NewMedia SPARK

ANNUAL REPORT & ACCOUNTS 2006

VENTURE CAPITAL INVESTORS IN TECHNOLOGY, DIGITAL MEDIA AND 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. Most of our portfolio is now reaching maturity and during the year we exited from two of our larger investments and after the year end, exited from Mergermarket, our largest investment.

BUSINESS & FINANCIAL HIGHLIGHTS

Mergermarket sold for cash to the Financial Times Group (part of Pearson plc) valuing Spark's holding at £27.8m,

> A return of almost 24 times the original £1.2m invested in 1999/2000

> 113.8% increase over the book value reported in our interim results of £13m (March 2005: £8m)

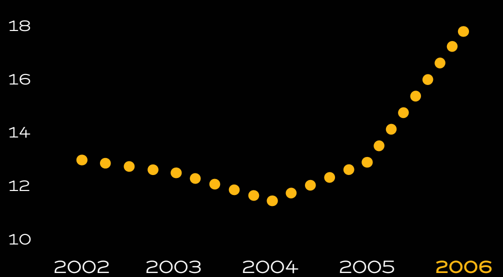
IMImobile raised US$10m from Pequot ventures providing a third party valuation event, increasing SPARK's investment value in the company by £9.6m to £12.3m

Net Assets per share increase by 38.2% to 17.7p since March 2005 (26.4% since September 2005)

Buy-backs of 26.3m shares during the year at an average price of 12.1p represent a 31.6% discount to year end net assets per share

Cash balances of £17.8m in March 2006 (which includes £2.9m of restricted cash) will be substantially enlarged by £25.8m of initial Mergermarket sale proceeds, enabling a substantial investment programme alongside further share buy-backs

NET ASSET VALUE PER SHARE (PENCE)



CHAIRMAN'S STATEMENT

THOMAS TEICHMAN

I LOOK FORWARD WITH CONFIDENCE FOLLOWING A YEAR IN WHICH OUR NAV HAS GROWN BY NO LESS THAN 38.2%, MUCH FASTER THEN EVER BEFORE AND OUR SHARE PRICE HAS REFLECTED THE INCREASING QUALITY OF OUR PORTFOLIO.

DEAR FELLOW SHAREHOLDER

It has been quite a year for us – net asset value per share is up by 38% and we've just had SPARK's biggest exit, Mergermarket.

It is 10 years since NewMedia Investors – the kernel from which NewMedia SPARK was created in '99 – was founded. We were one of the first into the area of early stage investment focused on digital media and related technology in the UK, and indeed, Europe. As a Group we have backed and raised capital for several of the most successful start-up and early stage ventures in our specialised field.

In the late 90's, we exited many NMI sponsored investments at very high multiples of our investment price, mainly through IPO's. Then as 2001 dawned, the IPO market almost died and life became much more tricky. Many investments had to be held for longer than we had expected or indeed were sold, sometimes at fire sale prices in gloomy markets – or they needed more cash than we expected in order to keep building their businesses as broadband was just taking off at last. Nasdaq had collapsed as had the London and European technology focused stock markets.

But this past year has seen many of our long-held portfolio companies prosper as they have gone cash flow positive, delivered solid growth at the expense of their competition and have become respected names in their various fields. Many have become desirable properties for the biggest players in information and the internet.

Our latest exit, from Mergermarket, was our biggest for many years. After a long period of unprecedented difficulty for digital media, technology and the internet we stuck with our winners and this year have successfully sold businesses to The Financial Times/Pearson Group, to Experian, and to Qualcomm, all major players in their fields. Stakes in our businesses have been taken up by Pequot Ventures, Index and Microsoft.

All this demonstrates the ongoing need for – and opportunities for the success of – a true, early stage investor in exciting new digital ideas and teams. We see many ideas, and are seeing the kind of deal flow that should produce the chances we seek to apply our growing cash pile well over the long term.

I am very encouraged by our solid portfolio which includes some very fast-growing companies, our ability to complete good – and in some cases extraordinary – multiples on exits, for hard cash.

Also extremely encouraging is the steadfastness of our small but very focused team over many years. I would like to thank each one of them on the team, and our excellent and experienced non-executive Board, for their important contribution. And I would also like to thank our many shareholders who have stuck by us through the very difficult times in our sector of 2000 – 2004. Their patience is beginning to be rewarded.

I look forward with confidence following a year in which our NAV has grown by no less than 38.2%, much faster then ever before, and our share price has reflected the increasing quality of our portfolio.

Thomas Teichman
Chairman
11 September 2006

- MERGERMARKET SOLD TO FINANCIAL TIMES GROUP
- FOOTFALL SOLD TO EXPERIAN
- ELATA SOLD TO QUALCOMM

CHIEF EXECUTIVE'S REVIEW

ANDREW CARRUTHERS

WE BELIEVE THAT THESE RESULTS ARE A CRITICAL VALIDATION OF THE CREDENTIALS OF THE SPARK TEAM AND OF EARLY STAGE INVESTING IN THIS SECTOR.

INVESTMENT VALUES AND EXITS

The sale of Mergermarket represents the largest exit to date from SPARK's portfolio. SPARK were investors when Mergermarket was little more than a team with a business plan. It is a huge credit to Caspar Hobbs, Charlie Welsh, Gawn Hamilton, Richard Hall and their team, that a business started in 1999 at the height of the dotcom boom survived the subsequent bust, confounded the sceptics and has gone on to become such a major player in the business information sector. It also validates the early stage investment credentials at SPARK to have found an investment of the 1999 vintage that has returned 23.7 times the money invested – in cash. Under the terms of the agreement, £2m will be held back as a retention against any possible warranty claims for the next two years.

We are also delighted to be able to demonstrate the value that Vishwanath Reddy and his team at IMImobile have created over recent years with the investment by Pequot ventures into the business. Until this event, the value of IMImobile has largely been hidden as our valuation policy does not allow us to write up the value of an investment unless there is a valuation placed on the business by an independent third party, or where comparative earnings multiples can be applied. Since the business has been reinvesting all profits, it has not been until this US$10m investment that we have been able to redress the situation and add £9.6m of value uplift to the further £0.8m invested in the year, increasing the value of our holding by £10.5m since March 2005. We believe that with a proven business model and sufficient funds now available, IMImobile promises good prospects for substantial further value growth.
Its managed service business model and its Indian cost base equips it particularly well to benefit from the explosive growth of the mobile sector in emerging markets with its new operations in Latin America as well as its existing offices in India, the Caribbean, the Middle East, Africa and Asia.

These events, taken together with the successful exits from FootFall and Elata, mean that the current financial year has demonstrated an impressive uplift in exit values over the valuations previously held in our accounts. In part this is due to a prudent valuation policy, but also in part is typical of early stage investing where new businesses in developing market sectors take time to get established, but have the ability to generate impressive value growth thereafter. The result is a 38.2% uplift in net asset value per share from March 2005, after having provided £6.4m for the incentive scheme payments, most of which will be due at the end of the next financial year. By virtue of the sale of Mergermarket taking place after the period, its sale will not appear in the profit and loss account, but instead appears in the consolidated statement of recognised gains and losses and on the balance sheet. The 'Gains from investments' that do appear on the face of the profit and loss are largely attributable to the sale of FootFall, Elata, and a small investment in Tradera, a Swedish auction site sold to eBay.

OTHER PORTFOLIO DEVELOPMENTS

The worldwide acceleration of broadband services and improvements in handsets and platforms for mobile networks have come together to create a tipping point in the adoption of digital, or 'new', media. This is generating rapid changes in revenue models, the competitive landscape, and in consumption patterns that allow opportunities for new players and new technologies – and in many ways is the moment for which SPARK has been preparing its investment portfolio since 1999. As a result, many of our investee companies are well positioned to take advantage of this changing tide.

Mergermarket represented an investment in one of the first sectors to fully adopt the new distribution technologies for 'digital' information. The financial sector is perhaps one of the most advanced for digital publishing and it therefore comes as no great surprise that this is the sector which has driven the growth of our largest exit to date. However, there are other sectors that are maturing fast into the digital world, and entertainment is set for rapid change as network operators and content owners finally adapt to the new revenue models and as the incumbent TV broadcasters gear up for 'triple play' and the arrival of internet protocol TV (or IPTV).

The effects for IMImobile have been described above, but the effects are also being felt elsewhere in the portfolio as follows:

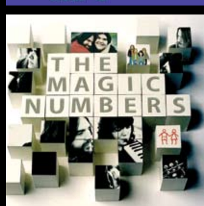
ASPEX SEMICONDUCTOR

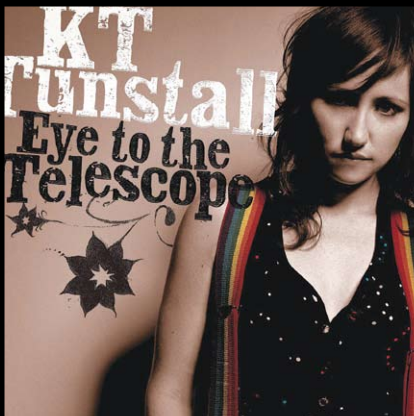
Aspex Semiconductor developed a high-performance, software programmable 'extreme' processor for the image processing market in 2005 and has achieved design wins in film processing, medical imaging, machine vision and printing markets. However, the entertainment and broadcasting markets have begun a rapid shift to digital for image capture, pre-production and post production processing, encoding and distribution. In response to this, Aspex produced a 'plug and play' encoder board using their processors that can encode digital video into any codec (such as MPEG2, H264, etc.) which are used to compress video signals into sufficiently small sizes to send broadcast quality TV, including High Definition TV, over broadband networks. This form of digital signal processing is particularly well suited to the architecture of the Aspex chip and the company is not currently aware of any other product in the market that is capable of encoding digital images at up to real time speeds into multiple codec standards. The launch of this product in April has coincided with the beginning of investment by Telco's into the infrastructure required for IPTV and Aspex are optimistic about the sales opportunities for them in this sector. Indeed, product revenues in their first quarter were close to those for the whole of the previous financial year as sales of the encoder boards have a shorter sales cycle. During the year, SPARK invested £2.3m into the company but, as mentioned in our interim announcement, wrote down some of its earlier investment to be consistent with the valuations at which the company had obtained expressions of interest for funding from third parties. The comparable valuations of the company's peers on the public markets are substantially above this level.

