promising new markets, we have taken the view that its valuation does not reflect the fact that the business is no longer in a growth market. Apart from this, the only other material write down for the year was of our remaining holding in Spuetz. In line with our 'mark to market' valuation policy for quoted investments the investment was written down by £0.4m.

Chief Executive's Review

continued

Other large investments

The remaining larger investments, such as Aspex Semiconductor, Kobalt Music Group and DX3, are valued at their previous carrying values, adjusted only for the cost of any further investment. Nonetheless, they have all made substantial progress. The largest of these is Aspex Semiconductor into which SPARK invested a further £2m in the year. The company has continued to gain customers both for its embedded chips and, more recently, for its accelerator boards that can be sold on a shorter sales cycle. As Aspex Semiconductor begins to move from selling evaluation kits to fulfilling volume orders, the requirement for further products and working capital increases. In view of this, we are exploring sources of investment for the business to assist us in the proper capitalisation of an increasingly substantial operation.

In addition, both Kobalt Music Group and DX3 Technologies have made significant progress in the year with Kobalt Music Services signing up administration contracts for Gwen Stefani and Eminem's co-writers amongst others, and DX3 obtaining some of the first major catalogues of rights-cleared content for distribution to mobile phones.

Exits

As noted in the interim results, the current year has seen the first substantial cash exit from an investment made as a start-up. After five years and a total investment of $8.7m (from all investors, including SPARK), Pricerunner, our price comparison business, was sold to Valueclick Inc. for between $30m and $36m depending on the outcome of an earn-out. SPARK's 40.6% holding in this business was valued at £3.5m at March 2004, and our current expectation remains that we will have received £6.5m at the end of the escrow period in August 2005. Of this amount, £5.4m has been received during the year, with £1.1m held in debtors. In addition, in November 2004 a 24% stake in Spuetz was sold for £4.3m and withholding taxes of £1.8m were recovered from the German tax authorities.

Another £1.2m was raised from sales (Intelligent Apps, Safelogic), loan repayments (Kobalt and Insurancewide) or liquidation (Linkguard) of certain smaller assets. Taken together, these realisations have substantially strengthened SPARK's cash reserves, enabling the initiation of share buy-backs whilst also ensuring sufficient financial strength to promote the value of other assets in the portfolio.

Looking forward, the prospects for further exits over the coming year look promising, assuming a stable economic environment. With the passage of time, proportionately more of the assets in our portfolio are gaining the scale and strategic significance to achieve valuations similar or larger to that achieved on the Pricerunner exit. A number of them are receiving approaches from trade buyers, and others, such as FootFall, are evaluating these along with an acquisition strategy funded by an approach to the public capital markets. Combined with our existing cash balances, any proceeds received from exits during the year should support a limited number of new investments in our preferred technology and media sectors.

Kobalt administers global superstar Eminem producers' Luis Resto & Steve King/8 Mile Style.

Operations

The rationalisation of the Group has been in place sufficiently long now for the benefits to be visible in the Financial Statements. Operating costs have fallen to £3.5m for the year including £1.1m of property costs (net of a £0.5m property provision release). Rental income has risen to £1.2m as the serviced office space within 33 Glasshouse Street has approached full occupancy, reducing the total operating costs for the year, net of property income, to £2.2m. Ninety percent of the difference between this and the £6.1m equivalent for the prior year can be explained by the cost of discontinued operations in Germany, with the remainder reflecting the success at letting out the office space.

With this substantial rationalisation of both the property and the issues with Spuetz, the volume and complexity of the tasks outside portfolio management have reduced. Accordingly, we have been able to manage our headcount down to just five full time staff.

CONCLUSION

SPARK's maturing portfolio of investments is now beginning to deliver more substantial asset sales, increasing cash balances and improvements to net asset values from a modest operating base. With stable markets we are confident that we will be able to continue this process whilst taking advantage of good quality investment opportunities as they arise. We would also look to continue using cash reserves to fund buy-backs on the basis that SPARK's share price at the time of writing (10.5p) is at a significant discount to net assets.

Andrew Carruthers
Chief Executive
3 August 2005

At 31 March 2005 the SPARK group is in its best financial position for many years

Financial Review

Andrew Betton

At 31 March 2005 the SPARK group is in its best financial position for many years. Substantially all of the Group's cash is available for investment and other purposes from the UK and our investment portfolio is maturing, thereby adding significant value to the Group. Our operating costs have also fallen significantly following the deconsolidation of Spuetz, the success in running Glasshouse Street as a serviced office and further headcount reductions.

On a consolidated basis, the Group closed the year with cash balances of £21.7m, £18.8m of which is unrestricted (2004, £10.9m), an investment portfolio valued at £35.0m (2004, £41.7m), and equity shareholders' funds of £58.0m (2004 restated, £53.0m). The loss before tax amounted to £1.0m (2004 restated, £4.0m).

During the year, the Group sold its stake in Pricerunner for estimated total proceeds of £6.5m compared with a book value at 31 March 2004 of £3.5m, thereby realising a £3.0m profit and reduced its effective ownership of Spuetz from 37% to 12% on which a loss of £1.2m was realised in the profit and loss account.

Further substantial progress has been made with the serviced office arrangement with Corpnex, particularly following their acquisition by HQ Executive Offices, one of the leading providers of serviced office space in Central London. The building is now effectively fully let and generated income in the year of £1.2m compared with £0.5m in the prior year – a 120% increase. Accordingly, the balance of the vacant space provision originally made in the 2003 accounts of £0.5m has been utilised.

Following last year's AGM at which shareholder approval was obtained to restructure the Capital and Reserves section of the SPARK balance sheet, SPARK obtained the permission of the Court and in December 2004, after the closed period for our interim results, began the process of buying SPARK shares. By the year end SPARK had bought 9.75m shares for a total price of £1.0m and an average price of 10.7 pence per share which represents a substantial (16.4%) discount to the year end net asset per share value. As appropriate, the Board intends to continue the share buy-back policy to further enhance net assets per share, thereby benefiting all shareholders.

Andrew Betton
Finance Director and
Company Secretary
3 August 2005

Portfolio Highlights

The value of investments has risen by £6.6m this year as companies within the portfolio performed strongly

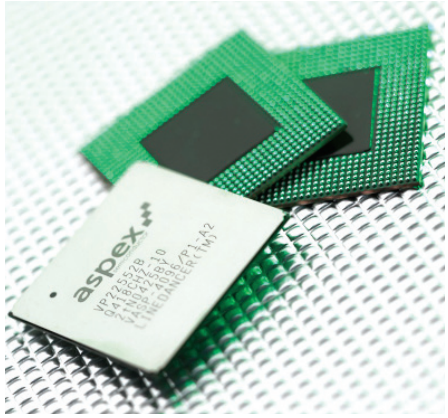
Andrew Carruthers, Chief Executive

BUSINESS: Semiconductors | INVESTMENT VALUATION: £11.2m | SPARK SHAREHOLDING: 68.4%

Aspex Semiconductor continues to develop and grow its customer base, selling increasing volumes of its Linedancer chips and PC plug-in boards to customers in the professional imaging market. Customers switching to Aspex's products are typically taking advantage of a substantial reduction in hardware cost, reduced development effort, higher performance, and increased flexibility due to Aspex's high performance, fully software programmable solutions.

