NewMedia SPARK

Annual Report 2007

venture capital investors

about **SPARK**

NewMedia SPARK ('SPARK') is a leading venture capital investor with a proven track record of providing equity investment to high growth technology companies in order to deliver significant capital growth. SPARK is Europe's largest quoted early stage investor in technology and life sciences and is listed on the Alternative Investment Market ('AIM') of the London Stock Exchange.

Through its acquisition of Quester, SPARK now manages approximately £250m on behalf of major institutional investors, leading UK universities, three quoted Venture Capital Trusts and its own balance sheet investments.

Together, the Group has a significant portfolio of investments in the TMT (technology, media and telecoms) and Life Science sectors ranging from start-ups and university spinouts to mature and profitable later stage technology businesses.

As an investor, SPARK expects to add value to its investments through active strategic, financial and commercial support. SPARK's investment approach is to make investments in a range of early stage companies including both start-ups and growing businesses with a proven revenue model with the objective of developing significant capital growth over the medium term. As well as capital, SPARK brings a wealth of experience in developing high growth companies from early stage through to eventual trade sale or Initial Public Offering.

Overview

Business review

Accounts

the **highlights**

- Highly successful sale of Mergermarket to The Financial Times yields proceeds of £27.8m and a return of 23.7 times SPARK's invested capital.
- The acquisition of Quester after the year end brought the management of an additional £200m into the Group (making a total of £275m), a seasoned investment team, a platform for managing further third party funds and a positive contribution to SPARK running costs going forward.
- Strong deal flow adds eight new investments to the portfolio diversified as to stage and sector (of which three were after the year end), including Mydeco.com, a new initiative from the founders of lastminute.com, backed first by the SPARK investment team in 1998.
- Several of the more mature investments in the portfolio show strong underlying performance, even where valuations remain unchanged.
- Net Assets per share increase from 17.7p to 17.8p in the year to March 2007.
- The adoption of International Financial Reporting Standards and the consolidation of portfolio companies where holdings exceed 50%, substantially alters the presentation of our financial information.
- Net results for the financial year, which was a loss of £0.2m in 2007 and a profit of £18.2m in 2006, would have been a profit of £4.1m in 2007 and a larger profit of £23.2m in 2006 were it not for the consolidation of the major holdings in Aspex and DX3.

£27.8 million
Sale of Mergermarket

£275 million
Total value of assets under management

17.8 pence
net asset value per share
(increase from 17.7p)

chairman's statement

Thomas Teichman
Chairman

Dear fellow Shareholders
It's been a remarkable year for us – a solid year of achievement and building.

We have lived through the truly extraordinary tech downturn (NASDAQ is still below half its peak in 2000) and more than survived. Whilst our share price is far below its peak of the tech frenzy, it is still around 50% up on our IPO price in October, 1999. This financial year, we've had SPARK's largest ever exit, mergermarket.com – which we backed as a complete start up in 1999 – returning well over 20 times our investment price. Several other very good exits have also occurred.

We completed a large strategic advance by the purchase of the well established Quester Group to create Europe's largest quoted venture capital group focused exclusively on start-ups and early stage funding of new ideas in technology, software, the internet and life sciences.

Naturally, taking on a new portfolio like Quester's, presents many management challenges but also provides us with a new steady stream of future income and a complete and well honed platform for managing more funds. This is in addition to our opportunities for capital growth within the existing SPARK portfolio.

So today we are able to manage and raise funds from the public markets, the Venture Capital Trust (VCT) market and the LLP markets in the UK and abroad. This gives us a great deal of flexibility to embrace the great new deal flow we are now seeing. We particularly welcome the arrival to our investor circle, through Quester, of several highly prestigious LLP investors including some of Europe's largest and most respected investment funds.

We are particularly pleased that some of the very best entrepreneurs we have backed over the years have come back to work with us again. We have a string of entrepreneurs who will happily attest to the trust they have in the way we handle our investee companies' lives and help them grow and exit well.

I look forward to a year of challenge integrating the Quester business, and improving results from some of our best and longer established investments like Aspex, IMI, Kobalt and firebox. com. Each of these have powerful business models run by extraordinarily sharp, seasoned and determined entrepreneurs with whom we have worked for many years.

"We are particularly pleased that some of the very best entrepreneurs we have backed over the years have come back to work with us again."

Aspex >
Linedancer chips

I also look forward to developing the crop of new investments we have made in fine established businesses and new ideas like DEM, Mydeco, Notonthehighstreet, Skinkers, and Unanimis. The balanced spread of new investments in terms of sectors and business maturity is noteworthy.

With most listed and private equity markets even now, at the time of writing, running at close to all time peak levels, current debt market turmoil highlights the possibility of some further accidents and shocks to the system. Many investors and managers of money are still rather ignoring true Venture Capital as it has underperformed most major equity investment categories in Europe over the last 10 years. We don't have debt leverage as a weapon in our armour as most of our businesses don't have the cash flow and profit history needed for leverage. Today that's not a bad thing. And we hold prudent cash resources.

We see today's conditions as an opportunity for SPARK to stand in the middle of great deal flow with less competition and more opportunity to invest well at sensible prices.

Of course, Venture Capital is a long term higher risk game and we will make mistakes but overall I feel confident we will outpace most of the VC field as we have done in the last decade – based on our many years of experience. Our core team has been together for almost 10 years.

So we are well placed to build a sound and valuable business long term with a spread of capital gains and, now, income from fund management. This has led to the management team receiving solid rewards under our long term incentive schemes on gains realised by SPARK from the significant portfolio uplifts we have seen over the last few years.

Looking forward to challenges going forward.

I am fellow shareholders,

Yours sincerely,

Thomas Teichman
Chairman
7 September 2007

chief executive's review

Andrew Carruthers
Chief Executive

"The acquisition of Quester established SPARK as the largest quoted early-stage investor in Europe."

Overview

The year to March 2007 has contained many successful developments and much change for SPARK. In the first instance, the sale of our investment in Mergermarket generated £25.9m of cash resources (with another £1.9m deferred), thereby enabling both share buy-backs of £3.5m in the year as well as further funds for the development of our portfolio. Then, after the year end, the acquisition of Quester established SPARK as the largest quoted early-stage investor in Europe, providing both a seasoned investment team and giving us the regulatory, administrative and reporting platform for the management of third party funds. Finally, the substantial holdings we have in two of our investments, Aspex Semiconductors and DX3, have been consolidated within our results rather than being shown as investments as in prior years as a result of our conversion from UK Generally Accepted Accounting Policies to International Financial Reporting Standards.

Acquisition of Quester

In May 2007, SPARK purchased 100% of the share capital of Querist Ltd, the parent company of the Quester group of companies. Quester manages funds of over £200m in the form of the Quester VCT's, Quester Venture Partners and several University Technology Transfer funds, £175m of which are on long term or rolling contracts. It has links with leading UK Universities, including the Oxford University Colleges. Across the funds there are 49 investments made between 1996 and 2007, of which approximately one third are in Life Sciences and two thirds in Technology. In the year ended 31 March 2007, Quester had an unaudited consolidated turnover of £5.1m and profit of £0.1m after deducting £1.4m of non-recurring expenditure. The consideration paid was cash of £4m plus the value of positive net assets (£0.4m), and an earn-out of up to £1m over two years depending on revenue targets being met.

This acquisition strengthens SPARK's position as one of the leading early-stage European venture investors, significantly expanding its funds under management and securing a team and platform that is capable of managing additional funds from a number of different sources in the future. The increase in the scale of operations will generate substantial efficiency improvements, create a wider spread of investments for co-investing SPARK shareholder funds, and provide greater access to the UK's best early-stage entrepreneurs, investment managers and University intellectual property – benefits which will also be shared by the investors in Quester funds. Together, the combined Group will manage over £275m of funds, of which over 63% are evergreen (open ended funds). We plan to use this combined platform to build further funds under management focused on high-growth sectors using emerging technologies to deliver long term and consistent growth in shareholder value.

IMImobile >

IMI can now reach over 500m mobile subscribers through its deployments

New investments

SPARK's investment team has been working together in the sector for over 10 years. This exceptional experience combined with a series of good exits has resulted in an extremely high quality of deal flow available to us. In particular, we are delighted to be able to welcome back Brent Hoberman and Martha Lane-Fox with their new start-up Mydeco.com. The SPARK team backed Brent and Martha when launching their first venture, Lastminute.com, in 1998. SPARK has invested £1.8m into Mydeco.com, leading a round of £5.5m that includes a group of very high profile investors. The business is due to launch a home decoration community later in the year that seeks to combine design tools with easy access to the highly fragmented array of suppliers to the home improvement market. We see the return of successful entrepreneurs as a strong endorsement of SPARK's established position and capacity to add value.

In making new investments we look for early stage businesses that have outstanding management, but are also achieving a rapid revenue growth by addressing large markets. The bulk of the invested capital will be in this category, however, investments will also be made into a second category of complete start-up companies, when these are being launched by proven, serial entrepreneurs. During the period, new investments were made into Complinet, Market Clusters, Gambling Compliance, iSporty and Notonthehighstreet.com. Following the year end, new investments have been made into Unanimis, DEM Solutions and Mydeco.com.