KOBALT MUSIC

Kobalt is a music publisher that uses its proprietary technology to deliver a fast, transparent and accurate royalty revenue collection platform for music owners and songwriters. The process of developing the confidence of the industry sufficiently to win copyright administration contracts ahead of the large music publishers, who have held dominant positions in this market for decades, has been a hard battle. However, Kobalt now appears regularly in the top ten publishers in the country, despite having been created in-house by a former SPARK employee only five years ago. The lead time between winning a contract and securing the revenue flows can be long, however, once won, contracts are long term and predictable. In the year to June '06 Kobalt achieved a near trebling of its revenues, and in the year to June '07 has already booked sufficient new contract wins to be able to predict a near trebling of revenues again, adding writers for acts such as Pink, Kelly Clarkson, Richard Ashcroft and Editors to their roster. The opening of a permanently staffed office in Los Angeles, along with some significant senior hires there, has raised the company's profile in the US market where they are gaining significant new contracts.

Consistent with the industry trends identified above, Kobalt are in a very good position to win business on the strength of their leading technology platforms. Providing speed and visibility on the collection of royalties for their clients also means that Kobalt are well suited to the opportunities presenting themselves from the digital sales of music (such as downloads, ringtones and full tracks to mobile). For example, they licensed, exploited and collected royalties on a global basis for the ringtones and downloads associated with the FIFA World Cup 2006. The opportunities for exploiting these advantages are greatest in the US where the market has been historically less regulated than those of Europe. In addition, new markets are appearing in Asia where the protection of intellectual property has become a more important focus for regulators.





DX3

DX3 is a distribution platform for the secure distribution of digital media (including music, games and images) to wired and wireless devices (PC's, PDA's, mobile phones etc). As such, it stands right in the middle of the emerging digital media market. Until recently, sales of digital media have been hampered by unrealistic price expectations by all participants in the value chain (media owners, mobile networks, aggregators, billing platforms and retailers). These expectations are changing rapidly, as are the participants in the industry. The British Phonographic Industry (BPI) have just reported on music sales for the second quarter of 2006 and claim that the music single is having its best quarter for six years on account of digital sales, which now account for 50% of all singles sold.

In addition, recent scandals about subscriptions charged to mobile phone users for music downloads are forcing out dubious practices and creating a more orderly market. In this context, DX3's presence as a longstanding and robust platform for the delivery of legal, rights cleared, content has provided it with the credentials to license content from all the major content owners. On the back of their delivery platforms and licenses, DX3 have continued to add customers during this financial year who now include ITV, Metro Newspapers, EMAP, Woolworths, Infospace (service provider to Virgin Mobile) and Eckoh (service provider to Tesco).

We expect to see consolidation in DX3's sector, especially as some of the hardest hit businesses in the recent stock market correction were from this industry. Indeed, the recent purchase of Loudeye by Nokia is evidence of this. As the majority shareholder, and with the visibility that our other investments in related markets give us (such as Kobalt and IMImobile), we would hope to play an active part in this process with DX3.

SKINKERS

Consistent with our view on the emergence of new digital formats and distribution channels, in February we were delighted to be able to make our first substantial new investment for some time into Skinkers. Skinkers' desktop alerts are a business controlled channel to the desktop of computer users that guarantees important messages are seen when most needed. With email communication starting to fail under the pressure of "spam" and viruses, it is crucial for business to be able to guarantee the delivery of important messages to both customers and employees. Skinkers' blue chip client list includes the BBC, BSkyB, the FT, CNN, the Wall Street Journal, HBOS, Cisco Systems, Nortel, Halifax and the London Stock Exchange. They use Skinkers technology to deliver important messages to customers, staff and partners.

Skinkers have created a software technology that allows businesses of all sizes to quickly and cost-effectively deploy their own high-priority message delivery channel to the desktop of their employees or their customers worldwide. Skinkers Alerts are very effective as they can deliver messages at a predefined time, support hundreds of thousands of users in a very cost effective way, track how many people receive and interact with the messages, control the look and feel of messages for brand control, drive people to other information on the internet/intranet/television etc. and optimize the delivery of large multimedia files.

Since our investment, the company has had an exclusive technology transfer from Microsoft in return for an equity participation. We believe that this addition significantly enhances the company's ability to capitalise on their platform, technology and customer base to exploit the exciting new opportunities for new methods of broadcasting. We look forward to participating in the development of this business.

idog, an innovative product from Firebox

OTHER PORTFOLIO COMPANIES

Elsewhere in the portfolio we have seen positive performance from Firebox and Synaptics, both of which are now established and profitable businesses. In addition, a small investment made in 2004 into a business called Mind Candy has developed very strongly and attracted substantial investment from Index Ventures. The company was the inspiration of Michael Smith, one of the founders of Firebox, and is the game master behind 'Perplex City', an alternative reality game (ARG) that has achieved substantial profile in this emerging sector. ARG's cross over between the physical and digital worlds creating an 'alternative reality' that utilises the community and chat features of the web to drive interest and participation in gaming and puzzle solving that are much more powerful than traditional methods. We believe this business to be a promising example of a new content category that exploits the possibilities of digital new media.

CASH

Cash balances stood at £17.8m at 31 March 2006 (£21.7m at 31 March 2005) – after net cash operating costs of £2.7m, new investments of £7.3m and buy-backs of £3.2m. Of this balance, £2.9m is in a locked account following the capital reconstruction completed in October 2004. Proceeds from the sale of the stake in Mergermarket will add another net £25.8m, after transaction expenses and a 7.5% warranty retention, to our cash balances.

OPERATIONS

Administrative expenses of £5.7m are up by £2.2m on the year to March 2005. Of this difference, £1.7m is attributable to salaries and staff costs. Basic salaries of full-time employees were £0.1m below the previous year, but as we have seen a substantial value of exits in the current year, the incentive scheme, which is structured to pay to the managers 20% of all realised uplifts over the book value of investments as at March 2003 less an annual 5% hurdle rate, accrued £2.2m of value (£1.9m more than last year). Of this, £0.7m was a catch up for an under-accrual in 2005, £0.7m is the amount due for 2006 and £0.8m is an accrual for increases in the portfolio value that will trigger payments under a compromise arrangement that was made to terminate the pre-2003 incentive scheme. Away from the salaries, administrative and operating costs were £0.7m higher than last year. Of this, £0.6m is attributable to higher property costs which did not benefit from the rates rebate and release of provisions that occurred last year. The remaining £0.1m increase arose from higher professional costs consistent with more transactions in the year.

SUMMARY AND PROSPECTS

We are delighted to have delivered such strong value growth in our portfolio through the very substantial cash exits from Mergermarket, Footfall, and Elata this year. The revaluation of IMImobile is also evidence that the portfolio has more of this value growth to come. We believe that these results are a critical validation of the credentials of the SPARK team and of early stage investing in this sector. We are also aware that we would not have been able to get to this point had it not been for the continued support of some of our long term investors.