Da Vinci Systems Inc. has incorporated Aspex's Linedancer chips into its Resolve RT products, where the high-performance processors enable real-time processing of high-definition digital cinema images. With the new Aspex-powered system, Da Vinci's customers can perform interactive colour correction of full resolution images, reducing their post-production time and enabling them to perform more complex colour enhancements.

Aspex now has 16 customers within the $3bn professional image processing market that it is targeting. Linedancer HD, which will be released to manufacturing later in 2005, is the next step in the company's detailed product roadmap. In the future, Aspex will be producing further versions of its chips targeted at more specific application areas, as well as higher volume opportunities in the prosumer and consumer markets. The Linedancer HD device will once again be manufactured by Philips Semiconductors under an extension of an extensive manufacturing and supply agreement struck in March 2003.



BUSINESS: M&A Research | INVESTMENT VALUATION: £8.0m | SPARK SHAREHOLDING: 26.8%

Mergermarket continues to grow and develop ahead of our expectations. The company generates and delivers research and intelligence to around 1,000 customers across Europe and the US, including the leading investment banks, law firms, accountants, and hedge funds. The company has the largest dedicated team of mergers and acquisition journalists, and covers Europe and the Americas with its three main products:

Mergermarket – a comprehensive intelligence database of opportunities covering the European and North American market. The company processes intelligence from public sources and the team of journalists in Europe and North America also generate original and proprietary intelligence.

Users can access current intelligence on subjects such as companies looking to buy or sell, takeover rumours, and situations in the news. All new intelligence can be emailed pro-actively to the user as it comes in. Mergermarket produces detailed league tables, adviser and individual profiles, as well as offering a full search of its comprehensive deal database.

DealReporter – this product incorporates much more detail on situations in the news, the team track the strategic intent of corporates and evaluate market rumours of anticipated transactions. Once a deal is announced, they focus on delivering insights on the factors affecting the likelihood of completion in each situation, such as legal or regulatory issues, rival bidders, shareholder sentiment, financing, etc.

For event driven buy side clients dealReporter also tracks any special situation which may have an impact on a company's share price.

Debtwire – this product provides actionable intelligence and research on high yield and distressed credits. The team analyze each situation to identify the most pertinent issues such as potential capital markets, M&A activity, renegotiation of credit lines or likelihood of full restructuring and deliver insights on each issue from informed sources.

Portfolio Highlights continued

FootFall

BUSINESS: Pedestrian counting | INVESTMENT VALUATION: £3.75m | SPARK SHAREHOLDING: 17.5%

FootFall Limited provides information on the numbers of shoppers ('footfall') in retail environments (retail outlets, retail parks, shopping centres). Initially a technology company developing and selling counters based on video imaging technology, FootFall changed its business model in 2000 to one of acquiring, analysing and delivering data on pedestrian traffic to landlords and retailers. In return for installing the counting infrastructure (cameras, cabling, PC's), FootFall receives three to five year contracts for the provision of count data. This enables the company to deliver a consistent supply of high quality reports as a base level product. Over time, the company has been able to offer new measurement services to the base product such as year on year comparisons, comparisons against average for the relevant retail sector, integration of till data to show conversion ratios (i.e. numbers of browsers becoming buyers). In addition, as the company has become the market leader in Europe and Asia, it has been able to aggregate this information to publish national and regional indices of retail performance which it supplies to clients both in the retail sector and beyond, such as the Bank of England, the financial sector and other research publishers. The business is forecasting revenues of £10m this year and by virtue of the renewable income and the new sales already booked they have orders for 60% of this after one quarter.

Footfall has made counting pedestrian traffic a key retail performance indicator.

Firebox.com

BUSINESS: Gadget e-tailer | INVESTMENT VALUATION: £1.45m | SPARK SHAREHOLDING: 29.4%

Firebox.com has reported another good year in 2004, with revenues up 28% and profit up 62% on the previous year making it the company's third year of profits. The founders' original idea of selling cool gadgets and games online has proved durable. A key element has been the 'publicity driven' appeal of the products themselves. From their own original shot-glass chess set, many have sold themselves, generating plenty of free PR.

The company continues to win recognition for itself; it has been included in The Sunday Times Virgin Atlantic Fast Track Top 100 (13th) and the Real Business Hot 100 fastest growing companies 2005; and its recent press coverage includes such complements as "Firebox.com is to retro toys what Tiffany's is to diamonds".

The company's current bestselling items include: the Firebox Cyberphone allowing people to make use of VoIP; deluxe Star Wars lightsabers; and "20 Q" – a handheld toy that Firebox was first to sell in the UK.

One exciting future development for Firebox will come from Perplexcity, a new entertainment concept that is part game, part story built around a series of interlinked puzzles spanning mysterious websites, cryptic phone calls, stray emails, hidden messages and live events in random cities around the world.

Lightsaber, one of the leading products from Firebox.

Kobalt

BUSINESS: Music publisher | INVESTMENT VALUATION: £2.2m | SPARK SHAREHOLDING: 27.0%

Kobalt, the music publisher that offers writers and artists fast, transparent and accurate royalty collection, has had another year of strong revenue growth with royalty revenue over double the prior year. The Group continues to extend its roster signing up writers and artists that include: Gwen Stefani; Eminem's co-writers; Rick Wake; and Nine Inch Nails. These artists and their agents and lawyers are spreading the benefits of Kobalt by word of mouth and the company has now importantly gained key recognition in the US market, and was even featured on the cover of Billboard magazine.

The company has also been successful in attracting new investment to fund its growth. In addition to funds from SPARK which were invested in the last year principally to fund advances on publishing rights, Kobalt has just closed a £1,000,000 financing round.

A key area of investment for Kobalt's growth is in expanding its system to incorporate collection of rights from music that is sold digitally, either via services such as iTunes or sales to mobile phones.

Gwen Stefani

DX3

BUSINESS: Digital entertainment | INVESTMENT VALUATION: £0.8m | SPARK SHAREHOLDING: 58.0%

DX3 provides a delivery platform for the legal distribution of digital media with a particular emphasis on music and music video. DX3 delivered the first legal music download in Europe in July 2001 at a time when illegal file-sharing was becoming increasingly widespread. Since then, growth in the legal download market has been held back by a combination of the music industry's reluctance to commit to a coherent digital strategy, the slow roll out of broadband internet connections and unrealistically high pricing of downloads. However, since the launch of Apple's iTunes service in April 2003 (June 2004 in the UK) and the resolution of these inhibiting market factors, the volume of music tracks being sold in the UK as legal digital downloads has increased from 400,000 in the first four months of 2004 to 5.7m in the equivalent period in 2005.

In April 2005, DX3 acquired Black Shark Media, and with it, the additional capacity to deliver 'rights cleared' video and audio content from major record companies and leading independent labels to mobile handsets, PDAs and other wireless devices. The first of these services has been launched through Opera Telecom with a series of other launches to follow in July/August 2005. With a market for low quality ringtones in the UK alone worth £70m per annum, the company expects sales of a wider range of digital entertainment content to grow substantially over the next five years due to the rapid penetration of key European, Asian and US markets of handsets with significantly greater storage and playback capabilities than today's models. DX3 is in a strong position to grow rapidly.

IMImobile

BUSINESS: Mobile communications | INVESTMENT VALUATION: £1.8m | SPARK SHAREHOLDING: 35.8%

IMISoftware is a fast growing Indian based company serving global clients. The company has an engineering software division that was established in 1988 which has grown steadily and a mobile division established in 1999 that is now experiencing rapid growth.