'Rapid revenue growth' investments

We purchased a 2% stake in Complinet for £0.7m, which is the leading provider of solutions for the delivery of compliance intelligence to the global financial services community. As in the case of Mergermarket, the business has built substantial recurring revenues from a wide range of blue chip financial clients with data that is mission critical. Historically growing at a rate of over 30% per annum, this business falls into the category of investment that has already demonstrated rapid revenue growth, and we would expect to see the value of this business accelerate and provide an exit opportunity over the medium term.

More substantial investments in this category have been made since the year end with Unanimis (£2.1m for 11%) and DEM (£1.7m for 24%). In both cases revenues are climbing rapidly and the scale of the market opportunity is large. London based Unanimis, is the UK's leading digital advertising sales business. The company offers advertisers the opportunity to maximise their return from internet advertising and offers web publishers an outsourced solution to delivering advertising revenue. The Unanimis client list includes eBay, The London Stock Exchange, Gumtree and The AA. Unanimis has been one of the UK's fastest growing media and technology companies, and with the UK online advertising market growing 40% over the last year and expected to continue to grow strongly, Unanimis is ideally positioned to exploit this growth.

DEM develops computer aided engineering simulation tools which are used in a wide range of industries such as pharmaceutical, chemical, mining, oil & gas, energy, agriculture and food processing. DEM's software reduces the need for expensive prototyping, and helps improve process efficiency and save energy. The first version of DEM's software was launched in October 2005, since which time the company has sold to many of the world's leading companies across a broad range of industrial sectors including space, (NASA), manufacturing & agriculture (John Deere) and asphalt/minerals handling (Astec Industries).

The company's revenue has tripled over the last year and DEM is well positioned to capture a substantial portion of this rapidly developing market.

"We are delighted to be able to make this significant move in building upon our position in the investment community as one of the leading early-stage European venture investors by welcoming the Quester team."

Start-up investments

Based on a similar concept to Complinet, but at a much earlier stage, Gambling Compliance was launched by a serial entrepreneur and previous employee of Complinet to address the same mission critical compliance issues for the Gaming community. SPARK seeded this company with an investment of £0.1m for a stake of 14%, and despite being pre-revenues at the point of investment, this business is now demonstrating strong revenue growth.

MarketClusters provides customized market intelligence solutions by tracking thousands of analyst-ranked Blog and News sources for opinions and deal flow stories (M&A, VC and Partnership) and indexes these against a database of highly-defined public and private companies and industry categories. iSporty is a platform for community sites offering user generated content, blogs, videos and resources to sports enthusiasts. Notonthehighstreet.com is an ecommerce site providing access to a huge range of specialist products not sold through major brand retailers. As these represent the start-up category described above, SPARK has invested under £1m in these three businesses, for holdings of between 7% and 33%. Like MyDeco mentioned above, in each case, these start-up companies have been created by highly talented individuals each of whom have the capacity to build valuable businesses over time.

Mature portfolio investments

IMI

Following the $10m investment by Pequot Ventures last year, IMI has been able to invest substantially in growth this year. The company has doubled revenues to $10m and has been recording 100% growth in revenues year on year for the last three years. IMI has 275 employees worldwide with operations in 51 countries supporting 200 operator services and over 250 content partners. The company's position in the fast growing Indian market has been consolidated through the implementation of a Caller Ring Back Tone platform for BSNL, India's second largest mobile operator. It also manages mobile campaigns for leading media companies like Reuters and Google. The company has also deployed a number of regional language services and voice services in India and this should help maintain the strong revenue growth. Internationally the company continues to make progress in the Caribbean and Latin America and has signed up Cable and Wireless and Terra as clients during the year. IMI can now reach over 500 million mobile subscribers through its deployments. The fund raising has enabled the company to develop a 25,000 sq ft world class Network Operations Centre in Hyderabad, India from where it can deliver a managed service to global carriers and media owners. The company expects the facility to provide assurances to blue chips that the company can deliver a scalable managed service solution with rigorous service levels. Progress has also been made in the engineering division as it has developed project management revenues alongside its traditional software licences and engineering services for tower design.

Aspex

As many of our shareholders are aware, alongside IMI mobile, Aspex Semiconductors represents one of our largest assets. The business designs and sells high-performance semiconductors for video processing applications. Their initial target markets were for the professional segment of the video processing markets such as film processing, medical imaging, machine vision and printing. Aspex have achieved many design wins in these markets but have found the volume of chip orders arising from them disappointingly low. In response to this they developed the software skills that allowed them to launch products in April 2006 that did not require customers to commit to any design work and were tailored for a specific application – the high speed encoding market. In the year to March 2007, they made sales of $0.7m from these new products and as at the end of the first quarter of this financial year (June 2007), Aspex had several more orders.

Notonthehighstreet.com >
Specialist products

They are also in discussions with customers for a high-volume consumer device which will begin to be shipped in 2008.

Whilst these developments do not guarantee a successful future for the company, we have seen the launch of similar technologies from companies such as LSI Logic, Mobilygen and Ambarella that both endorse the existence of this new market and the strength of the Aspex technology. In addition, there is still strong evidence of venture funding flowing into similar technologies with QPixel raising a $25m funding round in 2006 and Picochip raising a fourth round of $27m in June 2007 (taking the total investment funding raised in that company to $70.5m). In the light of these developments, and after considerable research, the board of SPARK has resolved that we should continue to support the development of Aspex's business.

Kobalt

Kobalt has become one of Europe's top independent music publishers after being formed as a start-up by a former SPARK executive less than seven years ago. In the year to June 2007 Kobalt has grown its revenues by 30% and is profitable in the UK. It has also invested heavily into addressing the US market, establishing a presence in New York, Los Angeles and Nashville. In a short time it has established a strong position by winning royalty collection contracts from major writers for stars such as Eminem, Gwen Stefani, James Brown, Barry Manilow, Madonna and other first class acts. In the process it has been recognised by Billboard (the leading music trade publication) and other major industry players as a new force in the US music industry based on its technology, efficiency and independence. Whilst it will take time for these contracts to get established, we believe the prospects for this business are strong.

Adoption of International Financial Reporting Standards

In line with the rest of our industry, SPARK has adopted International Financial Reporting Standards (IFRS) for the presentation of the current year's financial results and the comparative figures from the year ending March 2006. This has a number of important implications. Firstly, the Profit and Loss account and the Statement of Total Recognised Gains and Losses have been combined into a single new statement – The Group Income Statement. Secondly, we now consolidate majority holdings in portfolio companies. This means that the income statements and balance sheets of Aspex Semiconductors and DX3 have to be consolidated into Group results, rather than appearing as a single component of the value of our investments on the balance sheet.

Firebox >
20 Minute Tiger Moth Flight

The effect of this latter change is to introduce a new methodology for the valuation of portfolio companies where the Company has control and stakes in excess of 50% are held. Such investments can no longer be held at BVCA valuations but are instead valued at the amount of the SPARK Group share of their separate net assets together with any goodwill attributable at the time when SPARK gained control. These investments are now consolidated as subsidiary companies and the value of these companies to SPARK shareholders will be demonstrated in the inclusion of these subsidiary companies' results in the income statement. All other things being equal, the effect on NAV per share, (the best indicator of SPARK's performance over time) is to reduce it as early stage technology companies typically have few assets that can be shown on the balance sheet and because such companies are typically loss-making so the inclusion of their income statements in SPARK's Group income statement will reduce the value of the SPARK balance sheet. Additionally, whereas in prior years all further investment into Aspex and DX3 was largely held at cost, under IFRS such new investment is expensed over time as the subsidiary spends the cash invested. As in prior years BVCA guidelines are used to value holdings of less than 50%.

The Group Income Statement now includes both the realised and unrealised gains and losses for the period along with all the other components of the traditional profit and loss account. In the case of SPARK, this is a helpful change because our key metrics for performance during the year were previously spread across two separate statements, but are now integrated into a single statement. This means that movements in the valuation of the portfolio (holdings of less than 50%) are reflected on the face of the same statement as our income and costs. The net gains of £26.5m in the year to March 2006, after accruing for potential incentive scheme costs of £6.4m, in large part arise from the revaluation of IMI (£9.6m) and Mergermarket (£19.8m), even though the latter transaction did not complete until August of the current financial year.

Review of operations and the results in the year

The revenues are principally derived from SPARK, with the exception of those for the sales of goods and related services, which arise from the consolidation of Aspex and DX3. Other income is the rent that SPARK receives for the subletting of its office space in Piccadilly which has increased during the year and should be offset against the costs of those offices of £1.7m in the administrative expenses section for each of 2006 and 2007.

The administrative expenses category is substantially affected by two features of the current year. Firstly, the consolidation of Aspex and DX3 which together represent £5.5m of the costs in 2007 and £5.4m in 2006, and secondly, the payment of a 'carried interest' incentive of £4.8m in the current year compared to £1.4m in the previous year. This is the main incentive scheme that was initiated in 2003 to incentivise the managers to deliver value to shareholders from the portfolio.

The scheme offsets any losses (whether realised or unrealised) from the profits generated by selling investments and pays out 20% of those profits above a 5% hurdle rate of interest to the managers, only when they have been realised by the Company in cash. The accumulation of profits from the sales of companies such as Pricerunner, Footfall, Elata and others were offset against the losses of underperformance from other investments, but were sufficient to generate a bonus of £1.4m last year, three years after the scheme was started. However, the sale of Mergermarket for a profit of £26.6m, even after deduction of other write downs and hurdle interest, was sufficient to generate a substantial bonus amounting to £4.8m (including employer's National Insurance). Excluding all incentive-related payments total SPARK overheads and salaries were very similar to the previous year.