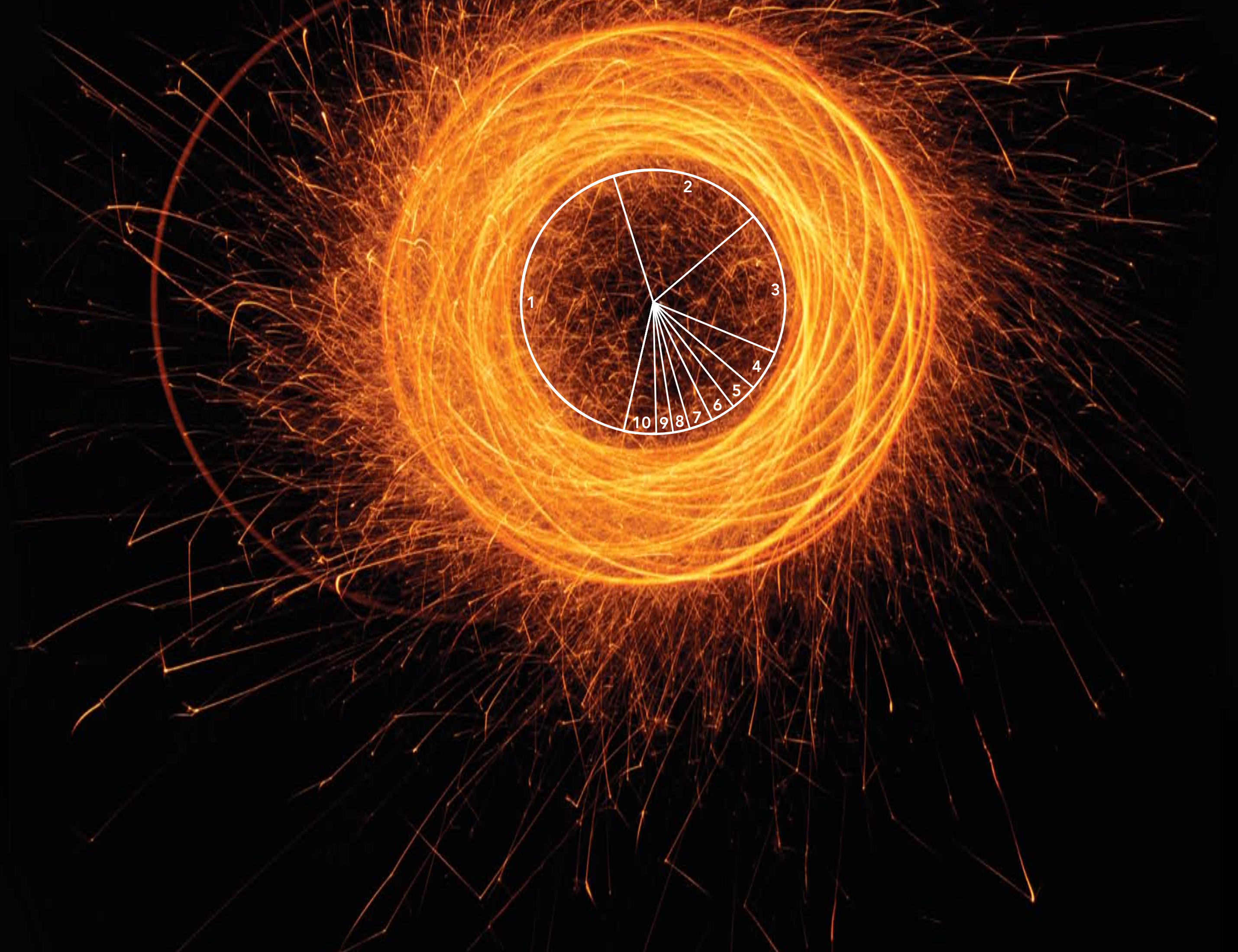
With the cash from these sales we are now able to build on the depth of our knowledge in the technology sector to repopulate the portfolio, as we have already begun with the investment in Skinkers. In addition, we will aim to use buy-backs to make sure that our stock does not trade at a heavy discount to our net assets, which recent evidence has suggested is a prudent measure of our asset value. We also believe that the costs of operating a public company and supporting a sufficiently stable management team become more efficient when spread over a larger pool of assets. We will therefore be looking at various opportunities to add critical mass to our operations over the next year.

Andrew Carruthers
Chief Executive
11 September 2006

PORTFOLIO HIGHLIGHTS

NEWMEDIA SPARK ASSET BREAKDOWN

1	MERGERMARKET	42.2%
2	IMI	18.6%
3	ASPEX	17.5%
4	KOBALT	4.9%
5	DX3	3.4%
6	SKINKERS	3.1%
7	SPUETZ	3.0%
8	FIREBOX	1.6%
9	SYNAPTIC	1.5%
10	OTHERS	4.2%



THE CHART ABOVE SHOWS EACH MAJOR INVESTMENT AS A PROPORTION OF THE MARCH 06 INVESTMENT TOTAL BEFORE CARRIED INTEREST (£65.922M) AS SHOWN IN NOTE 10.

Kobalt

VALUATION: **£3.2M**
PERCENTAGE OWNED: **26.7%**

The last year has seen Kobalt successfully demonstrate their strategic vision for the way publishing assets should be run. In the first quarter of 2006 they captured a 4.2% share of the UK market for chart music. Accompanying this success is a near tripling of revenues in the year to June 2006, with good prospects of achieving between two and three times this again in revenues for the year to June 2007.

Kobalt believes that its revenue collection platform for music owners and songwriters can deliver an average improvement over those of traditional publishers of approximately 30%. They achieve this by collecting the royalties due more quickly, by being more efficient at collecting all the revenue due on assets over all territories, and by charging the asset owners a competitive administration fee. These advantages have become apparent to more catalogue owners and songwriters who also appreciate the benefits of the transparency offered by Kobalt's web based statements and royalty tracking. Since our last annual report Kobalt have added writers for acts such as Pink, Kelly Clarkson, and Rod Stewart to their roster as well as artists and bands such as Richard Ashcroft, Interpol and The Charlatans. With the signing of the China Record Co., the merits of the platform are also giving Kobalt traction in Asia where greater emphasis is being placed now on the protection of intellectual property.

The other trend playing out in Kobalt's favour is the number of private equity backed vehicles making acquisitions in the music publishing sector. Three of the five bidders in the high profile sale of BMG's publishing assets are private equity players. These buyers have no legacy systems of their own and their model involves leveraging acquisitions with debt and then improving the yield from the asset purchased. For these investors, Kobalt's platform can deliver both a rapid and a geared financial advantage. During the year, Kobalt won its first administration contract with Evergreen, a private equity fund backed by Lehman Merchant Bank. Any further wins amongst this segment would have the capacity to contribute significantly to the scale of Kobalt's administration business.

Finally, the growth in the significance of digital music sales described elsewhere in the context of DX3 also works to the advantage of Kobalt. The Kobalt administration platform is well suited to the management of digital media assets enabling detailed tracking and reporting of digital sales – features that contributed to the winning of mandates to manage assets such as the sales of ringtones for the FIFA World Cup 2006 won by the company this year.

The progress demonstrated by Kobalt over the last year in proving the efficacy of their technologies for better administration of copyright assets, taken together with the trends towards digital sales and the modernisation of collection processes in the US, Europe and Asia, present the company with opportunities to develop rapidly. We believe that this is a business well positioned to grow in value substantially over the next 12 to 18 months.

The company employs approximately 37 people with operations in London, Los Angeles, New York, Nashville and Germany.

Firebox.com

VALUATION: **£1.0M**
PERCENTAGE OWNED: **29.4%**

Firebox is one of the UK's leading multi-channel gift retailers and specialises in identifying the latest trends in consumer products and uses its expertise in retail, distribution and marketing to bring the latest gadgets, games and gift ideas to market ahead of mainstream retailers.

Established in 1998, Firebox.com is a multi-channel operation incorporating a website, traditional mail-order catalogue and telephone call centre. The company sources products from around the world in order to identify the 'next big thing'. Many major high street retailers watch Firebox to identify products that will go on to become successful in the mass market.

Its current leading products include a USB turntable (which can convert vinyl LPs into MP3 files), and sets of cards for Perplex City – a leading edge alternate reality game in which both SPARK and Firebox have a stake.

Firebox.com has been profitable since late 2001 and has grown very rapidly. Turnover for 2005 was £8.1m, 20% up on the previous year, although profits were down, due to investment in infrastructure to support future growth – consequently we have reduced the valuation of Firebox in these results.

Firebox is based in London and employs 37 staff.

IMImobile

VALUATION: **£12.3M**
PERCENTAGE OWNED: **45.4%**

IMImobile has continued to grow impressively and has recently completed a $10m equity financing round to accelerate this growth.

IMImobile is an India-based developer of wireless value added services ("VAS") technology platforms and content aggregation services for mobile operators and media owners. The mobile VAS market globally is growing fast as networks have greater bandwidth and as handsets become more sophisticated. In IMImobile's target markets, (India, Middle East, Africa, Latin America) the growth of VAS is even more pronounced as networks are upgraded from 2G to 2.5G and 3G infrastructures. These upgrades allow mobile content services (ringtones, images, music, video) to be made available in these regions.

The subscriber growth in these regions is also driving the opportunities available to IMImobile with the Indian market alone expected to grow from 100 million subscribers today to over 375 million by 2010, according to Gartner Dataquest (May 2006). The company has established itself as one of the leading VAS players in India and is able to leverage the access it gets to the leading domestic operators to build solutions that can be deployed internationally.

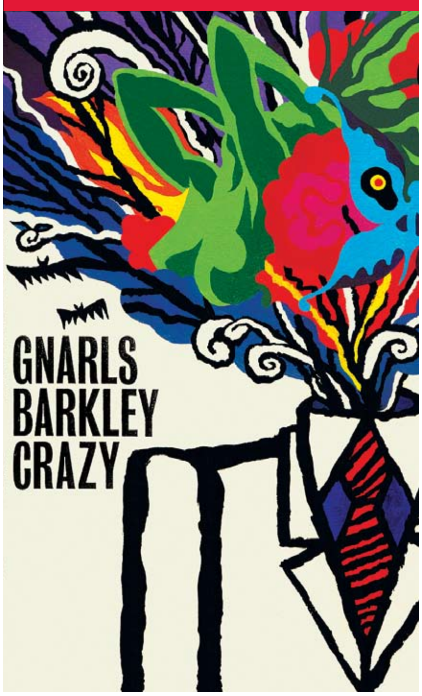
The company's end to end managed services proposition is one that is increasingly seen by operators in emerging markets as the preferred model for growing data revenues rapidly and IMImobile's ability to leverage its India software base gives it a key competitive advantage.