The mobile division "IMImobile" is a global end to end enabler of mobile Value Added Services ("VAS"). It creates and supplies a range of technology platforms and applications that enable all the players in the value chain to deploy value added services quickly and cost effectively.

IMImobile has established itself as one of the leading players in the mobile VAS space in India with clients such as Airtel, India's leading mobile operator and Star TV, India's leading broadcaster. It also has over the last year developed relationships with most of the leading Indian mobile operators and media owners including Yahoo, Hutch and Sony. Internationally it has recently started marketing services and has had success in the Far East, Middle East and the Caribbean.

The company is profitable with revenues of just over $2m in the last financial year and with like-for-like revenues for the current year at least 100% greater than the previous year. The company employs over 150 people and has offices in Hyderabad, Delhi, Mumbai, London and Atlanta.

✶ Board of Directors & Advisers

Thomas Teichman (57)
CHAIRMAN
Tom was previously Chairman of NewMedia Investors Ltd, which he founded in 1996 and which merged into NewMedia SPARK in 2000. Tom has over 30 years of venture capital and investment banking experience with firms including Bankers Trust, Credit Suisse and Nesbitt Burns. He has raised over £5bn for companies and has backed many successful early stage businesses, many from start up, all the way to flotation (London and NASDAQ). He was on the Boards of most of these for several years. These include ARC, lastminute.com, Argonaut, Dialog, System C Healthcare, Wellington Pub Company and Libertas Capital. The total value of exits in the public markets of these companies exceeds £1bn. He has extensive venture capital experience in technology ranging from on-line information, telecoms, video games and chip design to travel and software for healthcare and retailing. Appointed to the Board on 20th October 1999.

Andrew Carruthers (38)
CHIEF EXECUTIVE OFFICER
Andrew sits on the Board of FootFall, Aspex Semiconductor, DX3 and NMH, leading SPARK's active participation in their development over the last five years. He also led the sale of Pricerunner to Valueclick for $30m having been on the board of that company since 2002. He was previously a Director of NewMedia Investors responsible for capital raising and corporate finance for a range of technology businesses including lastminute.com. Prior to that he was involved in the operational management of technology and finance as a Director or Founder of online information, TV and digital distribution companies in the US and UK. He qualified as an accountant with KPMG. Appointed to the Board on 27 September 1999.

Jayesh Patel (36)
EXECUTIVE DIRECTOR
Jay was part of the founding team at SPARK and has been responsible for many investments including Kobalt, Firebox, Elata and IMIsoftware. He led the creation of a serviced office at Glasshouse Street and the sale of a substantial stake in Spuetz as well as many other minor disposals. He is currently focused on opportunities in the mobile sector and India. He was previously a Director of NewMedia Investors and held executive positions at UBS Warburg and BSkyB. He qualified as a Chartered Accountant with KPMG and holds degrees from INSEAD and the London School of Economics. Appointed to the Board on 30 January 2004.

Charles Berry (34)
EXECUTIVE DIRECTOR
Charles represents SPARK as a Director at Aspex, mergermarket, Kobalt, and Insurancewide.com. His areas of interest cover software, internet and next generation communications, such as WiMax and UWB. He has also been involved with SPARK's investments in Pricerunner (sold to ValueClick), Safelogic (sold to Jasper Design Automation), and IntelligentApps (sold to Sage). Charles joined SPARK in February 2001 from Gameplay.com, the online games retailer and had previously worked in investment banking with SG Hambros and in strategy consulting with The COBA Group. He was sponsored through his first degree, a MEng at Oxford University, by the Ministry of Defence and also holds a MSc in Finance from London Business School. Appointed to the Board on 16 September 2004.

Andrew Betton (34)
FINANCE DIRECTOR AND COMPANY SECRETARY
Andy was the Group Financial Controller of SPARK from December 2000 to August 2003 when he became the Company Secretary and Finance Director responsible for all SPARK's financial, taxation and company secretarial affairs. Prior to joining SPARK he gained six years' extensive audit, accountancy and taxation experience in an accountancy practice followed by two years' commercial experience in a quoted shipbroking firm. Andy qualified as a Chartered Accountant in 1996 and holds an economics degree from the University of Cambridge. Appointed to the Board on 5 May 2005.

Michael Whitaker (50)
NON-EXECUTIVE DIRECTOR
Michael was formerly co-founder and CEO of Collins Stewart, the investment bank. He has been instrumental in advising and funding a substantial number of high technology companies, both private and quoted and has extensive corporate finance and stockbroking experience. Prior to Collins Stewart, Michael was a leading technology analyst with the stockbroking firm Simon & Coates. Michael was the CEO of SPARK from its founding in September 1999 until he stepped down to become a non-executive director on 16 September 2004. Appointed to the Board on 27 September 1999.

David Potter (61)
NON-EXECUTIVE DIRECTOR
David is the former Deputy Chairman of Investec Bank UK. Prior to this he was Group CEO of Guinness Mahon Group. Between 1981-1989, David was a Managing Director of Samuel Montagu, Midland Montagu and Midland Global Corporate Banking (now HSBC). David was also a Managing Director of CSFB and its predecessor companies (1969-1981). David is currently non-executive Chairman of Solar Integrated Technologies and a non-executive director of Noble Group and Infocandy. He is Treasurer of Kings College London, a Council member of The Centre for the study of Financial Innovation, Chairman of the National Film and TV Foundation and a trustee of the Nelson Mandela Children's Fund UK and Worldwide Volunteering for Young People. Appointed to the Board on 21 March 2002.

REGISTERED OFFICE
Lacon House
Theobald's Road
London WC1X 8RW

BANKERS
The Royal Bank of Scotland plc
Abbey Gardens
4 Abbey Street
Reading
Berkshire RG1 3BA

SOLICITORS
Nabarro Nathanson
Lacon House
Theobald's Road
London WC1X 8RW

AUDITORS
Deloitte & Touche LLP
Hill house
1 Little New Street
London EC4A 3TR

REGISTRARS
Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

BROKERS
Collins Stewart
88 Wood Street
London EC2V 7QR

✶ Directors' Report

The Directors present their annual report and the audited financial statements for the year ended 31 March 2005.

Activity

The principal activity of NewMedia SPARK plc is the making of investments in early stage companies in the technology, media and telecommunications sectors primarily in the UK.

Review of developments

In the year ended 31 March 2005, NewMedia SPARK Holdings Gmbh (a wholly owned subsidiary of NewMedia SPARK plc) sold 1,300,000 shares in Spuetz to a third party for consideration of €6.2m. Spark Investors AB (a wholly owned subsidiary of NewMedia SPARK plc) sold its shares in Pricerunner AB to ValueClick Inc for estimated total proceeds of £6.5m of which £5.3m was received in the year.

Significant events in the SPARK portfolio are discussed within the Portfolio Highlights and Chief Executive's Review. Other significant financial events are discussed in the Financial Review.

Dividends

The Directors do not propose a dividend for the year ended 31 March 2005 (2004, £ nil).

Future prospects

NewMedia SPARK plc will focus on growing value for shareholders by keeping costs as low as possible, growing cash reserves, making a limited number of further investments which we believe will add to shareholder value over the medium term, undertaking further share buy-backs at prices below net asset value per share and developing and extracting value from our portfolio of investments.

Share price

The average share price of NewMedia SPARK plc quoted ordinary shares in the year ended 31 March 2005 was 10.49 pence. In the year the share price reached a maximum of 12.52 pence and a minimum of 8.83 pence. The closing share price on 31 March 2005 was 10.9 pence.