Net results for the financial year, which showed a loss of £0.2m in 2007 and a profit of £18.2m in 2006, would have been a profit of £4.1m in 2007 and a larger profit of £23.2m in 2006 were it not for the consolidation of the major holdings in Aspex and DX3.

Outlook

SPARK has a built a strong position within the venture market, not only in terms of knowledge and sector expertise but also in terms of successful exits. We are seeing an improving flow of exciting investment opportunities in our sectors. The addition of Quester will add to these strengths, providing us with a platform to build further funds under management and delivering long-term, consistent growth in shareholder value. We look forward to updating our shareholders on our progress as the year progresses.

Andrew Carruthers
Chief Executive Officer
7 September 2007

portfolio **highlights**

IMI

Both divisions of IMI made significant progress this year. The combined carrying value of both divisions is £13.1m.

IMImobile

IMImobile is a leading managed service provider of technology platforms and content aggregation for mobile operators and media owners who want to offer mobile value added services.

The company has developed a core service delivery platform, carrier grade messaging platforms and gateways and a range of applications for data services. In addition the company has also developed voice driven platforms for caller ring back tone services and voice portals.

During the last year the company completed a $10m equity financing with Pequot Ventures, a leading US venture capital firm, and has been able to invest in growth. The company has doubled revenues to $10m and has been recording 100% growth in revenues year on year for the last three years.

The domestic market trends remain strong with mobile penetration increasing rapidly in India. The Indian market grew from 70m subscribers to over 120m subscribers during the year with 5m subscribers a month being added since the year end. The penetration is driven by additional subscribers in rural areas where Average Revenue Per User ('ARPU')s are lower and demand for data services is limited. As a result the company has invested in the development of its voice driven platforms and expects these to significantly contribute to growth.

Internationally the investment in network infrastructure in the Middle East and Latin America provides greater opportunities for the company to exploit. Other international opportunities come from the increasing willingness of operators to seek partnerships or outsource their value added services infrastructure requirement.

Over the last year the company's position in the Indian market has been consolidated through the implementation of a Caller Ring Back Tone platform for BSNL, India's second largest mobile operator. It also added media companies like Reuters and Google as clients to add to Star TV and Yahoo. International clients added include Cable and Wireless and Terra.

In total the company now has 275 employees supporting 200 operator services and over 250 content partners.

The fund raising also enabled the company to develop a 25,000 sq ft world class Network Operations Centre in Hyderabad. The company expects the facility to provide assurances particularly to global operators that it can deliver a scalable managed service solution with rigorous service levels.

IMIsoftware

The foundations of IMI were in the engineering division that was started in 1988. The division has been a professional services group designing transmission line towers, microwave towers, switchyard structures on some of the biggest projects in the world and also as a software development company producing the most sophisticated software programs for design calculations and detailing of self supporting lattice steel towers.

Since the funding of IMImobile in June 2006 the engineering division has been managed separately and has made excellent progress in developing project management revenues alongside its traditional software licences and engineering services for tower design.

Complinet

SPARK invested £0.7m in Dec 2006 and a further £0.9m in June 2007, after the year end.

Complinet is the leading provider of solutions that dynamically deliver relevant compliance intelligence to industry professionals within the highly regulated global financial services community. Complinet enables firms to better understand and minimize their exposure to risk by providing both the information and technologies they need to connect live external events, such as regulatory updates or sanction changes, with their internal policy management and screening activities.

The company was founded in 1997 and has grown steadily since then. SPARK was welcomed as an investor because of the experience of working with entrepreneurial teams in the online publishing and data solution sectors.

Complinet is unique in the financial services industry. Its solutions combine deep regulatory insight with innovative technology that provide timely information, analysis and risk management services to more than 100,000 compliance and legal professionals across 81 countries. The company supplies solutions to over 80 per cent of the leading financial services firms across the world.
The company has been one of the Sunday Times Tech Track fastest growing companies consecutively for the last four years and the growth prospects continue to be positive with the increasing regulatory pressures on the financial services sector.

Kobalt

Kobalt has grown to become one of Europe's largest independent music publishers from a start-up in 2001 by virtue of its home grown technology and music industry friendly approach. Kobalt has experienced strong revenue growth in the last year (30%) and has won many new clients of world standing. Over 96% of Kobalt's customers have decided to extend or maintain their deals with Kobalt on renewal demonstrating the high level of satisfaction experienced by clients and providing great word of mouth buzz.

Kobalt's significant US investment programme in high profile offices in Los Angeles (Sunset Blvd.), New York (Time Square) and Nashville has started to deliver very good results reflected in the number and value of new deals signed which management expect to help accelerate the long term growth of the group. Kobalt has hired highly experienced and seasoned US music business executives at senior levels, increasing its credibility even further in the domestic US market.

Across the group as a whole, the number and value of new deals signed has continued to increase significantly. Kobalt has a strong 2007 release schedule which will drive revenue and net publisher share (NPS) during the next financial year. In particular, several internationally successful bands and artists have recognised the advantages of becoming Kobalt clients including Interpol, The Charlatans, Gomez, The Dandy Warhols, The Cranberries, multi-platinum pop star and actress Hilary Duff, techno-pop superstar Moby, legendary performer Barry Manilow and ex Bee Gee, Robin Gibb.

Additionally, Herbert Grönemeyer, who is among the most successful German rock singers of his generation, joined Kobalt as the first major signing of Kobalt's German office. He seems to have a unique musical connection with the German music buying public – his album "10" sold 1m albums in Germany alone.

Among Kobalt's successful rosta in 2007 so far are Gwen Stefani's new album "The Sweet Escape", Nine Inch Nails new album "Year Zero", and multiple songs on Avril Lavigne's new album "The Best Damn Thing", and Pink's album "I'm Not Dead" – these successes should help Kobalt to meet its aggressive growth targets in 2007/8.

In the prior year growth was not as strong as originally expected due to the failure of Kobalt's FIFA World Cup exclusive and disappointing sales from Kobalt's private equity clients largely due to the strong competition in the catalogue acquisition market.

Looking forward, the recording industry continues to face turbulent times with CD sales declining significantly in many markets. Although sales of digital music continue to grow, this is still not sufficient to offset the loss in the traditional physical market. As a result Kobalt has seen both catalogues and new releases generate less mechanical income across the board. Kobalt has, however, been able to largely offset this decline through the growth in performance and synchronisation income for advertisements and phone ring tones.

The Kobalt website has been significantly updated as a window to the music world. Please see www.kobaltmusic.com for more information.

Firebox

Firebox is one of the UK's leading multi-channel 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 1999, and backed by SPARK as a start-up, 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.

Firebox.com has been profitable since late 2001 and has grown very rapidly. Turnover for the year to January 2007 was £9.8m, 20% up on the previous year, and the company saw the benefits of its infrastructure investment in the previous year to more than double its operating margins. The company has more than 600,000 registered newsletter subscribers and had more than seven million visits to its website during 2006.

In addition, Firebox soft launched a US version of its website in November 2006. This beta site has enjoyed impressive early results: the first two weeks after launch saw more orders taken in the US than for the whole of the previous year. The US market represents a significant growth opportunity for Firebox over the next few years due to the size of the market (approximately six times larger than the UK) and the lack of direct US based competitors in this sector. Firebox.com is currently launching its service fully in the US with a new distribution facility and local customer service team.

As a result of these developments, we have increased the value of our stake in Firebox to £1.4m to reflect the growth prospects of the business and the improvement in margins.

Firebox is based in London and employs 43 staff.

Skinkers

Following the investment of £2m made in January 2006, Skinkers has progressed well and SPARK invested a further £1.75m in January 2007 to maintain its momentum.

Skinkers has built on its position in desktop client technologies to develop an enterprise class, multi channel message and content delivery platform. The Skinker's "Live Notification Platform" delivers critical information directly to the most appropriate device (computer, handheld, mobile phone) via the most appropriate channel. The platform enables organisations to deliver priority notifications and distribute heavy content through a controlled, highly versatile and secure universal communication platform.

The development efforts were aided considerably by an "Equity for Technology" deal with Microsoft in June 2006. As joint development partners they are co-developing technology to enhance the current product set and create new solutions for real-time event notification and high bandwidth content delivery. As a result of the partnership Skinkers was one of the Microsoft Vista launch partners when Microsoft launched a new operating system.

In addition to the investment in technology, the company has invested in the establishment of a seasoned management team. The team includes many individuals who have worked successfully in enterprise software and built and grown venture capital backed businesses. It is this team that has started the rollout of the Live Notification Platform and initial traction with blue chip clients is promising.