The company has secured over 40 customers worldwide, including India's leading operators such as Airtel, Reliance, BSNL, Aircel, Hutch and Idea, as well as media players such as Yahoo and StarTV. In addition, the company has deployed its platforms in operator networks across Latin America, Africa, the Middle East and Asia.

The company employs over 200 people with offices now in India, the Middle East, Latin America and Europe.

DX3

VALUATION: **£2.3M**
PERCENTAGE OWNED: **53.7%**



DX3 provides a secure ingesting, hosting and delivery platform for digital media. It has a particular emphasis on music related content and is a licensed distributor on behalf of all the major record labels as well as independents. During the course of the year, the company has successfully developed its platform further to enable the delivery of content to both wired devices (PC's) and wireless devices (Mobile phones). The combination of this platform capability with the licence arrangements that allow content to be purchased once but delivered to multiple devices, puts DX3 in what they believe to be a unique position in Europe.

The market context for the consumption of digital content has also matured significantly over the last year. The former pre-eminence of the ringtone as a personalisation feature has evolved with a greater emphasis now placed on the handset as a fully fledged music device. The prospect of video on the handset also works well for music related content with both the operators and handset manufacturers finally aligned in their desire to get the cost and the quality of experience to a point to where it becomes a compelling consumer proposition. At the same time, online delivery of music has grown to the point where, according to the BPI, download formats in the quarter to June 06 account for half of all singles sales giving them their best performance for six years, and together, single track downloads and bundles combine to more than compensate for declining physical format sales. Weekly digital sales are now within sight of the one million mark, with UK music fans downloading 24.3 million tracks already in 2006, just two million short of the entire total for last year (26.4m). Gnarls Barkley's 'Crazy' (Warner Music) made chart history by becoming the first ever download-only Number One single in the second quarter of 2006.

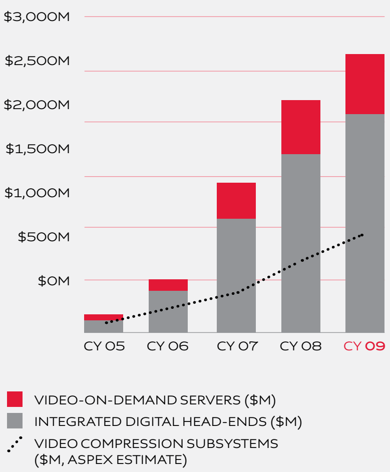
DX3 has seen evidence of the move of digital formats into mainstream music through a growing list of impressive clients integrating with their delivery platform. The company is responsible now for supplying content to services provided by Virgin Mobile, Tesco mobile, Woolworths, EMAP, Monstermob, HP/Nokia and ITV. The conditional sale of Loudeye to Nokia makes DX3 one of the few independent platforms still in operation with the full set of content licences in place, and SPARK expects to work with the company to capitalise on its market opportunity over the next year.

DX3 is based in London and employs 15 people.

aspex semiconductor

VALUATION: **£11.5M**
PERCENTAGE OWNED: **77.4%**

WORLDWIDE IPTV VIDEO INFRASTRUCTURE EQUIPMENT FORECAST (INFONETICS, 2006)



Since our last annual report, Aspex Semiconductor Ltd has taken its high-performance, software-programmable, semiconductor platform and created a suite of optimised solutions for the digital video compression market. The architecture of its chips is particularly well suited to digital image processing and the company has continued to have success with further design wins in medical imaging, printing and machine vision, adding impressive customers such as Konica Minolta in Japan and other world-class corporations in the USA.

Within the image processing market, the sectors showing the most impressive signs of growth at present are those producing software and hardware solutions for capturing, encoding, storing and streaming video. These sectors have experienced radical transformation as the internet has enabled an array of smaller (local) broadcasters to enter into the market. In fact, the use of the public internet as a broadcast network (or IPTV) has the potential to make consumers themselves into micro-broadcasters and some early applications, such as www.youtube.com, are beginning to champion the cause of such 'user generated content'.

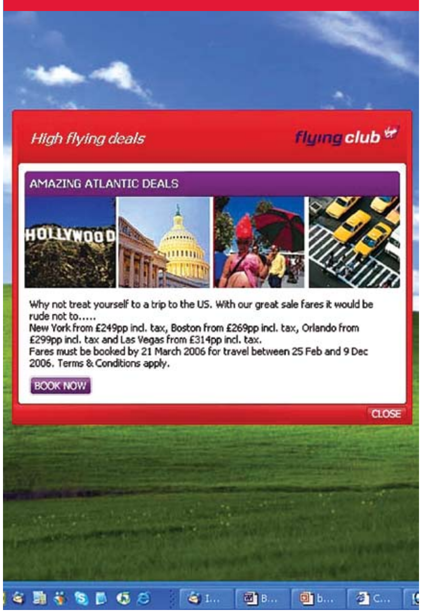
It is anticipated that schools, homes, individuals and corporations will create IPTV stations in the same way that they have created web sites.

The significance of these developments for Aspex is the prospect of developing essential hardware and software video compression products for a high-level consumer market (prosumer). Whilst the potential of this market is massive, it is likely to be some time before it matures. However, in the meantime, the market for IPTV infrastructure is forecast to grow strongly as traditional broadcasters and telecom companies prepare their own IPTV products (such as 'video on demand' and 'triple play' packages containing TV, telephone and internet services). Evidence of this comes in the form of recent broadband offerings by SKY, BT and Carphone Warehouse, amongst others, in the UK market. The chart illustrates the value of the addressable market in the near term for Aspex's high speed ('extreme') encoder products into these professional broadcaster and infrastructure customers.

Aspex is based in High Wycombe and employs 30 people.

SKINKERS®

VALUATION: **£2.0M**
PERCENTAGE OWNED: **21.2%**



The investment of £2m into Skinkers in January 2006 was SPARK's first new investment in three years.

Skinkers is the market leader in direct-to-desktop technology. Their solutions bypass overburdened or expensive communication channels like email to ensure priority messages and content are delivered to the desktop of customers, partners and employees with visibility and impact. Though email is a powerful channel for certain types of communication, the Skinkers solution applies when it is necessary for communication to get immediate attention. In these cases the information is better delivered via a channel that guarantees timely delivery, maximum exposure and acknowledgment. The Skinkers Alerts are delivered direct to the desktop in text, pictures, video and audio and over other applications, ensuring that the information is seen at the time when it is most relevant.

The innovative technology has won the company several awards including being listed by the leading technology journal, Red Herring, as one of the Top 100 "Most Promising Firms Driving the Future of Technology". Gartner, a leading technology research firm named Skinkers one of its "Cool Vendors" in CRM Marketing and Analytics and the company was also named a "Global Innovator" by the Guidewire Group. The Skinkers technology is now used by some of the world's leading brands including the BBC, BSkyB, the FT, CNN, the Wall Street Journal, HBOS, Cisco Systems, Nortel, Halifax and the London Stock Exchange.

Since the investment the company has acquired for equity some of the world's leading collaborative agent technology developed by the Microsoft Research lab in Cambridge. The technology acquired will allow Skinkers to develop its current offerings and create new solutions for real-time event notification and high-bandwidth content delivery. In addition over the next year, Skinkers will co-develop software with Microsoft that will benefit both companies and result in a final product that Skinkers will take to market while Microsoft plans to incorporate part of the final technology into its product line.

The company employs 50 people and is based in London.

EXIT

FootFall

Date of First investment:
April 2000 – £1.2m

Follow on investment:
November 2001 – £1m, June 2002 – £0.25m

Total invested by SPARK: £2.45m

Co-investors:
Quester, Abbey National, Advent, Matrix

EXIT

Buyer: Experian, part of General Universal Stores (GUS)
Date: December 2005
Proceeds: £5m
Advisor: Jeffries Broadview

JOHN GALLAGHER, CEO, FOOTFALL

"SPARK led two rounds of funding and their support over five years was instrumental in the eventual sale of our business to Experian in 2005. SPARK were also major contributors to reshaping Footfall's strategy, assisting in the company's transition from a hardware vendor to a provider of business intelligence to retailers."

THE INTRODUCTION

Footfall were initially a client of NewMedia Investors, an investment and corporate finance boutique that was the predecessor to NewMedia SPARK. NewMedia Investors had been given the mandate by the founder and CEO of FootFall, John Gallagher, to raise funding for the expansion of his pedestrian counting (or 'foot fall') business. He had started the company with Brian Barnes, an engineer from the security business, with whom he had developed the technology for tracking movements of pedestrians across images taken from video cameras above shop entrances.

The methods available at the time relied on either manual counting or infra-red beams across the doorways, but the former was expensive and the latter was not sufficiently accurate. The other problem was that the customers, who were retailers and shopping centre owners, were not good at using the information that was gathered. The decision was taken that the investment case would be much stronger if revenues were not simply derived from sales of camera units, but instead came from long term contracts for the supply of accurate information, in a form that could easily be interpreted by customers. The shift of business model from being a supplier of cameras to a supplier of high level management information in the end was a critical component to the creation of value in FootFall.

By the time that funding had been raised from Quester, Abbey National and Advent, NewMedia SPARK had been created and took the role as lead investor.