Directors and their interests

The Directors serving during the year ended 31 March 2005 had the following beneficial interests in the share capital of the Company:

	Ordinary shares		Options (1)	
	2005 No.	2004 No.	2005 No.	2004 No.
TA Teichman (2)	**14,729,138**	24,330,954	**840,000**	840,000
MK Whitaker (3)	**18,880,551**	18,880,551	**840,000**	840,000
CR Berry	**–**	–	**287,968**	287,968
AB Carruthers (4)	**5,307,240**	2,800,000	**1,280,000**	840,000
JR Patel	**400,000**	400,000	**929,194**	839,194
TD Sarin	**270,000**	270,000	**250,000**	250,000
JC Maples	**–**	–	**250,000**	250,000
DRW Potter	**230,000**	230,000	**250,000**	250,000

The figures for the previous year given above for CR Berry are at the date of his appointment to the Board. The figures for the current year for TD Sarin and JC Maples are as at 16 September 2004, the date of their resignations from the Board.

1 Options were granted under the SPARK Unapproved Share Option Schemes through the SPARK Employee Benefit Trust with an exercise price of 2.5p per option. No directors exercised options during the year. These options expire on 31 December 2011.
2 TA Teichman is interested in 14,729,138 ordinary shares held by Grangeleigh Ltd on behalf of the trustees of The Montana Trust of which he is a beneficiary.
3 Grey Holdings sprl, in which MK Whitaker is beneficially interested, owns 13,133,320 ordinary shares and 1.65% of the relevant share capital; and Sun Life Pension Management a/c 380, in which MK Whitaker is beneficially interested, owns 5,747,231 ordinary shares.
4 These ordinary shares and warrants are held by the trustees of the Carruthers Retirement Annuity Trust of which A.B. Carruthers is a beneficiary.

The interest in the share capital of SPARK for T Teichman has fallen in the year because in July 2004, Glasshouse Associates Ltd, a company controlled, but not wholly owned, by Mr Teichman, distributed the 21,450,954 shares held in SPARK to its shareholders following a solvent liquidation. Grangeleigh (see note 2 above) received 11,349,138 shares from this distribution and the Carruthers Retirement Annuity Trust received 2,257,240.

Suppliers
The Group agrees payment terms and conditions with individual suppliers which vary according to the commercial relationship and the terms of the agreements reached. It is the policy of the Group that, whenever possible, payments to suppliers are made in accordance with the terms agreed. The average time taken to pay purchase invoices by the Company is 28 days (2004, 35 days).

Auditors
A resolution to re-appoint Deloitte & Touche LLP as the Company's auditor will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board

ADN Betton
Company Secretary and Finance Director
3 August 2005

Statement of Directors' responsibilities

United Kingdom Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss of the Group for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group, and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

✶ Independent Auditors' Report to the Members of NewMedia SPARK plc

We have audited the financial statements of NewMedia SPARK plc for the year ended 31 March 2005 which comprise the consolidated statement of total recognised gains and losses, the reconciliation of movement in consolidated equity shareholders' funds, the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement, the notes to the consolidated cash flow statement, and the related notes 1 to 20. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As described in the statement of Directors' responsibilities, the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the Directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the Company and other members of the Group is not disclosed.

We read the Directors' report and the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 March 2005 and of the loss of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London
3 August 2005

Notes: An audit does not provide assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular on whether any changes may have occurred to the financial statements since first published. These matters are the responsibility of the Directors but no control procedures can provide absolute assurance in this area. Legislation in the United Kingdom governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions.

✶ Consolidated Statement of Total Recognised Gains & Losses

year ended 31 March 2005

	Note	Year ended 31 March 2005 £'000	Year ended 31 March 2004 Restated £'000
Loss for the year		**(966)**	(3,446)
Unrealised gain on investments	18	**6,280**	6
Movement in relation to own shares of subsidiary		**–**	(601)
Reserve transfer on lapse of warrants		**–**	8,391
Foreign currency translation		**460**	(907)
Total recognised gains and losses for the year		**5,774**	3,443
Prior year adjustment (see note 1)		**(630)**	
Total recognised gains and losses since the last Annual Report		**5,144**	

✶ Reconciliation of Movements in Consolidated Equity Shareholders' Funds

year ended 31 March 2005

	Note	Year ended 31 March 2005 £'000	Year ended 31 March 2004 Restated £'000
Loss for the year		**(966)**	(3,446)
Other recognised gains and losses for the year		**6,740**	6,889
Reversal of amortisation of own shares		**217**	286
Reduction in capital reserve on lapse of warrants		**–**	(8,391)
Own shares purchased	18	**(1,043)**	–
Proceeds of issues of shares	17	**75**	6
Net reduction to equity shareholders' funds		**5,023**	(4,656)
Opening equity shareholders' funds – as previously reported		**53,603**	58,545
Impact of change in accounting policy		**(630)**	(916)
Opening equity shareholders' funds – restated		**52,973**	57,629
Closing equity shareholders' funds		**57,996**	52,973

✶ Consolidated Profit & Loss Account

year ended 31 March 2005

	Note	Year ended 31 March 2005 £'000	Year ended 31 March 2004 Restated £'000
Turnover		–	639
Administrative expenses:			
Salaries and other staff costs	4	**(1,373)**	(2,155)
Administrative and operating costs		**(1,531)**	(3,340)
Depreciation	9	**(222)**	(574)
Other costs		**(328)**	(1,339)
Total administrative expenses		**(3,454)**	(7,408)
Other operating income		**1,258**	634
Operating loss	5	**(2,196)**	(6,135)
Gain on investments		**321**	2,119
Loss on disposal of subsidiary		**–**	(1,177)
Interest receivable and similar income	6	**909**	1,217
Loss on ordinary activities before taxation		**(966)**	(3,976)
Tax on loss on ordinary activities	7	**–**	139
Loss on ordinary activities after taxation		**(966)**	(3,837)
Equity minority interests		**–**	391
Retained loss for the year	18	**(966)**	(3,446)
Basic and diluted loss per ordinary share	8	**(0.21p)**	(0.75p)

✶ Consolidated Balance Sheet

as at 31 March 2005

	Note	31 March 2005 £'000	31 March 2004 Restated £'000
Fixed Assets			
Tangible fixed assets	9	**848**	1,059
Investments	10	**35,013**	41,693
		35,861	42,752
Current Assets			
Debtors	12	**2,351**	5,737
Restricted cash	12	**2,869**	413
Cash at bank and in hand		**18,815**	10,860
		24,035	17,010
Creditors: amounts falling due within one year	13	**(1,711)**	(6,046)
Net current assets		**22,324**	10,964
Total assets less current liabilities		**58,185**	53,716
Provisions for liabilities and charges	14	**(189)**	(743)
Net Assets	3	**57,996**	52,973
Capital and reserves			
Called up share capital	17	**11,818**	11,799
Share premium account	18	**39,693**	183,371
Own shares held by Employee Benefit Trust		**(413)**	(630)
Revaluation reserve	18	**(24,103)**	(41,566)
Profit and loss account	18	**31,001**	(100,001)
Equity shareholders' funds		**57,996**	52,973
Net asset value per share		**12.8p**	11.5p

	Number '000	Number '000
Ordinary shares in issue	**472,736**	471,986
Shares held in Treasury	**(9,750)**	–
Shares held by Employee Benefit Trust	**(9,569)**	(10,675)
Shares in issue for net asset per share calculation	**453,417**	461,311