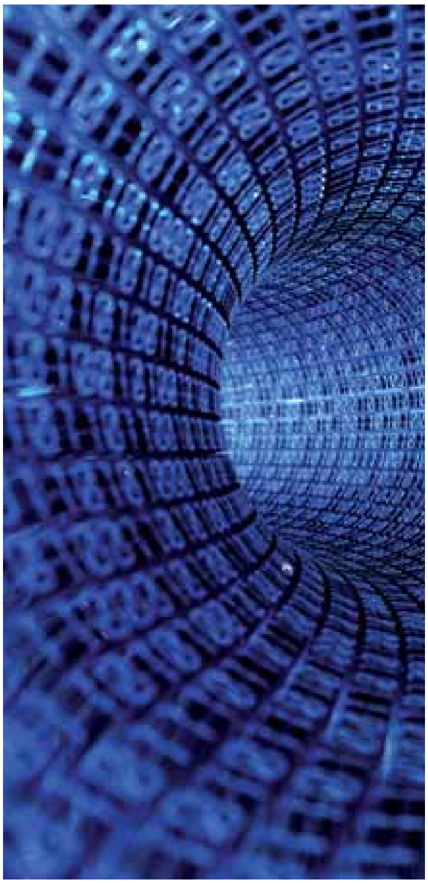
In addition to the Enterprise platform, the company has utilized some of the same technologies to develop a revolutionary live streaming Internet broadcasting software solution named "LiveStation". The solution was built on technology co-developed with Microsoft Research and is designed specifically to deliver uninterrupted live TV to large audiences at dramatically reduced costs. Microsoft had invested four years of extensive and detailed research into optimising live video streaming over peer-to-peer networks and developed an exceptional technology foundation; building on this unique foundation, Skinkers developed LiveStation.

Though still early days, LiveStation is a very exciting venture because it represents a quantum leap forward for live streaming on the Internet. The company is currently engaged with several broadcasters to bring the technology to market.

MarketClusters

SPARK invested £0.4m in MarketClusters as the first institutional investor. The company was founded in 2004 by Nick Gregg, a former technology equities analyst and entrepreneur. MarketClusters aims to be a leading innovator in online intelligence for complex and fast-changing sectors. The company uses proprietary search and indexing technologies with human analysis to ensure the highest possible accuracy of data is delivered to clients as well as contextualisation of complex and dynamic data.

The initial product StrategyEye is a real-time online intelligence platform designed to track the explosive changes in digital media. The dashboard gives access to a highly contextual view of the sector's M&A, VC and Partnership events – linked in real-time to any expert blog opinions, news sources or press releases. The client base established over the first year includes AOL, MTV, ITV, BSkyB, Disney, Virgin Mobile, Flextech, UBS, KPMG, Benchmark Capital and Atlas Venture.



Gambling Compliance

SPARK invested £0.1m in November 2006 and £0.2m in April 2007 and was one of the seed investors to help form this company.

The company was founded by David Morgan, a seasoned online publishing entrepreneur and previously COO of Complinet. The company aims to be the market leading provider of regulatory, legal and compliance information for the global gambling industry.

The management team has a combination of technology and content expertise and is well placed to exploit the regulatory change in the gambling industry. The site was launched earlier this year and the company now has over 50 clients including some of the leading players such as PartyGaming, 888 and Betfair.

quester acquisition – a platform for growth

Background

- Quester has a long history of successful early stage investing for a relatively young venture capital industry in the UK. It was founded in 1984 and from 1988 became a specialist in Information and Communications Technologies. In 1996, the company developed an expertise in Life Sciences and healthcare, making it one of the most established early stage venture capitalists in these sectors in the UK.

- Quester has just sold its last investment from its previous institutional fund, Parquest Venture Partners, which was raised in 1990. This fund has returned 4.2 times its original cost over a 17 year period, representing an internal rate of return of 26.7% per annum.

- In 1996 Quester was amongst the first venture managers to raise funds in the form of Venture Capital Trusts (VCT's) – a government initiative designed to allow private investors a tax efficient way to participate in venture type investments. Quester raised funds into five new VCT's in 1996, 1998, 2000 and 2001.

- From 1999, Quester began to build a series of University relationships intended to provide the firm with valuable high quality deal flow, as well as class leading technical due diligence capabilities. As a result of these relationships, Quester has become one of the most established managers of University funds in the UK, pre-dating other operators in the sector such as the IP Group. This provides SPARK with access to spinout companies with world class potential from technologies emerging from universities including the Oxford University colleges.

What Quester does now

- The Quester team of 20 brings with it a wealth of experience in the fields of Information and Communications Technology, Life Sciences, Commercialisation of Intellectual Property, Regulation, Administration and reporting for a variety of fund structures. Some members of that team have been operating in the sector for over 20 years and others have worked closely with our trade body, the British Venture Capital Association (BVCA), on many of the issues faced by our industry as it has developed.

- In addition to the VCT's (Net Assets of approximately £100m at acquisition), Quester manages a 10 year Limited Partnership fund of £70m called Quester Venture Partners which is now half way through its life. In addition, it currently manages £16m of funds on behalf of the Oxford Colleges (the Isis funds) and another £8m of funds on behalf of five East Midlands Universities (the Lachesis Fund). Taken together with the funds managed by SPARK, the group now manages in excess of £250m of funds.

What Quester offers SPARK shareholders

The acquisition of Quester brings many benefits to SPARK shareholders:

- A high quality team with complimentary skills in a range of technologies, in sourcing deal flow and intellectual property from the UK academic community, and in the management of third party funds.

- Critical mass. The greater the capacity to invest and the larger the team, the more consistent the level of activity in the market and the more the access to the best deal flow. In addition, the fee income associated with managing other funds contributes to a more cost efficient structure for both SPARK shareholders and other stake holders alike.

- The capacity to co-invest with SPARK capital, thereby allowing shareholder funds to be deployed in a wider range of investments at differing stages of development. This will allow for a more steady growth in net assets, with less of the volatility in net assets associated with having larger stakes in fewer businesses.

> "Quester brings a high quality team with complimentary skills in a range of technologies, in sourcing deal flow and intellectual property from the UK academic community, and in the management of third party funds."

a selection of successful Quester exits

GlycArt

GlycArt, was sold to Roche, one of the world's leading pharmaceutical companies, for approximately CHF 235m (£104m) in July 2006, making it one of the biggest biotech deals of the year. Quester invested in November 2003 and achieved a return of approximately 7 times cost.

OHM

Offshore Hydrocarbon Mapping, a leading provider of remote electromagnetic sensing services to the offshore oil industry for hydrocarbon exploration, listed on AIM in March 2004. The Sulis Seedcorn Fund, managed by Quester, invested in this University of Southampton spinout on its formation in 2002 and Quester invested in a further funding round to assist with the commercialisation of the company's technology. Quester achieved a return of over 10 times cost.

Ovum

Ovum, a leading provider of research, market analysis and advisory services in the global ICT sector, was sold to Datamonitor in October 2006. Datamonitor's cash offer of 300p per share for Ovum represents a 58% profit for Quester in the 7 months since investment.

PowderMed

PowderMed, an Oxford University spinout specialising in the emerging science of DNA-based vaccines, was sold to Pfizer, Inc., the world leading pharmaceutical company, in October 2006. Quester invested in PowderMed in 2004. The offer from Pfizer, Inc. values PowderMed at approximately £170m, which represents a 5 times return on Quester's cost in less than 18 months.

Surfcontrol

Surfcontrol offers a total content security solution for web and email filtering with the industry's largest content database and adaptive reasoning tools to automate content recognition. From Quester managed funds £2.8m was invested. The exit proceeds were £34.1m, a return of 12.2 times funds invested.

board of **directors**

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 Bank of Montreal. He has raised over £5bn in equity and debt for companies and has backed many successful early stage technology businesses, often from start-up, all the way to flotation (London and NASDAQ). He was on the Boards of most of these companies for several years. These include ARC, lastminute.com, Argonaut, Dialog, System C Healthcare, Wellington Investment Company, Libertas Capital and Mergermarket. The total value of exits in the public markets of these companies exceeds £1bn. He has extensive venture capital experience in technology ranging from on-line information, telecoms, video games and chip design to travel and software for healthcare and retailing. Tom is Chairman of Kobalt Music Group and China Export Finance Ltd, a Director of Advanced Visual Technology and represents SPARK on the Boards of notonthehighstreet.com, Mind Candy and Mydeco.com. Appointed to the SPARK Board on 20 October 1999.

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.

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 Camco International and a non-executive director of Noble Group, Quercus Publishing, Vycon Inc., Solar Integrated Technologies 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.

Andrew Carruthers
Chief Executive Officer

Andrew sits on the Board of Aspex Semiconductor, DEM, iSporty and DX3, leading SPARK's active participation in the development of these companies. Over recent years he has led the sale of Footfall to Experian for £36m and the sale of Pricerunner to Valueclick for $36m. 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 a Chartered Accountant with KPMG. Appointed to the Board on 27 September 1999.

Jayesh Patel
Executive Director

Jay was part of the founding team at SPARK and is currently responsible for the investments in IMI, Skinkers, Unanimis, Complinet, MarketClusters and gamblingcompliance. Previously he was involved in Kobalt, Firebox, elata and mblox. He led the creation of a serviced office at Glasshouse Street and the sale of a substantial stake in Spuetz as well as many minor exits. He was previously a Director of NewMedia Investors and held executive positions at UBS Warburg and BSkyB. He qualified as a Chartered Accountant with KPMG and holds degrees from INSEAD and the London School of Economics. Appointed to the Board on 30 January 2004.

Charles Berry
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.

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.

Officers & Professional Advisers

Directors
A.D.N. Betton
C.R. Berry
A.B. Carruthers
J.R. Patel
D.R.W. Potter
T.A. Teichman
M.K. Whitaker

Secretary
A.D.N. Betton

Registered Office
Lacon House
Theobald's Road
London WC1X 8RW

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

Solicitors
Nabarro
Lacon House
Theobald's Road
London WC1X 8RW

Auditors
Deloitte & Touche LLP
London

Registrars
Capita Registrars
Northern House
Fenay Bridge
Woodsome Park
Huddersfield
West Yorkshire HD8 0LA

directors' report

The Directors present their annual report and the audited financial statements for the year ended 31 March 2007.