THE JOURNEY

Highlights:

- Closing the first contract for the sale of footfall information rather than cameras
- Winning the contract for the supply of data to the Prudential, the largest owner of shopping centres in the UK
- Creating the first index of daily foot fall, then supplying it to the Bank of England as a lead indicator for retail sector performance

Lowlights:

- Losing one of the founders
- Having to lay off staff and restructure the business to cope the post dot com environment

THE FAREWELL

By the time FootFall was sold to Experian, it had become the largest pedestrian counting company in the world outside the US. It had long-term contracts with leading retailers and shopping centre owners on a global basis. Its real-time data had been accumulating for five years giving it a pre-eminent position for the analysis of shopper behaviour and trends by region and by retail sector. Broadview's marketing of the business produced interest from multiple parties in retail, business information and private equity. Experian's position as a leading provider of data services to the sector with a blue-chip customer base, but without a pedestrian counting component, made them the ideal home.

EXIT

mergermarket

Date of First investment:
December 1999 – £700k

Follow on investments:
September 2000 £200k, June 2001 £250k

Total invested by SPARK:
£1.175m (including fees)

Co-investors:
Proven VCT, Proven Growth and Income VCT, Global Rights Fund

EXIT
Buyer: Pearson plc (the FT Group)
Date: August 2006
Proceeds: £27.8m
Advisor: Hawkpoint

CASPAR HOBBS, FOUNDER & CEO

"SPARK saw exactly what we were trying to do when we simply had a business plan and lots of enthusiasm, they backed both. They have been great partners and shareholders, supportive and encouraging from the earliest stages of the company and in every phase of its growth. They understand entrepreneurs because they are entrepreneurs. Their wisdom and perspective always added great value."

THE INTRODUCTION

Caspar Hobbs and Charlie Welsh had been working together at The London Financial News in 1999 and had been part of the team responsible for launching a database of Mergers & Acquisition (M&A) transactions. The London Financial News was ready to sell it as non-core to their business. Caspar and Charlie had developed their thinking a step further while building the database within The London Financial News and were convinced that there was the possibility of building a service focused on "advanced intelligence" techniques learned by Caspar as a military officer in the British Army. They also wanted to build a community based around dynamically updated information for, and interaction between, European M&A practitioners and corporates. They were soon joined by Gawn Rowan-Hamilton, an ex Schroders investment banker and Richard Hall, who actually joined from SPARK having been at Lazards before SPARK. Bearing in mind that this was long before ISDN had become widely available, let alone broadband, the concept of a community-based site continually updated second by second demonstrated a far-sighted and imaginative approach to using the interactivity of the web. Although there were many financial information services already available, the combination of this fresh approach, adding original journalistic comment to an existing database, and the obvious vision and drive of two exceptional founders, were enough to persuade us to back them as a start-up. SPARK invested the first £700,000 in the business very shortly after SPARK was founded and it was one of SPARK's first investments in 1999.

THE JOURNEY

Highlights:

- Hitting and exceeding revenue targets every year in almost all the business lines
- Creating from scratch the worlds largest dedicated M&A reporter team
- Diversifying from the M&A database into products such as Debtwire for distressed debt worldwide and Wealth Monitor for highlighting the creators of new wealth
- Successfully launching a new concept in the USA and the Far East, all within three years
- Creating a superb worldwide client base

Lowlights:

- The decision to raise new capital – eventually not required – for the sake of being conservative when the company launched its USA business, seen then as a risky move.

THE FAREWELL

Mergermarket completed 2005 well ahead of budget achieving renewal rates of more than 100%, as existing clients increased the value of services purchased by more than the value of any cancellations in the year. With more than 150 journalists and analysts working with the company, Mergermarket already probably had the biggest dedicated M&A team in the world. The scale of the markets into which Mergermarket were making inroads required either a significant increase in infrastructure and technology investment or needed to leverage off the existing infrastructure of another business. With this in mind, the management and shareholders committed to a strategic review of the options facing Mergermarket in January 2006. The process generated interest from many Private Equity firms and from a wide range of first class trade buyers. In the end, the FT Group offered the best mix of value for selling shareholders as well as for management in terms of an excellent platform from which to continue building the business. However, it was with some reluctance that SPARK had to recognise the merits of selling its stake in one of the finest start-up stories we have seen in terms of the quality of the business built and its financial results.

BOARD OF DIRECTORS








1. THOMAS TEICHMAN, 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 governments and has backed many successful early stage technology 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, Libertas Capital and Mergermarket. The total value of exits in the public markets of these companies exceeds £1 billion. He has extensive venture capital experience in technology ranging from online information, telecoms, video games and chip design to travel and software for healthcare and retailing. Tom is also Chairman of Kobalt Music Group and of China Export Finance Ltd and is a director of Mind Candy. Appointed to the Board on 20 October 1999.

2. ANDREW CARRUTHERS, CHIEF EXECUTIVE OFFICER
Andrew sits on the Board of Aspex Semiconductor, DX3 and NMH, leading SPARK's active participation in their development over the last five years. He also led the sale of Footfall to Experian for £36m having been on the board of that company since 2000. 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.

3. JAYESH PATEL, EXECUTIVE DIRECTOR
Jay was part of the founding team at SPARK and has been responsible for many investments including Kobalt, Firebox, Elata, IMImobile and Skinkers. 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.

4. ANDREW BETTON, 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.

5. CHARLES BERRY, NON-EXECUTIVE DIRECTOR
Charles was an executive with SPARK from 2001 to 2005 working as a director at Aspex, Mergermarket, Kobalt, and Insurancewide.com. His areas of interest cover software, internet and next generation communications and was involved with SPARK's investments in Pricerunner (sold to ValueClick), Safelogic (sold to Jasper Design Automation), and IntelligentApps (sold to Sage plc). Charles is currently Director Telecoms & Media at Virgin Management Limited working on Virgin's mobile phone and related ventures around the globe. His previous experience includes Gameplay.com, the online games retailer, the investment bank 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.

6. MICHAEL WHITAKER, 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.

7. DAVID POTTER, 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 Camco International and a non executive director of Noble Group, Quercus Publishing 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.

ACCOUNTS

The Directors present their annual report and the audited financial statements for the year ended 31 March 2006.

Activity

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

Business Review

At 31 March 2006 the SPARK Group's net asset per share, at 17.7p (2005: 12.8p), is at its highest level since September 2001 and is now more than 55% ahead of the low point in SPARK's NAV reported at 31 March 2004. This rise has been driven by growth in the SPARK portfolio – principally from uplifts in the valuations of two assets – Mergermarket and IMImobile. Both these uplifts were as a result of events which took place after the balance sheet date – in the case of Mergermarket, the event being the sale to the Financial Times Group in August 2006 for estimated total proceeds of £27.8m and in the case of IMImobile being the investment in July 2006 of US$10m by Pequot Ventures, a leading US VC investor, at a pre-money valuation which values SPARK's investment at £12.3m. Furthermore, once the initial cash has been received for the sale of Mergermarket, which is expected in September 2006, over 50% of the NAV will be backed by cash reserves.

Our operating costs have increased following the making of provisions for carried interest bonuses, which have arisen as a result of both strong growth in the portfolio since the date at which the carried interest schemes were implemented (31 March 2003) when the portfolio had a value of £23.8m compared with £59.5m reported in these accounts, and as a result of successful cash realisations over the last two financial years.

On a consolidated basis, the Group closed the year with cash balances of £17.8m, £14.9m of which is unrestricted (2005: £21.7m), an investment portfolio valued at £59.5m (2005: £35.0m), and equity shareholders' funds of £76.0m (2005: £58.0m). The loss before tax amounted to £0.1m (2005: £1.0m).

During the year, the Group sold its stake in FootFall for total proceeds of £5.0m compared with a book value at 31 March 2005 of £3.75m, thereby realising a £1.25m profit and sold its stake in Elata for estimated total proceeds of £1.5m compared with a book value at 31 March 2005 of £0.6m, thereby realising a £0.9m profit. Additionally, after the year end, in April 2006, SPARK sold its share in Tradera AB to eBay for estimated total proceeds of £0.600m and, in May 2006, sold its remaining stake in Spuetz AG for proceeds of £1.981m.

Our serviced office arrangement with the Executive Offices Group continues to perform well with rental income increasing by 5.7% from £1.18m in 2005 to £1.25m in 2006. The building continues to be fully let and has been so for the majority of the year ended 31 March 2006 however the administrative and operating costs line appear to be significantly higher than in the previous year due to the previous year benefiting from the release of a provision of £0.5m and rates refunds from prior years of £0.1m.

Purchase of own shares

During the year, SPARK bought back 26,265,949 of its own shares value at a total cost of £3.167m and an average cost of 12.1p per share which represents a substantial (31.6%) discount to the year end net asset per share value. These shares are held in Treasury. Had SPARK not had a share buy-back policy in place over the year, the year end NAV would have been 17.4p.
As appropriate, and in accordance with the mandate obtained at SPARK's EGM last January, the Board intends to continue share buy-backs where the market price is trading at a substantial discount to net assets.

Dividends

The Directors do not propose a dividend for the year ended 31 March 2006 (2005: £nil).

Future prospects

NewMedia SPARK plc will focus on growing value for shareholders by keeping costs as low as possible, making 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. SPARK will also be looking at opportunities to add scale to our operations over the next year.