These financial statements were approved by the Board of Directors on 3 August 2005.
Signed on behalf of the Board of Directors

AB Carruthers
Chief Executive Officer

✶ Company Balance Sheet

as at 31 March 2005

	Note	31 March 2005 £'000	31 March 2004 Restated £'000
Fixed Assets			
Fixed asset investments	10	**29,030**	18,666
Investments in subsidiary undertakings	11	**109,518**	111,018
		138,548	129,684
Current Assets			
Debtors	12	**5,274**	18,601
Restricted cash	12	**2,869**	413
Cash at bank and in hand		**18,039**	10,209
		26,182	29,223
Creditors: amounts falling due within one year	13	**(109,112)**	(110,141)
Net current liabilities		**(82,930)**	(80,918)
Total assets less current liabilities		**55,618**	48,766
Provisions for liabilities and charges	14	**(189)**	(743)
Net Assets		**55,429**	48,023
Capital and reserves			
Called up share capital	17	**11,818**	11,799
Share premium account	18	**39,693**	183,371
Revaluation reserve	18	**(501)**	(12,572)
Own shares held by Employee Benefit Trust		**(413)**	(630)
Profit and loss account	18	**4,832**	(133,945)
Equity shareholders' funds		**55,429**	48,023

These financial statements were approved by the Board of Directors on 3 August 2005.
Signed on behalf of the Board of Directors

AB Carruthers
Chief Executive Officer

✶ Consolidated Cash Flow Statement

year ended 31 March 2005

	Note	31 March 2005 £'000	31 March 2004 £'000
Net cash outflow from operating activities	A	**(1,993)**	(8,533)
Return on investments and servicing of finance			
Interest received		**909**	1,217
Dividend received		**5,787**	–
Net cash inflow from returns on investments and servicing of finance		**6,696**	1,217
Taxation			
UK Corporation Tax paid		**–**	(150)
Overseas Tax paid		**(279)**	(331)
Net cash outflow from taxation		**(279)**	(481)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		**(16)**	(308)
Proceeds from disposal of fixed assets		**5**	54
Payments to acquire investments		**(3,990)**	(4,212)
Receipts from sales of investments		**10,856**	3,523
Net cash inflow/(outflow) from investing activities		**6,855**	(943)
Acquisitions and disposals			
Sale of subsidiary undertaking		–	9,061
Net cash sold with subsidiaries		**–**	(37,301)
Net cash outflow from acquisitions and disposals		**–**	(28,240)
Net cash inflow/(outflow) before financing		**11,279**	(36,980)
Financing			
Issue of ordinary share capital		**75**	6
Purchase of own shares		**(1,043)**	–
Transfer into restricted cash in accordance with Court Order		**(2,437)**	–
Purchase of own shares by subsidiary		**–**	(2,462)
Net cash outflow from financing		**(3,405)**	(2,456)
Increase/(decrease) in cash in the year	B, C	**7,874**	(39,436)

✶ Notes to the Consolidated Cash Flow Statement

year ended 31 March 2005

Note A
Reconciliation of operating loss to net cash outflow from operating activities

	Year ended 31 March 2005 £'000	Year ended 31 March 2004 £'000
Operating loss	**(2,196)**	(6,135)
Depreciation charge	**222**	574
Decrease in debtors	**4,766**	2,782
Decrease in creditors	**(4,873)**	(5,924)
Non-cash remuneration	**88**	170
Net cash outflow from operating activities	**(1,993)**	(8,533)

Note B
Reconciliation of net cash flow to movement in net funds

	Year ended 31 March 2005 £'000	Year ended 31 March 2004 £'000
Increase/(decrease) in cash in the year	**7,874**	(39,436)
Foreign exchange differences	**81**	(1,693)
Movement in net funds in the year	**7,955**	(41,129)
Opening net funds	**10,860**	51,989
Closing net funds	**18,815**	10,860

Note C
Analysis of changes in net funds

	31 March 2004 £'000	Cash-flows £'000	Foreign exchange differences £'000	31 March 2005 £'000
Cash at bank and in hand	10,860	7,874	81	**18,815**

✶ Notes to the Accounts

year ended 31 March 2005

1 ACCOUNTING POLICIES

Changes in accounting policies

During the year, the group revised its accounting policy for the valuation of investments which have not had a recent funding round and which are considered by the directors to be mature companies. The revised policy allows directors' valuations above cost and is in accordance with the most recent BVCA guidelines. Typically, mature investments will be valued in accordance with earnings or sales multiple principles. The effect of this change for the year ended 31 March 2005 is to increase the Total Recognised Gains and Losses and Net Assets by £5.9m. There is no effect on the accounts for the year ended 31 March 2004 as a result of this change in policy as none of the investments were considered to be mature by the directors at that time.

In addition, the group revised its accounting policy for the valuation of investments, so that the profit or loss on disposal of investments is calculated with reference to the proceeds less the net book value of the investment. Any balance in the revaluation reserve is treated as realised and transferred to the profit and loss reserve.

The comparative figures for the year ended 31 March 2004 have been restated to reflect this revision of accounting policy. The effect of this restatement on the current period's results are, on the profit and loss account, to increase the total gains from investments and increase the overall profit for the period by £11.2m and to remove the adjustment for the same amount which would previously have been shown in the Statement of Total Recognised Gains and Losses to add back the losses recorded in prior years which had not been realised in prior periods. It has no effect on the total recognised gains and losses for the period, nor on the balance sheet.

The group also revised its accounting policy for the treatment of shares held by the NewMedia SPARK Employee Benefit Trust (EBT) in accordance with Urgent Issue Task Force number 38. These shares are now shown as a reduction to shareholders' funds rather than as an investment in the consolidated Balance Sheet. The effect of this change on the balance sheet previously reported is to reduce the value of investments, net assets and equity shareholders funds by £630,000 for 31 March 2004.

The particular accounting policies adopted are described below and, except as noted, have been applied consistently in both the current and preceding year. The financial statements are prepared in accordance with applicable United Kingdom accounting standards except for the application of the true and fair override to certain requirements of Financial Reporting Standard 2 (Accounting for Subsidiary Undertakings). An explanation of this departure is given below.

Accounting convention

The financial statements have been prepared in accordance with the historical cost convention modified to include certain investments at valuation, and in accordance with applicable United Kingdom accounting standards.

Subsidiary and associated undertakings

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries. The Group's policy is to consolidate all companies which act as management or holding companies of the Group's investment portfolio.

The Group owns certain investments that the Companies Act 1985 requires to be treated as subsidiary or associated undertakings and therefore accounted for using the consolidation or equity method of accounting as appropriate. The Directors believe that equity accounting for such investments that fall within the definition of associated undertakings would not give a true and fair view of the value generated from the investment activities of the Group, since this is better measured by the inclusion of profits or losses on the disposal of such investments in the profit and loss account. This treatment is in accordance with Financial Reporting Standard 9 – Associates and Joint Ventures.

Furthermore, the Directors believe that consolidating such investments that fall within the definition of subsidiary undertakings would again not give a true and fair view of the value generated from the investment activities of the Group, since this is better measured by the inclusion of profits or losses on the disposal of such investments in the profit and loss account. This treatment represents the application of the true and fair override to the requirements of Financial Reporting Standard 2 – Accounting for subsidiary undertakings. It is impracticable to quantify the effect of these departures on the profit and loss account and balance sheet for the years ended 31 March 2005 and 31 March 2004.