NewMedia SPARK plc is a company incorporated in the United Kingdom under the Companies Act 1985 and is the parent company of the SPARK group. The address of the registered office and details of the Company's professional advisers are given on the previous page. The nature of the Group's operations and its principal activities are set out below and in the Chief Executive's review.

Activities

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

The principal activity of the trading subsidiaries Aspex Semiconductors and DX3 Technologies Ltd are as follows:

Aspex Semiconductor ("Aspex") is a leading edge fabless (i.e. no manufacturing facilities) semiconductor company. Aspex specialises in the research, development, design and delivery of high-performance massively parallel software programmable processors and plug-in board level products that use these processors to accelerate OEM software e.g. video encoding.

The principal activity of DX3 is the provision of services to enable the cross-platform distribution of multi-format digital media for traditional and non-traditional retailers of entertainment products. DX3 licenses, ingests, hosts and delivers digital music, videos and other products direct to consumers' mobile phones and computers.

Business review

The most significant event in the year ended 31 March 2007 was the sale of Mergermarket in August 2006. This gave SPARK a 24 times return on its original cost of £1.175m and the cash proceeds received in the year from this sale of £25.9m has enabled SPARK to commence a new investment cycle, maintain support for our trading subsidiaries Aspex and DX3, continue the share buy-back programme and, after the year end, to purchase Quester.

Additionally, SPARK has taken the decision to adopt International Financial Reporting Standards in this set of results. The most significant effect of this is that the income and expenses of Aspex and DX3 are included within the Group income statement and their balance sheets are included within SPARK's group balance sheet. The transition date for the adoption of IFRS was 1 April 2005. At this point the difference between what SPARK had invested into Aspex and DX3 prior to 1 April 2005 was compared with the separately identifiable net assets within these subsidiaries. The difference between these numbers gave rise to goodwill of £12.2m in the case of Aspex and £1.0m in the case of DX3, once impairments in the investment of DX3 in prior years had been taken into account. The effects on the Group Income Statement, Group Balance Sheet and Group Cash flow statement from the adoption of IFRS are shown in detail in note 19.

After very strong growth in the previous year, net asset value per share was essentially fairly flat in the year ended 31 March 2007, ending the year at 17.8p per share compared with 17.7p for the prior year under IFRS and under our previous accounting policy.

SPARK's operating costs are higher than in prior years substantially due to the making of a provision for a carried interest scheme bonus of £4.8m (2006, £1.4m), including employers national insurance. This bonus arose primarily following the highly profitable sale of Mergermarket.

The Group closed the year with cash balances of £34.7m, £31.8m of which is unrestricted (2006, £17.8m), an investment portfolio valued at £25.4m (2006, £45.7m), and equity shareholders' funds of £72.4m (2006, £75.7m). The loss before tax amounted to £0.2m (2006, profit of £18.2m).

SPARK's serviced office arrangement with the Executive Offices Group continues to perform well with rental income increasing by 14% from £1.25m in 2006 to £1.43m in 2007. The building continues to be fully let and has been so for the majority of the year ended 31 March 2007 however this income will fall slightly in future periods following the use of more space by SPARK caused by the acquisition of Quester.

SPARK's semiconductor subsidiary, Aspex, has shipped increased volumes of the company's products but has received less service related income than in prior years leading to a slight fall in income within this subsidiary. Aspex has successfully taped out and sampled its next generation Linedancer HD processor and has won several design wins from its global customer base. In addition, Aspex has invested in the development of accelerated video and image encoder board products in conjunction with market leading software vendors and others in order to shorten the time to revenue from customers. The initial real time MPEG-2 encoder was launched during the year and was extended to the H264 encoder later in the year. The creation of these products has provided important validation of the company's technology for encoding using multiple standards and transcoding markets which are projected to show explosive growth in the future due to the move to HD television and IPTV. As a result the company has commenced the development of a video encoder chip, codenamed QED, targeted at consumer markets. However, revenues within Aspex remain substantially below costs – consequently a loss before taxation of £3.6m was made in the year in this subsidiary.

Purchase of own shares

During the year, SPARK bought back 22,375,000 of its own shares at a total cost of £3.456m and an average cost of 15.4p per share which represents a significant (14%) discount to the year end net asset per share value. These shares are held in Treasury although it is likely that over the next few months, some of these shares will need to be cancelled as companies are not permitted to hold more than 10% of their own shares in Treasury, and SPARK currently holds 12.35%.

Dividends

The Directors do not propose a dividend for the year ended 31 March 2007 (2006, £ 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. Additionally, following the acquisition of Quester, SPARK will look at opportunities to manage additional funds thereby allocating our fixed overheads over a larger investment portfolio and generating additional fund management income.

Risks

The principal uncertainty regarding the future financial performance of SPARK is the future performance of SPARK's portfolio, with the portfolio being classed as including the consolidated subsidiaries Aspex Technology and Dx3 Technologies. 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 effect on NAV would clearly be greater if one of our larger investments by value failed.

As set-out in note 16, the directors of SPARK do not consider that SPARK faces any significant 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 2007 was 15.21 pence. In the year the share price reached a maximum of 17.44 pence and a minimum of 13.00 pence. The closing share price on 31 March 2007 was 14.38 pence.

Directors and their interests

The Directors serving during the year ended 31 March 2007 had the following interests in the share capital of the Company:

	Beneficial Holdings		Options (1)		Options (2)	
	2007 No.	2006 No.	2007 No.	2006 No.	2007 No.	2006 No.
T.A. Teichman (3)	**14,729,138**	14,729,138	**840,000**	840,000	**–**	–
M.K. Whitaker (4)	**18,880,551**	18,880,551	**840,000**	840,000	**–**	–
C.R. Berry	**287,968**	287,968	**–**	–	**–**	–
A.D.N. Betton	**214,000**	214,000	**–**	–	**4,545,455**	4,545,455
A.B. Carruthers (5)	**5,307,240**	5,307,240	**1,280,000**	1,280,000	**6,818,182**	6,818,182
J.R. Patel	**829,194**	829,194	**500,000**	500,000	**5,681,818**	5,681,818
D.R.W. 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. These options expire on 31 December 2011.

(2) Options were granted in the year ended 31 March 2006 under the 2005 Unapproved Executive Share Option Scheme adopted by the Company at the 2005 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) T.A. 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) The Michael Whitaker Life Interest Settlement, in which M.K. Whitaker is beneficially interested, owns 13,133,320 ordinary shares and Sun Life Pension Management a/c 380, in which M.K. Whitaker is beneficially interested, owns 5,747,231 ordinary shares.

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

Suppliers
The Company 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 and Company that, whenever possible, payments to suppliers are made in accordance with the terms agreed. The average time taken by the Company to pay purchase invoices is 23 days (2006, 26 days).

Subsequent events
There are no material events after the balance sheet date other than those detailed in note 21 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.

This confirmation is given and should be interpreted in accordance with the provision of s234ZA of the Companies Act 1985.

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

A. D. N. Betton
Company Secretary and Finance Director
7 September 2007

statement of **directors' responsibilities**

The directors are responsible for preparing the Annual Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. The directors are required by the IAS Regulation to prepare the group financial statements under International Financial Reporting Standards (IFRSs) as adopted by the European Union and have also elected to prepare the parent company financial statements in accordance with IFRSs as adopted by the European Union. The financial statements are also required by law to be properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

independent auditors' report

to the members of NewMedia SPARK plc

We have audited the group and individual company financial statements ("the financial statements") of NewMedia SPARK plc for the year ended 31 March 2007 which comprise the group and company statement of recognised income and expenses, the group income statement, the group and company balance sheets, the group and company cash flow statement, the note to the consolidated group cash flow statement, and the related notes 1 to 21. 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
The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant 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 and whether the financial statements have been properly prepared in accordance with the Companies Act 1985 and, as regards the group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you 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 other transactions is not disclosed.

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, the Chairman's Statement, the Chief Executive's Review, and the Portfolio Highlights. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, 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 group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 March 2007 and of its loss for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 March 2007;
- the financial statements have been properly prepared in accordance with the Companies Act 1985 and, as regards the group financial statements, Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the financial statements.