Risks

The principal uncertainty regarding the future financial performance of SPARK is the future performance of SPARK's portfolio. Making early stage investments is inherently risky and many fail – typically during the first couple of years of start-up. Whilst SPARK's portfolio overall is now fairly mature, having mainly been started between 1999 and 2001, there is always a risk that a portfolio company does not develop as we hope, which would impact on SPARK's NAV.

The Directors of SPARK do not consider that SPARK faces any significant price risk, credit risk, liquidity risk or cash flow risk.

Share price
The average share price of NewMedia SPARK plc quoted ordinary shares in the year ended 31 March 2006 was 11.10 pence. In the year the share price reached a maximum of 14.875 pence and a minimum of 9.00 pence. The closing share price on 31 March 2006 was 13.25 pence.

Directors and their interests
The Directors serving during the year ended 31 March 2006 had the following interests in the share capital of the Company:

	Benefical Holdings		Options (1)		Options (2)	
	2006 No	2005 No	2006 No	2005 No	2006 No	2005 No
TA Teichman(3)	**14,729,138**	14,729,138	**840,000**	840,000	**–**	–
MK Whitaker(4)	**18,880,551**	18,880,551	**840,000**	840,000	**–**	–
CR Berry	**287,968**	–	**–**	287,968	**–**	–
ADN Betton	**214,000**	–	**–**	214,000	**4,545,455**	–
AB Carruthers(5)	**5,307,240**	5,307,240	**1,280,000**	1,280,000	**6,818,182**	–
JR Patel	**829,194**	400,000	**500,000**	929,194	**5,681,818**	–
DRW Potter	**230,000**	230,000	**250,000**	250,000	**–**	–

(1) Options were granted in prior years under the SPARK Unapproved Share Option Schemes through the SPARK Employee Benefit Trust with an exercise price of 2.5p per option. CR Berry, ADN Betton and JR Patel exercised 287,968; 214,000 and 429,194 options respectively on 23 December 2005. These options expire on 31 December 2011.

(2) Options were granted in the year under the 2005 Unapproved Executive Share Option Scheme adopted by the company at last year's Annual General Meeting on 15 September 2005. These options vest in five equal annual instalments subject to the meeting of the performance target for the year in question. These options expire on 29 September 2015 and have an exercise price of 11p, which was the market price of SPARK shares on 30 September 2005 – the date when these awards were made.

(3) TA Teichman is interested in 14,729,138 ordinary shares held by Grangeleigh Limited on behalf of the trustees of The Montana Trust of which he is a beneficiary.

(4) 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.

(5) These ordinary shares and warrants are held by the trustees of the Carruthers Retirement Annuity Trust of which AB Carruthers is a beneficiary.

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 payments to suppliers are made in accordance with the terms agreed. The average time taken by the Company to pay purchase invoices is 26 days (2005: 28 days).

Subsequent events
There are no material events after the balance sheet date other than those detailed in note 20 to the financial statements.

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

Provision of information to auditors
Each of the persons who is a Director at the date of approval of this report confirms that:
(1) so far as the Director is aware, there is no relevant audit information of which the company's auditors are unaware; and
(2) the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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

ADN Betton
Company Secretary and Finance Director
11 September 2006

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.

We have audited the financial statements of NewMedia SPARK plc for the year ended 31 March 2006 which comprise the consolidated statement of total recognised gains and losses, the reconciliation of movements in consolidated equity shareholders' funds, the consolidated note of historical cost profits and losses, 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 set out in the statement of Directors' responsibilities, the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, in accordance with the relevant financial reporting framework, and are properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion, the information given in the Directors' Report is consistent with the financial statements. We also report if in our opinion, 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 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and the individual Company's affairs as at 31 March 2006 and of the Group's loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London
11 September 2006

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
YEAR ENDED 31 MARCH 2006

	Note	Year ended 31 March 2006 £'000	Year ended 31 March 2005 £'000
Loss for the year		(119)	(966)
Unrealised gain on investments	18	21,273	6,280
Foreign currency translation		(16)	460
Total recognised gains and losses for the year		21,138	5,774

RECONCILIATION OF MOVEMENTS IN CONSOLIDATED EQUITY SHAREHOLDERS' FUNDS
YEAR ENDED 31 MARCH 2006

	Year ended 31 March 2006 £'000	Year ended 31 March 2005 £'000
Loss for the year	(119)	(966)
Other recognised gains and losses for the year	21,257	6,740
Reversal of amortisation of own shares	–	217
Own shares purchased for Treasury	(3,167)	(1,043)
Proceeds of issues of shares	–	75
Net increase in equity shareholders' funds	17,971	5,023
Opening equity shareholders' funds	57,996	52,973
Closing equity shareholders' funds	75,967	57,996

CONSOLIDATED NOTE OF HISTORICAL COST PROFITS AND LOSSES
YEAR ENDED 31 MARCH 2006

	Year ended 31 March 2006 £'000	Year ended 31 March 2005 £'000
Reported loss on ordinary activities before taxation	(119)	(966)
Realisation of investment revaluation gains / (losses) of previous years	680	(11,183)
Historical cost profit / (loss) on ordinary activities before taxation	561	(12,149)
Historical cost profit / (loss) for the year after taxation, minority interest and dividends	561	(12,149)

CONSOLIDATED PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 MARCH 2006

	Note	Year ended 31 March 2006 £'000	Year ended 31 March 2005 £'000
Administrative expenses:			
Salaries and other staff costs	4	**(3,052)**	(1,373)
Administrative and operating costs		**(2,200)**	(1,531)
Depreciation	9	**(143)**	(222)
Other costs		**(302)**	(328)
Total administrative expenses		**(5,697)**	(3,454)
Other operating income		**1,280**	1,258
Operating loss	5	**(4,417)**	(2,196)
Gain on investments	10	**3,224**	321
Interest receivable and similar income	6	**1,074**	909
Loss on ordinary activities before taxation		**(119)**	(966)
Tax on loss on ordinary activities	7	**–**	–
Loss on ordinary activies after taxation		**(119)**	(966)
Retained loss for the year	18	**(119)**	(966)
Basic and diluted loss per ordinary share	8	**(0.03p)**	(0.21p)

	Note	Year ended 31 March 2006 £'000	Year ended 31 March 2005 £'000
Fixed Assets			
Tangible fixed assets	9	690	848
Investments	10	59,522	35,013
		60,212	35,861
Current Assets			
Debtors	12	1,123	2,351
Restricted cash	12	2,869	2,869
Cash at bank and in hand		14,903	18,815
		18,895	24,035
Creditors: amounts falling due within one year	13	(3,007)	(1,711)
Net current assets		15,888	22,324
Total assets less current liabilities		76,100	58,185
Provisions for liabilities charges	14	(133)	(189)
Net Assets	3	75,967	57,996
Capital and reserves			
Called up share capital	17	11,818	11,818
Share premium account	18	39,693	39,693
Own shares held by Employee Benefit Trust		(413)	(413)
Revaluation reserve	18	(3,510)	(24,103)
Profit and loss account	18	28,379	31,001
Equity shareholders' funds		75,967	57,996
Net asset value per share		17.7p	12.8p

	Number '000	Number '000
Ordinary shares in issue	472,736	472,736
Shares held in Treasury	(36,016)	(9,750)
Shares held by Employee Benefit Trust	(8,339)	(9,569)
Shares in issue for net asset per share calculation	428,381	453,417

These financial statements were approved by the Board of Directors on 11 September 2006.

Signed on behalf of the Board of Directors

AB Carruthers
Chief Executive Officer

	Note	Year ended 31 March 2006 £'000	Year ended 31 March 2005 £'000
Fixed Assets			
Fixed asset investments	10	**42,852**	29,030
Investments in subsidiary undertakings	11	**109,518**	109,518
		152,370	138,548
Current Assets			
Debtors	12	**6,007**	5,274
Restricted cash	12	**2,869**	2,869
Cash at bank and in hand		**14,557**	18,039
		23,433	26,182
Creditors: amounts falling due within one year	13	**(110,537)**	(109,112)
Net current liabilities		**(87,104)**	(82,930)
Total assets less current liabilities		**65,266**	55,618
Provisions for liabilities charges	14	**(133)**	(189)
Net Assets		**65,133**	55,429
Capital and reserves			
Called up share capital	17	**11,818**	11,818
Share premium account	18	**39,693**	39,693
Revaluation reserve	18	**10,233**	(501)
Own shares held by Employee Benefit Trust		**(413)**	(413)
Profit and loss account	18	**3,802**	4,832
Equity shareholders' funds		**65,133**	55,429

These financial statements were approved by the Board of Directors on 11 September 2006.