Acquisitions, disposals and goodwill

On the acquisition of a business by SPARK, fair values are attributed to SPARK's share of the net separable assets of the acquired businesses. Where the cost of acquisition exceeds the fair values attributable to such net assets, the difference is treated as purchased goodwill which is capitalised in the balance sheet and charged to the Profit and Loss account over five years in accordance with Financial Reporting Standard 10 (Goodwill and Intangible Assets). The Directors believe that it is difficult to make projections beyond this period.

Where the cost of acquisition is less than the fair values attributable to SPARK's share of the net separable assets of the acquired businesses, the difference is treated as negative goodwill. Negative goodwill is included in the balance sheet and is credited to the profit and loss account in the periods in which the acquired non-monetary assets are recovered through depreciation or sale. Negative goodwill in excess of the fair values of the non-monetary assets is credited to the profit and loss account in the periods expected to benefit.

The results and cash flows relating to an acquired business are included in the consolidated profit and loss account and the consolidated cash flow statement from the date of acquisition up to the date of disposal.

Tangible Fixed Assets
Tangible fixed assets are stated at historical cost less depreciation and any provision for impairment. Depreciation is provided on cost in equal instalments over the estimated useful lives of the assets. The annual rates of depreciation are as follows:

Leasehold improvements	20% or over the term of the lease
Office equipment & software	33%
Furniture, fixtures & fittings	20%

Current Taxation
Current tax is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted at the Balance Sheet date.

Deferred tax
Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or the right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Leases
Operating lease rentals are charged to the profit and loss account in equal annual amounts over the lease term, even if the payments are not made on such a basis.

Investments
Investments are included at valuation on the following bases:

a Listed investments are valued at the closing mid-market price on the 31 March.
b Unquoted investments where a significant third party funding event has taken place during the year ended 31 March which establishes a new value for that investment are carried at that value.
c Investments considered to be mature are valued according to the Directors best estimate of the Group's share of that investments value. This value is calculated in accordance with BVCA guidelines and industry norms and includes calculations based on appropriate earnings or sales multiples.
d All other unquoted investments are valued at the lower of the acquisition cost of that investment and the Directors' best estimate of the Group's share of that investment's value, taking into account any temporary loss in value.

When investments are disposed of or their value is permanently impaired, the realised gain or loss, being the difference between the sale proceeds or nil valuation and the net book value is incorporated in the profit and loss account in the year in which the investment is deemed to have been realised or permanently impaired. Any balance in the revaluation reserve is treated as realised and transferred to the profit and loss reserve.

Where investments suffer a temporary loss or gain in value the unrealised gain or loss, being the difference between the year end valuation and the cost of acquisition is incorporated in the revaluation reserve.

Foreign exchange
Transactions denominated in foreign currencies are translated into the functional currency at the rate ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account.

The financial statements of foreign subsidiaries are translated into sterling at the closing rates of exchange and the difference arising from the translation of the opening net investment in subsidiaries at the closing rate is dealt with in reserves.

Share options
Share options granted under SPARK Unapproved Share Option Schemes are charged to the profit and loss account over the period from the date of grant to the date the options vest. The difference between the market price and the exercise price at the time of grant is included within remuneration and the difference between the price paid for the shares by SPARK and the market price at the date of grant is included within gain on investments.

2 COMPANY PROFIT AND LOSS ACCOUNT

The Group has taken advantage of the exemption conferred by s230 CA 1985 to not disclose a full profit and loss account for the Company. The Company's profit for the year was £0.826m (2004 restated, profit of £30.492m).

3 SEGMENTAL ANALYSIS

The Group's activities are carried on both in the UK and outside the UK. At 31 March 2005, Europe & other includes Sweden, Germany and India. The Group exercises the same principal activity across all these regions, making investments for long-term gains.

	Year ended 31 March 2005			Year ended 31 March 2004		
	UK £'000	Europe & other £'000	Total £'000	UK restated £'000	Europe & other restated £'000	Total restated £'000
Operating loss	**(1,836)**	**(360)**	**(2,196)**	(2,018)	(4,117)	(6,135)
(Loss)/profit before tax	**(2,313)**	**1,347**	**(966)**	1,162	(5,138)	(3,976)
Net assets	**50,068**	**7,928**	**57,996**	28,465	24,508	52,973

Turnover in the prior year derived entirely from the operations of Spuetz, outside of the UK.

4 INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	31 March 2005 £'000	31 March 2004 £'000
Directors' remuneration		
Fees	**76**	64
Other emoluments		
Basic salaries	**444**	450
Other cash emoluments	**42**	142
Non-cash emoluments	**238**	96
	800	752
Total attributable to highest paid director	**232**	189

Included within the total emoluments of the highest paid director shown above are pension contributions of £8,750 (2004, £9,115) and non-cash emoluments of £89,364 (2004: £7,000).

Staff costs (including directors)		
Wages and salaries	**955**	1,472
Social security costs	**116**	153
Pension costs	**166**	76
	1,237	1,701

Pension costs represent contributions by the Group to employees personal pension arrangements. Three Directors (2004: two) benefit from the Company's pension contributions to their own money purchase pension arrangements.

	Year ended 31 March 2005 Number	Year ended 31 March 2004 Number
Average number of persons employed (including directors)		
Administration	**8**	15

5 OPERATING LOSS

	Year ended 31 March 2005 £'000	Year ended 31 March 2004 £'000
Operating loss is after charging:		
Depreciation and amortisation – owned assets	**222**	574
Rentals under operating leases		
Other operating leases	**732**	1,352
Auditors' remuneration		
Audit fees (Company £35,000; 2004, £50,000)	**60**	173
Other services (taxation advice)	**110**	155

6 INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended 31 March 2005 £'000	Year ended 31 March 2004 £'000
Bank deposits	**838**	1,217
Loans to portfolio companies	**71**	–
	909	1,217

7 TAX ON LOSSES ON ORDINARY ACTIVITIES

	Year ended 31 March 2005 £'000	Year ended 31 March 2004 £'000
United Kingdom corporation tax at 30% (2004: 30%) based on the loss for the year	–	–
Adjustments in respect of prior years	–	90
Foreign tax for current period	–	–
Adjustments in respect of prior years	–	49
	–	139

The tax assessed for the year is higher than that resulting from applying the standard rate of corporation tax in the UK: 30% (2004, 30%). The differences are explained below:

	Year ended 31 March 2005 £'000	Year ended 31 March 2004 £'000
Loss on activities in the year	**(966)**	(3,976)
Tax at 30% thereon:	**290**	1,193
Effects of:		
Permanent differences	**(37)**	(64)
Capital allowances in excess of depreciation	**(66)**	32
Movement in short-term timing differences	**131**	125
Non taxable profits/(losses) on disposals	**855**	(353)
Unutilised losses	**(149)**	(1,569)
Impairment of investments	**(759)**	636
Intragroup income	**(265)**	–
Adjustments in respect of prior years	–	139
Current tax charge for the year	–	139

Deferred tax

No deferred tax asset has been recognised on unutilised taxable losses; the potential unrecognised asset is £19.798m (2004, £16.700m).

8 LOSS PER ORDINARY SHARE

Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders by the weighted average number of ordinary shares during the period.

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares in issue on the assumption of conversion of all dilutive potential ordinary shares.