Separate Opinion in Relation to IFRS
As explained in Note 1 to the group financial statements, the group in addition to complying with its legal obligation to comply with IFRSs as adopted by the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board.
- In our opinion the group financial statements give a true and fair view, in accordance with IFRSs, of the state of the group's affairs as at 31 March 2007 and of its loss for the year then ended.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors, London
7 September 2007

group income statement

year ended 31 March 2007

	Note ref	Year ended 31 March 2007 £ '000	Year ended 31 March 2006 £ '000
Gains on investments at fair value through profit or loss			
Realised gains and losses	9	**2,047**	3,224
Realised carried interest valuation	9	**4,800**	–
Unrealised gains and losses	9	**2,537**	23,273
		9,384	26,497
Revenue			
Bank interest receivable		**1,331**	871
Portfolio dividends and interest		**292**	121
Sales of goods and related services		**881**	673
Other income		**1,426**	1,280
		3,930	2,945
Administrative expenses			
Salaries and other staff costs	4	**(3,990)**	(5,025)
Carried interest expense	4	**(4,800)**	(1,354)
Depreciation	8	**(196)**	(214)
Other costs		**(5,257)**	(4,999)
Total administrative expenses		**(14,243)**	(11,592)
(Loss)/profit before taxation		**(929)**	17,850
Taxation	6	**714**	381
(Loss)/profit for the financial year		**(215)**	18,231
Attributable to:			
– Equity shareholders		**(215)**	18,231
Basic and diluted (loss)/earnings per ordinary share	7	**(0.05p)**	4.09p

group and company statement of recognised income and expenses

year ended 31 March 2007

	Group Year ended 31 March 2007 £ '000	Group Year ended 31 March 2006 £ '000	Company Year ended 31 March 2007 £ '000	Company Year ended 31 March 2006 £ '000
(Loss)/profit attributable for the financial year	**(215)**	18,231	**(2,449)**	12,392
Share based payments	**428**	479	**395**	448
Total recognised income and expenses	**213**	18,710	**(2,054)**	12,840

group balance sheet

as at 31 March 2007

	Note ref	31 March 2007 £ '000	31 March 2006 £ '000
Non-current assets			
Property, plant and equipment	8	**647**	783
Investments at fair value through profit and loss	9	**25,453**	45,716
Deferred consideration	9	**1,498**	250
Goodwill	11	**13,178**	13,178
		40,776	59,927
Current assets			
Deferred consideration	9	**2,147**	–
Inventory – finished goods		**89**	63
Trade and other receivables	12	**1,358**	1,374
Taxation	6	**422**	–
Restricted cash	12	**2,869**	2,869
Cash and cash equivalents		**31,846**	15,010
		38,731	19,316
Total assets		**79,507**	79,243
Current liabilities			
Trade and other payables	13	**(2,137)**	(2,753)
Carried interest payable		**(4,800)**	(677)
Provisions	14	**(133)**	(133)
Total liabilities		**(7,070)**	(3,563)
Net current assets		**31,661**	15,753
Net assets		**72,437**	75,680
Equity			
Issued capital	17	**11,818**	11,818
Share premium	18	**39,693**	39,693
Revenue reserve	18	**21,101**	24,377
Own shares		**(175)**	(208)
Total equity		**72,437**	75,680
Net asset value per share		**17.78p**	17.67p

	Number '000	Number '000
Ordinary shares in issue	**472,736**	472,736
Shares held in Treasury	**(58,391)**	(36,016)
Shares held by Employee Benefit Trust	**(7,023)**	(8,339)
Shares in issue for net asset value per share calculation	**407,322**	428,381

These financial statements were approved by the Board of Directors on 7 September 2007.
Signed on behalf of the Board of Directors

A. D. N. Betton
Finance Director

company balance sheet

as at 31 March 2007

	Note ref	31 March 2007 £ '000	31 March 2006 £ '000
Non-current assets			
Investments at fair value through profit and loss	9	**9,785**	29,046
Investments in subsidiary undertakings	10	**122,697**	123,324
Deferred consideration	9	**1,498**	250
		133,980	152,620
Current assets			
Deferred consideration	9	**2,147**	–
Trade and other receivables	12	**4,863**	5,757
Restricted cash	12	**2,869**	2,869
Cash and cash equivalents		**31,140**	14,557
		41,019	23,183
Total assets		**174,999**	175,803
Current liabilities			
Trade and other payables	13	**(110,410)**	(109,860)
Carried interest payable		**(4,800)**	(677)
Provisions	14	**(133)**	(133)
Total liabilities		**(115,343)**	(110,670)
Net current liabilities		**(74,324)**	(87,487)
Net assets		**59,656**	65,133
Equity			
Issued capital	17	**11,818**	11,818
Share premium	18	**39,693**	39,693
Revenue reserve	18	**8,320**	13,830
Own shares		**(175)**	(208)
Total equity		**59,656**	65,133

These financial statements were approved by the Board of Directors on 7 September 2007.
Signed on behalf of the Board of Directors

A.D.N. Betton
Finance Director

group and company cash flow statement

year ended 31 March 2007

	Group Year ended 31 March 2007 £ '000	Group Year ended 31 March 2006 £ '000	Company Year ended 31 March 2007 £ '000	Company Year ended 31 March 2006 £ '000
Cash flows from operating activities				
Cash flow from operations	**(6,469)**	(6,847)	**(349)**	(979)
Tax received	**570**	381	**–**	–
Net cash from operating activities	**(5,899)**	(6,466)	**(349)**	(979)
Cash flows from investing activities				
Purchase of property, plant and equipment	**(61)**	(57)	**–**	–
Sale of property, plant and equipment	**–**	20	**–**	–
Purchase of financial investments	**(4,143)**	(3,524)	**(3,689)**	(2,650)
Investment in subsidiary undertakings	–	–	**(4,353)**	(3,765)
Sale of financial investments	**30,395**	8,155	**28,430**	7,079
Net cash inflow from investing activities	**26,191**	4,594	**20,388**	664
Cash flows from financing activities				
Purchase of own shares	**(3,456)**	(3,167)	**(3,456)**	(3,167)
Net cash outflow from financing activities	**(3,456)**	(3,167)	**(3,456)**	(3,167)
Change in cash and cash equivalents	**16,836**	(5,039)	**16,583**	(3,482)
Opening cash and cash equivalents	**15,010**	20,049	**14,557**	18,039
Closing cash and cash equivalents	**31,846**	15,010	**31,140**	14,557

Reconciliation of operating loss to net cash flow from operations

	£'000	£'000	£'000	£'000
Interest received	**1,479**	992	**1,341**	1,065
Dividends received	**144**	–	**144**	–
Other revenue	**2,307**	1,953	**26**	–
Total revenue	**3,930**	2,945	**1,511**	1,065
Administrative expenses	**(14,243)**	(11,592)	**(7,153)**	(4,654)
Operating loss	**(10,313)**	(8,647)	**(5,642)**	(3,589)
Increase/decrease in trade and other receivables	**(276)**	37	**49**	2,245
Increase/decrease in trade and other payables	**3,522**	1,100	**4,849**	(83)
Increase/decrease in inventory	**(26)**	(30)	**–**	–
Depreciation	**196**	214	**–**	–
Non-cash expenditure	**33**	31	**–**	–
Share based payment	**395**	448	**395**	448
Net cash flow from operations	**(6,469)**	(6,847)	**(349)**	(979)

notes to the accounts

for the year ended 31 March 2007

1 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

NewMedia SPARK plc ('the Company') is a company incorporated in the United Kingdom under the Companies Act 1985 and registered in England and Wales. The consolidated financial statements for the year ended 31 March 2007 include the financial statements of the Company and its subsidiaries (together 'the Group'). Separate financial statements of the Company are also presented. The same accounting policies were applied in preparing the financial statements of the Company.

Basis of preparation

The consolidated financial statements for the year ended 31 March 2007 have been prepared in accordance with International Financial Reporting Standards ('IFRS'). These comprise standards and interpretations approved by the International Accounting Standards Board ('IASB'), together with interpretations of the International Financial Reporting Interpretations Committee ('IFRIC') approved by the International Accounting Standards Committee ('IASC') that remain in effect, to the extent that IFRS have been adopted by the European Union and have been prepared in accordance with those parts of the Companies Act 1985 applicable to companies reporting under IFRS.

The financial statements have been prepared in accordance with the historical cost convention modified to include certain investments at valuation.

At the date of authorisation of these financial statements, the following Standards and Interpretations, which have not been applied in these financial statements, were in issue but not yet effective:

	Effective for the period beginning on or after
IAS 1 Amendment – Presentation of Financial Statements: Capital Disclosures	1 January 2007
IFRS 7 'Financial Instruments: Disclosures'	1 January 2007
IFRS 8 'Operating Segments'	1 January 2009
IAS 23 'Borrowing Costs'	1 January 2009
IFRIC 10 'Interim Reporting and Impairments'	1 November 2006
IFRIC 11 'IFRS 2 Group and Treasury Share Transactions	1 March 2007
IFRIC 12 'Service Concession Agreements'	1 January 2008
IFRIC 13 'Customer Loyalty Programmes'	1 January 2008
IFRIC 14 'IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction'	1 January 2008

The Directors anticipate that the adoption of these standards and interpretations will have no material impact on the financial statements in the period when they become applicable, except for IFRIC 11 which the management has not yet assessed the impact of the interpretation on financial statements and additional disclosures required for capital and financial instruments under IFRS 7. None of these standards have been adopted early.

The significant accounting policies are set out below and have been consistently applied throughout the period.

First time adoption of IFRS

The date of transition to IFRS for the Group is 1 April 2005. The IFRS accounting policies set out herein have been applied retrospectively to the opening balance sheet as at 1 April 2005 and all subsequent periods. The Group has taken advantage of the exemption in IFRS1 to only apply IFRS3 to business combinations after 1 April 2005. The disclosures concerning the transition from UK GAAP to IFRS are given in note 19.

Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists where the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Minority interests

All the subsidiaries consolidated in these accounts are 100% owned (Note 10) with the exception of Aspex and DX3 which are 77% and 75% owned respectively. However, at the Balance Sheet date, the net equity of each of these companies is negative when the debt owed to SPARK is included. As there are no agreements in place for the minority shareholders to contribute their share of the losses for the year, the accounts presented do not give the minority interests their proportionate share of the losses made in the year but instead show 100% of the losses as being due to SPARK's shareholders.