Signed on behalf of the Board of Directors

AB Carruthers
Chief Executive Officer

	Note	Year ended 31 March 2006 £'000	Year ended 31 March 2005 £'000
Net cash outflow from operating activities	A	**(2,698)**	(1,993)
Return on investments and servicing of finance			
Interest received		**1,073**	909
Dividend received		**–**	5,787
Net cash inflow from returns on investments and servicing of finance		**1,073**	6,696
Taxation			
UK Corporation Tax paid		**–**	–
Overseas Tax paid		**–**	(279)
Net cash outflow from taxation		**–**	(279)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		**(5)**	(16)
Proceeds from disposal of fixed assets		**20**	5
Payments to acquire investments		**(7,289)**	(3,990)
Receipts from sales of investments		**8,155**	10,856
Net cash inflow from investing activities		**881**	6,855
Net cash (outflow) / inflow before financing		**(744)**	11,279
Financing			
Issue of ordinary share capital		**–**	75
Own shares purchased for Treasury		**(3,167)**	(1,043)
Transfer into restricted cash in accordance with Court Order		**–**	(2,437)
Net cash outflow from financing		**(3,167)**	(3,405)
(Decrease) / increase in cash in the year	B, C	**(3,911)**	7,874

Note A

Reconciliation of operating loss to net cash outflow from operating activities

	Year ended 31 March 2006 £'000	Year ended 31 March 2005 £'000
Operating loss	**(4,417)**	(2,196)
Depreciation charge	**143**	222
Decrease in debtors	**365**	4,766
Increase / (decrease) in creditors	**1,211**	(4,873)
Non-cash remuneration	**–**	88
Net cash outflow from operating activities	**(2,698)**	(1,993)

Note B

Reconciliation of net cash flow to movement in net funds

	Year ended 31 March 2006 £'000	Year ended 31 March 2005 £'000
(Decrease) / increase in cash in the year	**(3,911)**	7,874
Foreign exchange differences	**(1)**	81
Movement in net funds in the year	**(3,912)**	7,955
Opening net funds	**18,815**	10,860
Closing net funds	**14,903**	18,815

Note C

Analysis of changes in net funds

	31 March 2005 £ '000	Cash-flows £ '000	Foreign exchange differences £ '000	31 March 2006 £ '000
Cash at bank and in hand	18,815	(3,911)	(1)	**14,903**

1 ACCOUNTING POLICIES

The particular accounting policies adopted are described below and have been applied consistently in both the current and preceding year. The financial statements are prepared in accordance with applicable United Kingdom law and 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.

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 2006 and 31 March 2005.

Acquisitions and disposals

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 March each year. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. Acquisitions are accounted for under the acquisition method.

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. Under FRS 19 deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no binding contract to dispose of these assets. 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 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 rates 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 £1.457m (2005: £0.826m).

3 SEGMENTAL ANALYSIS

The Group's activities are carried on both in the UK and outside the UK. At 31 March 2006, Europe & other includes USA, Germany and India. The Group exercises the same principal activity across all these regions, making investments for long-term gains.

	Year ended 31 March 2006			Year ended 31 March 2005		
	UK £ '000	Europe & other £ '000	Total £ '000	UK £ '000	Europe & other £ '000	Total £ '000
Operating loss	**(4,231)**	**(186)**	**(4,417)**	(1,836)	(360)	(2,196)
Profit / (loss) before tax	**98**	**(217)**	**(119)**	(2,313)	1,347	(966)
Net assets	**58,938**	**17,029**	**75,967**	50,068	7,928	57,996

4 INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	Year ended 31 March 2006 £'000	Year ended 31 March 2005 £'000
Directors' remuneration		
Fees	**85**	76
Other emoluments		
Basic salaries	**485**	444
Carried interest bonuses	**1,192**	-
Other emoluments	**733**	280
	2,495	800
Total attributable to highest paid director	**659**	232

Included within the total emoluments of the highest paid director shown above are pension contributions of £20,198 (2005: £8,750).

	Year ended 31 March 2006 £'000	Year ended 31 March 2005 £'000
Staff costs (including directors)		
Wages and salaries	**2,595**	955
Social security costs	**326**	116
Pension costs	**60**	166
	2,981	1,237

	Year ended 31 March 2006 Number	Year ended 31 March 2005 Number
Average number of persons employed (including directors)		
Administration	**7**	8

Pension costs represent contributions by the Group to employees' personal pension arrangements. Three Directors (2005: three) benefit from the Company's pension contributions to their own money purchase pension arrangements.

5 OPERATING LOSS

	Year ended 31 March 2006 £'000	Year ended 31 March 2005 £'000
Operating loss is after charging:		
Depreciation - owned assets	143	222
Rentals under operating leases		
Other operating leases	703	732
Auditors' remuneration		
Audit fees (Company £35,000; 2005, £35,000)	62	60
Other services (taxation advice)	125	110

6 INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended 31 March 2006 £'000	Year ended 31 March 2005 £'000
Bank deposits	858	838
Loans to portfolio companies	216	71
	1,074	909

7 TAX ON LOSS ON ORDINARY ACTIVITIES

	Year ended 31 March 2006 £'000	Year ended 31 March 2005 £'000
United Kingdom corporation tax at 30% (2005: 30%) based on the loss for the year	–	–
Adjustments in respect of prior years	–	–
Foreign tax for current period	–	–
Adjustments in respect of prior years	–	–
	–	–

The tax assessed for the year is different than that resulting from applying the standard rate of corporation tax in the UK: 30% (2005: 30%). The differences are explained below:

	Year ended 31 March 2006 £'000	Year ended 31 March 2005 £'000
Loss on ordinary activities before tax	(119)	(966)
Tax at 30% thereon:	36	290
Effects of:		
Permanent differences	14	(37)
Capital allowances in excess of depreciation	(8)	(66)
Movement in short-term timing differences	66	131
Non taxable profits / (losses) on disposals	844	855
Unutilised losses	(1,084)	(149)
Impairment of investments	132	(759)
Intragroup income	–	(265)
Current tax charge for the year	–	–

Deferred tax

No deferred tax asset has been recognised on unutilised taxable losses; the potential unrecognised asset is £47.528m (2005: £19.798m).

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. No adjustment is made to the number of shares in issue in the diluted earnings per share calculation where the group has reported a loss for the year.

	Year ended 31 March 2006 £'000	Year ended 31 March 2005 £'000
Loss for the year	**(119)**	(966)
Basic and diluted losses attributable to ordinary shareholders	**(119)**	(966)
Weighted average number of ordinary shares ('000)	**445,461**	460,178
Basic and diluted loss per share	**(0.03p)**	(0.21p)

9 TANGIBLE FIXED ASSETS

Group	Leasehold Improvements £'000	Furniture, fixtures and equipment £'000	Office equipment and software £'000	Total £'000
Cost:				
At 1 April 2005	1,170	548	102	1,820
Additions	2	3	–	5
Disposals	(20)	–	–	(20)
At 31 March 2006	1,152	551	102	1,805
Accumulated depreciation				
At 1 April 2005	379	520	73	972
Charged for the year	115	27	1	143
At 31 March 2006	494	547	74	1,115
Net book value				
At 31 March 2005	791	28	29	848
At 31 March 2006	658	4	28	690

10 INVESTMENTS

Group Portfolio Company Name	Note ref	Country of incorp.	% equity 31 March 2006	Value at 31 March 2005 £,000	Year ended 31 March 2006 Additions £,000	Disposals £,000	Revaluations £,000	Value at 31 March 2006 £,000
Mergermarket	(3)	UK	23.7%	8,000	–	–	19,800	27,800
IMI	(4)	India	45.4%	1,845	836	–	9,619	12,300
ASPEX Semiconductor	(5)	UK	77.4%	11,231	2,295	–	(2,000)	11,526
Kobalt Music	(4)	UK	26.7%	2,245	315	–	652	3,212
DX3	(7)	UK	53.7%	810	1,470	–	–	2,280
Skinkers	(6)	UK	21.2%	–	2,022	–	–	2,022
Spuetz AG	(3)	Germany	7.9%	2,156	–	–	(175)	1,981
Firebox	(2)	UK	29.4%	1,450	–	–	(410)	1,040
Synaptic	(2)	UK	38.5%	1,000	–	–	–	1,000
Kobalt Music Administration		UK	50.0%	394	1,060	(704)	–	750
Tradera	(3)	Sweden	2.5%	–	1	–	600	601
Mblox	(4)	USA	0.5%	268	–	–	232	500
				29,399	7,999	(704)	28,318	65,012
Other investments (no single investment value greater than £300,000) – see note 1	(1)			1,227	4	(113)	(208)	910
Investments sold during the year				4,387	15	(4,402)	–	–
Carried interest scheme share of portfolio	(8)			–	–	–	(6,400)	(6,400)
TOTAL FIXED ASSET INVESTMENTS				35,013	8,018	(5,219)	21,710	59,522

(1) Other investments includes NewMedia Heads, Touchclarity, Insurancewide, Freesourcing AB, Start and Run AB, ID Data, Crocus, Mind Candy, MZ Travel, Rok Group Ltd, Advanced Visual Technology, Berkely Berry Birch plc and ETV.
(2) Firebox and Synaptic have been valued according to a Directors' valuation based on appropriate earnings/sales multiples applied to the most recent results.
(3) Mergermarket, Spuetz and Tradera have been valued on the basis of the sales proceeds that Spark expects to receive following their sale after the year end.
(4) IMI, Kobalt and MBlox have been valued on the basis of recent 3rd party funding events.
(5) Aspex has been valued at cost less an adjustment for the valuations implied by 3rd party funding indications received in the year.
(6) Skinkers has been valued at cost.
(7) DX3 has been valued on the basis of its impaired cost at the start of the year plus the cash invested in the year.
(8) The carried interest share of the portfolio represents the share of the uplift in valuations on unrealised investments that is expected to be payable to SPARK's management in future accounting periods, including a provision for employer's National Insurance. This provision is calculated by reference to the opening value of the portfolio when the scheme was set up in July 2003 (£23.8m), cash invested and cash received into/from portfolio companies, a 5% annual hurdle and the net unrealised valuation surpluses and deficits since the founding of the scheme. After taking account of all these elements, 20% of any resulting profit is payable as a bonus. Bonuses due on investments sold in the year are accounted for in the profit and loss account. Bonuses potentially due in future accounting periods on unrealised portfolio gains are accounted for in the statement of total recognised gains and losses. Bonuses are only paid following the audit of the annual results and after aggregating all investments realised in the form of cash in an accounting year.