	Year ended 31 March 2005 £'000	Year ended 31 March 2004 Restated £'000
Loss for the year	**(966)**	(3,446)
Basic and diluted losses attributable to ordinary shareholders	**(966)**	(3,446)
Weighted average number of ordinary shares ('000)	**460,178**	460,878
Basic and diluted loss per share	**(0.21p)**	(0.75p)

9 TANGIBLE FIXED ASSETS

Group	Leasehold Improvements £'000	Furniture fixtures and equipment £'000	Office equipment and software £'000	Total £'000
Cost :				
At 1 April 2004	1,170	961	440	2,571
Additions	–	–	16	16
Disposals	–	(413)	(354)	(767)
At 31 March 2005	1,170	548	102	1,820
Accumulated depreciation				
At 1 April 2004	260	894	358	1,512
Charged for the year	119	39	64	222
Released on disposal	–	(413)	(349)	(762)
At 31 March 2005	379	520	73	972
Net book value				
At 31 March 2004	910	67	82	1,059
At 31 March 2005	791	28	29	848

10 INVESTMENTS

Portfolio Company Name	Note ref	Country of incorp.	% equity 31 March 2005	Value at 31 March 2004 £'000	Forex adjust. (1) £'000	Year ended 31 March 2005 Additions £'000	Disposals £'000	Revaluations £'000	Value at 31 March 2005 £'000
ASPEX Semiconductors		UK	68.4%	9,225	–	2,006	–	–	11,231
Mergermarket	(4)	UK	26.8%	2,344	–	–	–	5,656	8,000
Footfall	(4)	UK	17.5%	2,450	–	–	–	1,300	3,750
Kobalt Music	(3)	UK	27.0%	2,045	–	200	–	–	2,245
Spuetz AG		Germany	12.1%	13,210	410	227	(11,320)	(371)	2,156
IMI	(4)	India	35.8%	300	–	694	–	851	1,845
Firebox	(4)	UK	29.4%	648	–	–	–	802	1,450
Synaptic	(4)	UK	38.5%	2,885	–	–	–	(1,885)	1,000
DX3		UK	58.0%	780	–	30	–	–	810
Elata		UK	4.8%	573	–	64	–	–	637
Kobalt Music Administration		UK	50.0%	–	–	650	(256)	–	394
NewMedia Heads		UK	46.5%	374	–	–	–	–	374
				34,834	410	3,871	(11,576)	6,353	33,892
Other investments (no single investment value greater than £300,000) – see note 2	(2)			2,104	–	95	(47)	(1,031)	1,121
Investments sold during the year				4,755	–	23	(4,778)	–	–
TOTAL FIXED ASSET INVESTMENTS				41,693	410	3,989	(16,401)	5,322	35,013

1 Adjustment of opening foreign currency balance for closing exchange rate.
2 Other investments includes Mblox, Touchclarity, Insurancewide, Freesourcing AB, Start and Run AB, One Eighty Software, Berkely Berry Birch, Crocus, Perplexcity, MZ Travel, Rok Group Ltd, Advanced Visual Technology and ETV and NewMedia SPARK BV.
3 Effective stake after including our proportionate share of the stake held by Spark Idea Holding SA
4 Mergermarket, Footfall, Firebox, Synaptic and IMI have been valued according to a directors' valuation based on appropriate earnings / sales multiples applied to the most recent results.

Two investments held at 31 March 2005 (2004, two) were listed and, at that time, had a market value of £2.246m (2004, £13.337m).

Of the total net revaluation differences, a realised profit of £0.321m (2004 restated, £2.119m profit) has been accounted for in the Profit and Loss Account and an unrealised gain of £6.280m (2004 restated, £0.006m) has been accounted for in the Statement of Total Recognised Gains and Losses.

The Group owns certain investments that the Companies Act requires to be treated as associated undertakings and therefore accounted for using the equity method of accounting. The Directors believe that equity accounting for such investments would not give a true and fair view of the value generated from the investment activities of the Group, since this is better measured by the inclusion of profits or losses on the disposal of such investments in the profit and loss account.

The Group owns two investments, namely DX3 Technologies Ltd and ASPEX Semiconductor Holdings Limited, that Financial Reporting Standard 2 requires to be treated as subsidiary undertakings and therefore accounted for using the acquisition method of accounting. The Directors believe that acquisition accounting for such investments would not give a true and fair view, as these investments are held and managed in order to maximise capital return and it is the Directors' intention to crystallise this return via a suitable exit route when appropriate. This treatment represents the application of the true and fair override to the requirements of Financial Reporting Standard 2. It is impractical to quantify the impact of these departures on the profit and loss account and the balance sheet for the years ended 31 March 2005 and 31 March 2004.

As at 31 March 2005, DX3 Technologies Ltd has a loss before tax of £0.002m for the year ended 31 March 2005 and a total shareholders deficit of £0.037m; and ASPEX Semiconductor Holdings Ltd had a loss for the year ended 31 March 2005 of £7.723m and negative total capital and reserves of £1.055m.

10 INVESTMENTS CONTINUED

Investments (Company)	31 March 2005 £'000	31 March 2004 Restated £'000
Valuation:		
At 1 April	**18,666**	17,747
Additions	**5,413**	5,098
Unrealised and realised valuations	**6,451**	(2,038)
Disposals	**(1,500)**	(2,141)
Valuation at 31 March	**29,030**	18,666

11 INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

Company	31 March 2005 £'000	31 March 2004 £'000
Cost:		
At 1 April	**111,018**	61,143
Write-downs of subsidiary undertakings	**(1,500)**	(13,870)
Reversal of write-downs of subsidiary undertakings	**–**	63,745
Cost at 31 March	**109,518**	111,018

The Company's principal subsidiary undertakings as included in the consolidation at 31 March 2005, their principal activities and countries of incorporation are set out below:

	Country of incorporation	Business activity	Class of shares held	Proportion held and % voting rights
SPARK Investors AB	Sweden	Investment	Ordinary	100%
Softtechnet.com Ltd	UK	Investment (dormant)	Ordinary	100%
SPARK Investors Ltd	UK	Investment	Ordinary	100%
SPARK Services Ltd	UK	Business services	Ordinary	100%
Internet Indirect Ltd	UK	Investment (dormant)	Ordinary	100%
GlobalNet Financial.com Inc	USA	Finance	Ordinary	100%
SPARK GmbH	Germany	Investment	Ordinary	100%
NewMedia SPARK Holdings GmbH	Germany	Investment	Ordinary	100%
NewMedia SPARK BV	Holland	Investment	Ordinary	100%

12 DEBTORS

Debtors	Group 31 March 2005 £'000	Group 31 March 2004 £'000	Company 31 March 2005 £'000	Company 31 March 2004 £'000
Trade debtors	**406**	299	**9**	9
Amounts owed by subsidiary undertakings	**–**	–	**5,066**	18,513
Other debtors	**1,279**	166	**27**	9
Overseas taxation	**276**	–	**–**	–
Other taxation and social security	**–**	67	**–**	18
Prepayments and accrued income	**390**	5,205	**172**	52
	2,351	5,737	**5,274**	18,601
Restricted cash	**2,869**	413	**2,869**	413

Included within the group and company restricted cash balances above is £413,000 due after more than one year.

The restricted cash represents £2.456m held in a separate bank account to satisfy the Court that the share premium reduction did not adversely affect creditors of NewMedia Spark plc and £0.413m security for property leases which is recoverable in greater than five years.