Transactions eliminated on consolidation

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Goodwill
All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries. Goodwill represents the difference between the cost of the acquisition and the fair value of the identifiable net assets acquired. Goodwill is stated at cost less any accumulated impairment losses. Goodwill is tested annually for impairment.

Property, plant and equipment
Property, plant and equipment is 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%

Financial instruments
Trade debtors and creditors
Trade debtors and creditors are accounted for at fair value when the asset or liability is incurred.

Cash and cash equivalents
Cash and cash equivalents include cash in hand and deposits held at call with banks and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

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

The Directors consider that a substantial measure of the performance of the Group is assessed through the capital gains and losses arising from the investment activity of the Group. Consequently, for measurement purposes, financial investments, including equity, loan and similar instruments, are designated at fair value through profit and loss, and are valued in compliance with IAS 39 'Financial Instruments: Recognition and Measurement' and the International Private Equity and Venture Capital Valuation Guidelines as recommended by the British Venture Capital Association.

Gains and losses on the realisation of financial investments are dealt with through the income statement, and taken to retained earnings. The difference between the market value of financial investments and book value to the Group is shown as a gain or loss in the income statement, and taken to retained earnings.

Investments in subsidiaries are reflected in the Company's accounts at cost less any provisions for diminution in value.

Carried interest scheme
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 employers' 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 income statement as carried interest expense. Bonuses potentially due in future accounting periods on unrealised portfolio gains are accounted for in the income statement within unrealised 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.

Revenue
Sales of good and related services represents the invoiced value of goods and services supplied net of trade discounts, value added tax and other sales related taxes. The sale is recognised upon delivery of the goods or services to the customer provided that all obligations to the customer relating to that delivery of goods or services have been satisfied. If this is not the case then the sale is recognised when all obligations to the customer relating to that delivery of goods or services have been satisfied. Amounts receivable from customers in respect of maintenance services is deferred and recognised evenly over the life of the maintenance contract.

Research and development expenditure
Expenditure on research activities is recognized as an expense in the period in which it is incurred. An internally-generated intangible asset arising from the Group's development activities is not recognized since the identification and recognition criteria as defined in IAS 38 "Intangible Assets" are not met. Such expenditure is also recognized as an expense in the period in which it is incurred.

Inventory
Inventories are stated at the lower of cost and net realisable value. In determining the cost of consumables and goods purchased for resale, the FIFO (first in, first out) method is used.

Taxation
The tax credit included in the income statement comprises current and deferred tax. Current tax is the expected tax payable based on the taxable profit for the period, using tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the accounts and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in business combinations) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Leases
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease, even if the payments are not made on such a basis.

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

The financial statements of foreign subsidiaries are translated into sterling at the actual 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

Executive Share Option Scheme

In accordance with IFRS 2, Accounting for Share Based Payments, the Company has introduced a new accounting policy to account for the 2005 Executive Share Option Scheme. Under this scheme, full-time executives of SPARK were awarded share options over shares with a value equal to five times the executive's salary at the time. The options have an exercise price of 11p, which was the market price of SPARK's shares at the date of award (30 September 2005). One fifth of the options vest each year from 31 March 2006 onwards following confirmation that the Net Asset Value per share target has been achieved for the year. At the time the scheme was implemented the published, audited NAV of SPARK was 12.8p. If growth over the five year period is in excess of 10% per year then all of an executive's options will vest, if growth averages 5% per year over the five year period then half of the awarded options will vest with performance in between rewarded proportionately. Average performance of less than 5% a year will result in no share options vesting, save for the fact that options which vest following strong performance in the early years of the scheme, cannot be cancelled. These share options have a ten year life from date of grant.

The fair value of the options awarded (20,227,273 in total) has been estimated at 6.2p per share using the Black-Scholes valuation methodology and it has been assumed that all options will vest. Behind these assumptions it was assumed in September 2005 that the risk free interest rate was 5% and that the volatility coefficient was 35% based on share prices for the previous 2.5 years – ie from April 2003 when the dotcom collapse had bottomed out. The effect on the Group income statement has been to increase the remuneration charge by £395,000 and £448,000 for the years to March 2007 and 2006 respectively. The corresponding credit entry to these amounts has been taken to retained earnings. Consequently this policy has no effect on the Balance Sheet or Cash Flow Statement.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities relate to the valuation of unlisted financial investments held at fair value through profit and loss, which are valued on the basis noted above and the valuation of goodwill, as described below.

Goodwill valued in accordance with its value in use, arose from the consolidation of Aspex on SPARK's IFRS conversion date at 1 April 2005. This goodwill was assessed for impairment using the current financial projections prepared by the Company and no impairment was considered necessary due to expected future cash flows being sufficient to cover the goodwill valuation. These projections are for the four years to 2011. SPARK has discounted the resulting cash-flows at 10% per annum and has assumed that the performance for the year to March 2012 would be the same as for the year to 2011. The projections show strong revenue growth in the 3rd and 4th years of the plan particularly as expected sales from projects currently in development come on stream. Forecast losses in years 1 and 2 of the plan are expected to turn to significant profits in years 3 and 4. Clearly if new sales forecasts do not come on stream when expected or not at all, it is possible that there will be insufficient future cash flows to justify the existing goodwill value and that goodwill might have to be impaired in future periods.

Additionally, the valuation of the carried interest scheme relating to unrealised investments is itself dependant upon the estimates used in valuing investments. The valuation of the carried interest liability arising from investment disposals is not subject to any estimation uncertainty except to the extent that the liability for any particular financial year would be reduced if the net gains and losses on unrealised investments shows an overall loss.

2 COMPANY INCOME STATEMENT

The Group has taken advantage of the exemption conferred by s230 CA 1985 to not disclose a full income statement for the Company. The Company's loss for the year was £2.449m (2006: profit of £12.392m).

3 SEGMENTAL ANALYSIS

The Group's principal activities are investing and trading. The making, nurturing and selling of venture capital investments is the investment activity of the Group and the sale of semiconductors and digital music represents the trading activities of the Group. These latter activities are conducted by the Group subsidiaries, Aspex Semiconductors and DX3 Technologies Ltd respectively. These segments are the basis on which the management analyse the Group's performance. The operations of the Group are based in the UK and as a consequence, the Group has only one business segment and no secondary segment disclosure has been made.

2007	Investment activity £'000	Trading activity £'000	Eliminations £'000	Consolidated £'000
Revenue				
External sales	12,403	911	–	13,314
Inter-segment sales	–	–	–	–
Total revenue	12,403	911	–	13,314
Result				
Segment result	3,625	(4,554)	–	(929)
Loss before tax	–	–	–	(929)
Tax	–	–	–	714
Loss after tax	–	–	–	(215)
2006				
Revenue				
External sales	28,851	686	(95)	29,442
Inter-segment sales	–	–	–	–
Total revenue	28,851	686	(95)	29,442
Result				
Segment result	22,706	(4,856)	–	17,850
Profit before tax	–	–	–	17,850
Tax	–	–	–	381
Profit after tax	–	–	–	18,231
2007				
Balance Sheet				
Depreciation and amortization	129	67	–	196
Segment assets	78,156	1,352	–	79,508
Segment liabilities	6,576	494	–	7,070
2006				
Balance Sheet				
Depreciation and amortization	143	71	–	214
Segment assets	78,479	764	–	79,243
Segment liabilities	3,140	423	–	3,563

4 INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	31 March 2007 £ '000	31 March 2006 £ '000
Director's remuneration		
Fees	**130**	85
Basic salaries	**432**	485
Carried interest bonuses	**4,075**	1,192
Share based payments	**333**	378
Other emoluments	**43**	733
	5,013	2,873
Total attributable to highest paid director	**1,433**	810
Staff costs (including directors)		
Wages and salaries	**7,250**	5,050
Social security costs	**907**	606
Share based payment	**395**	448
Pension costs	**122**	139
Other personnel costs	**116**	136
	8,790	6,379

	Year ended 31 March 2007 No.	Year ended 31 March 2006 No.
Average number of persons employed (including directors)		
Investment and related administration	**6**	7
Semiconductor division, office & management	**7**	7
Semiconductor division, research, engineering & sales	**20**	25
Digital Music division, administration, sales, management and database maintenance	**12**	12
	45	51

Pension costs represent contributions by the Group to employees' personal pension arrangements. Four directors (2006: three) benefit from the Company's pension contributions to their own money purchase pension arrangements. The total pension contributions shown above attributable to directors is £0.057m (2006: £0.057m).