One investment held at 31 March 2006 (2005: two) was listed and, at that time, had a market value of £1.981m (2005: £2.246m).

Of the total net revaluation differences shown above of £21.710m, a realised profit of £0.437m (2005: £0.321m profit) has been accounted for in the Profit and Loss Account and an unrealised gain of £21.273m (2005: £6.280m) has been accounted for in the Statement of Total Recognised Gains and Losses. The realised gain in the Profit and Loss account (£3.224m) additionally comprises realised profits on the sale of FootFall (£1.282m) and Elata (£0.846) together with a realised gain on the disposal of a subsidiary (£0.634m) and other net gains of £0.025m.

As at 31 March 2006, DX3 Holding Limited had a loss before tax of £1.169m for the year ended 31 March 2006 and a total shareholders deficit of £0.018m; and ASPEX Semiconductor Holding Ltd had a loss for the year ended 31 March 2006 of £3.344m and negative total capital and reserves of £0.399m.

10 INVESTMENTS CONTIUNED

Investments (Company)	31 March 2006 £'000	31 March 2005 £'000
Valuation:		
At 1 April	**29,030**	18,666
Additions	**7,183**	5,413
Unrealised and realised valuations	**11,859**	6,451
Disposals	**(5,220)**	(1,500)
Valuations at 31 March	**42,852**	29,030

Of the total net revaluation differences shown above of £11.859m, a realised profit of £0.445m has been accounted for in the Profit and Loss Account and an unrealised gain of £11.414m has been accounted for in the Statement of Total Recognised Gains and Losses.

11 INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

Company	31 March 2006 £'000
Cost:	
At 1 April	**231,149**
Released on disposal	**(99,017)**
At 31 March	**132,132**
Impairment	
At 1 April	**121,631**
Released on disposal	**(99,017)**
At 31 March	**22,614**
Net book value	
At 31 March 2005	**109,518**
At 31 March 2006	**109,518**

The Company's principal subsidiary undertakings as included in the consolidation at 31 March 2006, 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 Ltd	UK	Investment	Ordinary	100%
SPARK Services Ltd	UK	Business services	Ordinary	100%
Softtechnet.com Ltd	UK	Investment (dormant)	Ordinary	100%
Internet Indirect Ltd	UK	Investment (dormant)	Ordinary	100%
GlobalNet Financial.com Inc	USA	Finance	Ordinary	100%
NewMedia SPARK Holdings GmbH	Germany	Investment	Ordinary	100%
NewMedia SPARK BV	Holland	Investment	Ordinary	100%

During the year, the Group sold its Swedish subsidiary, Spark Investors AB, for proceeds (net of transaction costs) of £0.634m. At the point of disposal the company did not have any net assets. The profit on disposal of this subsidiary of £0.634m has been shown in the profit and loss account within "gains on investment" and in the cash-flow statement under "receipts from sales of investments".

12 DEBTORS

	Group 31 March 2006 £'000	Group 31 March 2005 £'000	Company 31 March 2006 £'000	Company 31 March 2005 £'000
Trade debtors	**225**	406	**30**	9
Amounts owed by subsidiary undertakings	**–**	–	**5,638**	5,066
Other debtors	**275**	1,279	**250**	27
Overseas taxation	**276**	276	**–**	–
Other taxation and social security	**44**	–	**12**	–
Prepayments and accrued income	**303**	390	**77**	172
	1,123	2,351	**6,007**	5,274

Restricted cash	**2,869**	2,869	**2,869**	2,869

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

	Group 31 March 2006 £'000	Group 31 March 2005 £'000	Company 31 March 2006 £'000	Company 31 March 2005 £'000
Trade creditors	**402**	201	**31**	63
Amounts owed to fellow subsidiary companies	**–**	–	**110,186**	108,746
Other creditors	**290**	279	**116**	128
Other taxation and social security	**45**	16	**24**	12
Accruals and deferred income	**2,270**	1,215	**180**	163
	3,007	1,711	**110,537**	109,112

14 PROVISIONS FOR LIABILITIES

Group and Company	Claims & associated legal costs £ '000
Provision as at 1 April 2005	189
Utilisation of provision	(17)
Release of provision	(39)
Provision as at 31 March 2006	133

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, these amounts would fall due within three years.

15 OPERATING LEASE COMMITMENTS

At 31 March 2006 the Group was committed to making the following annual payments during the next year in respect of operating leases:

Buildings	31 March 2006 £ '000	31 March 2005 £ '000
Leases which expire:		
Within one year	–	29
After five years	**703**	703
Total	**703**	732

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 the Netherlands, Mauritius, 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.

(b) Currency Profile

The functional currencies of the Group are Sterling, 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 2006 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% (2005: 4.7%) 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

Authorised:	Group 31 March 2006 £'000	Group 31 March 2005 £'000	Company 31 March 2006 £'000	Company 31 March 2005 £'000
950,000,000 (2005: 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 (2005: 472,735,729) ordinary shares of 2.5p	**11,818**	11,818	**11,818**	11,818

Under the Group's 2001 Unapproved Share Option Scheme, 15.841 million 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. As at 31 March 2006, 7.502m of these options have been exercised, leaving 8.339m shares still held by the NewMedia Spark Employee Benefit Trust.

Under the Group's 2005 Executive Share Option Scheme, 20,227,273 options had been granted to employees, with an exercise price of 11.0 pence, to be exercised in accordance with the Share Option Scheme rules before 30 September 2015. The options vest over five years subject to achieving growth in net assets per share in excess of required targets.

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 2006 was 11.10 pence. In the year the share price reached a maximum of 14.875 pence and a minimum of 9.00 pence. The closing share price on 31 March 2006 was 13.25 pence.

As at 31 July 2006, the major shareholders of the Group are as follows:

	Number of shares held	% of Issued shares
M&G Investment Management	86,716,122	19.86
MPC Investors	45,300,100	10.37
New Star Asset Management	21,750,000	4.98
Majedie Asset Management	15,550,000	3.56
Untilico Investment Trust plc	15,250,000	3.49

The percentage holdings shown above are based on the total number of issued shares, less those shares held in Treasury at 31 July 2006 (36,015,949).

18 RESERVES

Group	Share premium account £'000	Revaluation reserve £'000	Profit and loss account £'000
Reserves at 1 April 2005	39,693	(24,103)	31,001
Unrealised gain on investments	–	21,273	–
Previously unrealised gains now deemed permanent	–	(680)	680
Own shares purchased for Treasury	–	–	(3,167)
Foreign currency translation	–	–	(16)
Loss for the year	–	–	(119)
Reserves at 31 March 2006	**39,693**	**(3,510)**	**28,379**

Company	Share premium account £'000	Revaluation reserve £'000	Profit and loss account £'000
Reserves at 1 April 2005	39,693	(501)	4,832
Unrealised gains on investments	–	11,414	–
Previously unrealised gains now deemed permanent	–	(680)	680
Own shares purchased for Treasury	–	–	(3,167)
Profit for the year	–	–	1,457
Reserves at 31 March 2006	**39,693**	**10,233**	**3,802**

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 2006, SPARK Services Ltd charged DX3 Holdings Ltd licence fees and other operating costs of £91,919 (net of VAT). Of this, £9,456 was owing to Spark Services at the year end and £82,463 was paid in the year.

In the year to 31 March 2006, Spark Investors Ltd charged Aspex Semiconductor Ltd £15,000 plus VAT for Directors' fees. This amount had not been paid by the end of the year.

In the year to 31 March 2006, NewMedia Spark plc provided additional loan finance of £1.060m to Kobalt Music Administration Limited to enable them to acquire music publishing rights. In the year £0.704m of this loan was repaid and interest payments of £0.114m were made.

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

20 SUBSEQUENT EVENTS

On 21 April 2006, NewMedia Spark plc sold its stake in Tradera AB to eBay for estimated total proceeds of £0.600m of which £0.515m was received in April.

On 2 May 2006, NewMedia Spark Holding Gmbh sold its remaining shares in Spuetz AG for cash consideration of £1.9m.

On 7 July 2006, IMImobile raised US$10m from Pequot Ventures, a leading US VC. This fund raising enabled SPARK to write up its investment in IMI up to £12.3m.

On 8 August 2006, NewMedia Spark plc agreed to sell it shares in Mergermarket to the Financial Times Group for expected cash consideration of £27.8m - £2m of which will be retained for up to two years to cover potential warranty claims.

SHAREHOLDER INFORMATION & ADVISERS

FINANCIAL CALENDAR

Annual General Meeting 18 October 2006
2006/2007 interim results announcement December 2006
2006/2007 preliminary results announcement June 2007

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

REGISTERED OFFICE

Lacon House
Theobald's Road
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The Royal Bank of Scotland plc
Abbey Gardens
4 Abbey Street
Reading
Berkshire RG1 3BA

SOLICITORS

Nabarro Nathanson
Lacon House
Theobald's Road
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