13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

Creditors: amounts falling due within one year	Group 31 March 2005 £'000	Group 31 March 2004 £'000	Company 31 March 2005 £'000	Company 31 March 2004 £'000
Trade creditors	**201**	433	**63**	85
Amounts owed to fellow subsidiary companies	**–**	–	**108,746**	107,869
Other creditors	**279**	233	**128**	127
Corporation tax	**–**	35	**–**	–
Other taxation and social security	**16**	68	**12**	55
Deferred consideration	**–**	3,986	**–**	1,870
Accruals and deferred income	**1,215**	1,291	**163**	135
	1,711	6,046	**109,112**	110,141

14 PROVISIONS FOR LIABILITIES AND CHARGES

Group and Company	Onerous leases £'000	Claims & associated legal costs £'000	Total £'000
Provision as at 1 April 2004	476	267	743
Utilisation of provision	(476)	(18)	(494)
Release of provision	–	(60)	(60)
Provision as at 31 March 2005	**–**	**189**	**189**

The provision made for onerous leases covered an estimate of the likely first year losses under the serviced office arrangement with Corpnex. During the year, the provision has been utilised. Any future losses under the serviced office arrangement with Corpnex (now part of HQ Executive Offices) will be realised in the profit and loss account as incurred.

The provision made for claims and associated legal costs represents the costs the directors estimate will be incurred in bringing or defending legal cases.

The Directors expect that, should the provisions for claims and associated legal costs become payable, that these amounts would fall due within three years.

15 OPERATING LEASE COMMITMENTS

At 31 March 2005 the Group was committed to making the following payments during the next year in respect of operating leases:

Buildings	31 March 2005 £'000	31 March 2004 £'000
Leases which expire:		
After five years	**703**	703

16 FINANCIAL INSTRUMENTS

(a) Policies and Risks

The Group's financial assets and liabilities comprise equity investments held within the portfolio, cash and liquid resources and various items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of holding equity shares is to achieve capital growth in their value and subsequently dispose of them realising a profit. The main risk arising from the Group's financial instruments is market price risk. The equity investments held by the Group are susceptible to changes arising from market factors.

The Group is also subject to an element of foreign exchange risk. The Group has subsidiaries in Sweden, Germany and USA as well as investments that are denominated in local currencies. The Group does not undertake any foreign exchange hedging activities. The Directors consider that there is no significant interest rate risk.

16 FINANCIAL INSTRUMENTS CONTINUED

(b) Currency Profile
The functional currencies of the Group are Sterling, Swedish Krona, Euro and US dollar.

The Group has no monetary assets or liabilities denominated in a different currency from the functional currency of the operations involved.

(c) Maturity profile of the Group's financial liabilities
All of the Group's financial liabilities as at 31 March 2005 mature within one year.

(d) Interest rate profile of the Group's financial assets and liabilities
The weighted average interest rate applicable to cash deposits was 4.7% (2004, 2.7%) for the year.

(e) Fair values of financial assets and liabilities
The fair values of financial assets and liabilities other than investments are equal to their book values.

Investments that are traded on an open market are carried in the Group balance sheet at market values which equal fair values.

For investments not traded on an open market, the Directors consider that their book values are equal to fair values.

17 CALLED UP SHARE CAPITAL

	Group 31 March 2005 £'000	Group 31 March 2004 £'000	Company 31 March 2005 £'000	Company 31 March 2004 £'000
Authorised:				
950,000,000 (2004: 950,000,000) ordinary shares of 2.5p	**23,750**	23,750	**23,750**	23,750
Called up, allotted and fully paid:				
472,735,729 (2004: 471,985,729) ordinary shares of 2.5p	**11,818**	11,799	**11,818**	11,799

In the year ended 31 March 2005, 750,000 ordinary shares were issued (2004, 7,914) of nominal value £18,750 (2004, £198) and consideration of £75,000 (2004, £5,936).

Under the Group's share warrant scheme, at 31 March 2004 warrants were held for 47,198,573 un-issued ordinary shares, equivalent to 10% of the issued ordinary share capital, all exercisable at 10 pence at any time between 20 October 2000 and 20 October 2004. 750,000 of these warrants were exercised during the year, the remainder expired at 20 October 2004.

Under the Group's Unapproved Share Option Scheme, 15,841,031 options had been granted to employees, with an exercise price of 2.5 pence, to be exercised in accordance with the Share Option Scheme rules before 31 December 2011.

The Group's shares are listed on London's AIM market under reference NMS.

The average share price of NewMedia SPARK plc quoted ordinary shares in the year ended 31 March 2005 was 10.49 pence. In the year the share price reached a maximum of 12.52 pence and a minimum of 8.83 pence. The closing share price on 31 March 2005 was 10.9 pence.

18 RESERVES

Group	Share premium account £'000	Revaluation reserve £'000	Profit and loss account £'000
Reserves at 1 April 2004	183,371	(41,566)	(100,001)
Shares issued during the year	56	–	–
Unrealised gain on investments	–	6,280	–
Previously unrealised losses now deemed permanent	–	11,183	(11,183)
Cancellation of share premium following court approval	(143,734)	–	143,734
Own shares purchased for treasury in the year	–	–	(1,043)
Foreign currency translation	–	–	460
Loss for the year	–	–	(966)
Reserves at 31 March 2005	**39,693**	**(24,103)**	**31,001**

Company	Share premium account £'000	Revaluation reserve £'000	Profit and loss account £'000
Reserves at 1 April 2004	183,371	(12,572)	(133,945)
Shares issued during the year	56	–	–
Unrealised gain on investments	–	7,331	–
Previously unrealised losses now deemed permanent	–	4,740	(4,740)
Cancellation of share premium following court approval	(143,734)	–	143,734
Own shares purchased for treasury in the year	–	–	(1,043)
Profit for the year	–	–	826
Reserves at 31 March 2005	**39,693**	**(501)**	**4,832**

19 RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption in Finance Reporting Standard No 8 from disclosing transactions with related parties that are part of the NewMedia SPARK plc Group or investees of the Group.

In the year to 31 March 2005 SPARK Services Ltd charged:

- DX3 Holdings Ltd licence fees and other operating costs of £40,204 (net of VAT). Of this, £4,040 was owing to Spark Services at the year end and £36,164 was paid in the year.

In the year to 31 March 2005 Spark Investors Limited charged Aspex Semiconductor Ltd £45,000 plus VAT for directors fees. This amount had not been paid by the end of the year.

All the above transactions were conducted at arm's length.

20 SUBSEQUENT EVENTS

The following Group investee companies are listed on an open market; their values have therefore been determined using their closing share prices as at 31 March 2005. Since that date their share prices have changed as follows:

	31 March 2005	29 July 2005	% change
Spuetz AG	€ 5.20	€ 4.64	-10.8%

✶ Shareholder Information

FINANCIAL CALENDAR

Annual General Meeting	15 September 2005
2005/2006 interim results announcement	December 2005
2005/2006 preliminary results announcement	June 2006

REGISTRARS

Enquiries regarding shareholdings, lost certificates and change of address should be addressed to the Company's registrars:

Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.
Tel 0870 162 3100

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Tel **0131 332 6717** **www.emperordesign.co.uk**

NewMedia
SP✶RK

NewMedia SPARK plc
33 Glasshouse Street
London W1B 5DG

Tel +44 (0)20 7851 7777
Fax +44 (0)20 7851 7770
www.newmediaspark.com
Reg. 3813450