5 (LOSS)/PROFIT FOR THE YEAR

(Loss)/profit for the year has been derived after taken the following items into account:

	31 March 2007 £ '000	31 March 2006 £ '000
Depreciation of property, plant and equipment – owned assets	**196**	214
Operating lease rentals		
Land and buildings	**818**	797
Auditors remuneration		
Audit fees	**68**	62
Taxation advice	**103**	132
Research and development costs	**1,944**	1,304

6 TAX ON LOSSES ON ORDINARY ACTIVITIES

	31 March 2007 £ '000	31 March 2006 £ '000
UK corporation tax		
Research and development tax credit for current year	**422**	–
Research and development tax credit in respect of prior periods	**292**	381
Total current tax	**714**	381
Deferred tax	**–**	–
Tax credit on (loss)/profit on ordinary activities	**714**	381

The tax assessed for the year is different to that resulting from applying the standard rate of corporation tax in the UK: 30% (2006: 30%). The differences are explained below:

	31 March 2007 £ '000	31 March 2006 £ '000
Current tax reconciliation		
Loss/(profit) before taxation	**(925)**	17,850
Current tax credit/(charge) at 30% (2006: 30%)	**278**	(5,355)
Effects of:		
Permanent differences	**(143)**	(180)
Capital allowances in excess of depreciation	**(50)**	(19)
Movement in short-term timing differences	**(1)**	66
Accounting profits/(losses) on disposals	**619**	844
Untaxed investment revaluations	**2,202**	6,982
Impairment of investments	**–**	132
Enhancement of research and development expenditure	**264**	185
Research and development tax credit rate variance	**(371)**	(554)
Unutilised tax losses brought forward	**40**	–
Unutilised tax losses carried forward	**(2,416)**	(2,101)
Research and development tax credit in respect of prior periods	**292**	381
Current tax credit for the year	**714**	381

Deferred tax

No deferred tax asset has been recognised on unutilised taxable losses; the potential unrecognised asset is £50.071m (2006: £49.817m).

7 (LOSS)/EARNINGS PER ORDINARY SHARE

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period.

Diluted (loss)/earnings 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.

In the year ended 31 March 2006 the weighted average number of shares has been adjusted to take account of the small dilution caused by the exercise price of the share options existing in the year (11p) being slightly less than the fair value of SPARK shares for that year. This adjustment did not result in the diluted earnings per share being different to the basic earnings per share to two decimal places.

	31 March 2007 £ '000	31 March 2006 £ '000
(Loss)/profit for the year	**(215)**	18,231
Weighted average number of ordinary shares ('000)	**422,623**	445,461
Dilutive effect of share options	–	182
Weighted average number of ordinary shares in issue ('000) for diluted EPS	**422,623**	445,643
Basic (loss)/earnings per ordinary share (pence)	**(0.05)**	4.09
Diluted (loss)/earnings per ordinary share	**(0.05)**	4.09

8 PROPERTY, PLANT AND EQUIPMENT: GROUP

	Leasehold improvements £'000	Furniture, fixtures and equipment £'000	Office equipment and software £'000	Total £'000
Cost:				
Balance at 1 April 2006	1,152	892	141	2,185
Acquisitions	4	54	3	61
Disposals	–	(3)	–	(3)
Balance at 31 March 2007	1,156	943	144	2,243
Depreciation:				
Balance at 1 April 2006	494	810	99	1,403
Depreciation charge for the year	113	72	11	196
Disposals	–	(3)	–	(3)
Balance at 31 March 2007	607	879	110	1,596
Carrying amount at 31 March 2007	549	64	34	647
Cost:				
Balance at 1 April 2005	1,170	845	133	2,148
Acquisitions	2	47	8	57
Disposals	(20)	–	–	(20)
Balance at 31 March 2006	1,152	892	141	2,185
Depreciation:				
Balance at 1 April 2005	379	720	89	1,188
Depreciation charge for the year	115	89	10	214
Disposals	–	–	–	–
Balance at 31 March 2006	494	809	99	1,402
Carrying amount at 31 March 2006	658	83	42	783

9 INVESTMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS

Group

Portfolio Company Name	Note ref	Country of incorp.	% equity 31 March 2007	Value at 31 March 2006 £'000	Year ended 31 March 2007 Additions £'000	Disposals £'000	Revaluations £'000	Value at 31 March 2007 £'000
IMI	(3)	India	37.50%	12,300	453	–	400	13,153
Kobalt Music	(4)	UK	26.70%	3,212	–	–	1,147	4,359
Skinkers	(5)	UK	28.70%	2,022	1,750	–	–	3,772
Firebox	(2)	UK	29.43%	1,040	–	–	390	1,430
Kobalt Music Administration		UK	49.99%	750	–	(385)	–	365
Mblox	(4)	USA	0.50%	500	–	–	–	500
Complinet	(5)	UK	2.00%	–	703	–	–	703
Mindcandy	(4)	UK	4.60%	50	282	–	248	580
Notonthehighstreet	(5)	UK	33.00%	–	413	–	–	413
NewMedia Heads	(2)	UK	33.33%	125	–	–	275	400
Market Clusters	(5)	UK	7.00%	–	351	–	–	351
Freesourcing	(6)	Sweden	8.41%	150	–	–	200	350
				20,149	3,952	(385)	2,660	26,376
Other investments (no single investment value greater than £300,000) – see note 1	(1)			450	350	–	(168)	632
Investments sold during the year								
Mergermarket		UK		27,800	–	(27,800)	–	–
Spuetz AG		Germany		1,981	–	(1,981)	–	–
Synaptic		UK		1,000	–	(1,000)	–	–
Touch Clarity		UK		96	228	(324)	–	–
Tradera		Sweden		601	–	(601)	–	–
MZ Travel		Sweden		39	–	(39)	–	–
Total of Investments sold during the year				31,517	228	(31,745)	–	–
Carry scheme	(7)			(6,400)	–	4,800	45	(1,555)
Total investments at fair value through profit and loss				45,716	4,530	(27,330)	2,537	25,453

(1) Other investments include Insurancewide, Start and Run AB, ID Data, Crocus, Rok Group Ltd, Advanced Visual Technology, iSporty, and Gambling Compliance.
(2) Firebox and NewMedia Heads have been valued according to a directors' valuation based on appropriate earnings/sales multiples applied to the most recent results.
(3) IMI Mobile has been valued on the basis of a 3rd party funding event where a US dollar valuation was placed on the business. The fall in value of the US dollar over the last 12 months has reduced this valuation. IMI Engineering has been valued according to a directors' valuation based on appropriate earnings/sales multiples applied to the most recent results.
(4) Mindcandy and MBlox have been valued on the basis of recent 3rd party funding events. Kobalt Music has been valued according to a significant share transaction that took place in December 2006 between third parties.
(5) Skinkers, Complinet, Market Clusters and Notonthehighstreet have been valued at cost with this cost being deemed to be their fair values.
(6) Freesourcing has been valued on the basis of a recent 3rd party share for share transaction.
(7) 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 employers' 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 income statement as carried interest expense. Bonuses potentially due in future accounting periods on unrealised portfolio gains are accounted for in the income statement within unrealised 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.

None of the investments shown above are listed. One investment held at 31 March 2006 was listed and, at that time, had a market value of £1.981m. This investment was sold in May 2006 for proceeds very similar to its market value at 31 March 2006.

9 INVESTMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS – CONTINUED

The realised gain in the Income Statement (£2.0m) comprises realised profits on the sale of Touchclarity (£1.6m) and Synaptic (£0.4m).

COMPANY	31 March 2007 £ '000	31 March 2006 £ '000
Balance at 1 April	**29,046**	16,990
Acquisitions	**4,076**	3,418
Unrealised and realised valuations	**1,117**	13,859
Disposals	**(24,454)**	(5,221)
Balance at 31 March	**9,785**	29,046

Deferred consideration

The amounts classified as deferred consideration on the balance sheet represents amounts receivable in future periods from investments which had been disposed of by the balance sheet date. These balances are broken down as follows:

GROUP AND COMPANY	31 March 2007 £ '000	31 March 2006 £ '000
Deferred consideration – non current assets		
Mergermarket	**1,248**	–
Elata	**250**	250
	1,498	250
Deferred consideration – current assets		
Mergermarket	**667**	–
Touchclarity	**1,394**	–
Other	**86**	–
	2,147	–

10 INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

COMPANY	2007 £'000	2006 £'000
Cost:		
Balance at 1 April	**147,938**	243,190
Additions	**4,353**	3,765
Disposals	**–**	(99,017)
Balance at 31 March	**152,291**	147,938
Impairment:		
Balance at 1 April	**24,614**	121,631
Impairment losses	**4,980**	2,000
Disposals	**–**	(99,017)
Balance at 31 March	**29,594**	24,614
Net book value at 31 March	**122,697**	123,324

The Company's principal subsidiary undertakings are included in the consolidation at 31 March 2007, 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%
SPARK India Ltd	Mauritius	Investment in India	Ordinary	100%
Softtechnet.com Ltd	UK	Investment (dormant)	Ordinary	100%
Internet Indirect Ltd	UK	Investment (dormant)	Ordinary	100%
GlobalNet Financial.com Inc	USA	Finance (near dormant)	Ordinary	100%
NewMedia SPARK Holdings GmbH	Germany	Investment	Ordinary	100%
NewMedia SPARK BV	Holland	Investment	Ordinary	100%
Aspex Semiconductors Ltd	UK	Semiconductors	Ordinary	77%
DX3 Technologies Ltd	UK	Digital Service Providers	Ordinary	75%

11 GOODWILL

	Value in use £'000	Fair value £'000	Total goodwill £'000
Cost at 31 March 2007, 31 March 2006 and 31 March 2005	12,178	24,213	36,391
Impairment at 31 March 2007, 31 March 2006 and 31 March 2005	–	(23,213)	(23,213)
Valuation at 31 March 2007, 31 March 2006 and 31 March 2005	12,178	1,000	13,178

The goodwill valued in accordance with its value in use, arose from the consolidation of Aspex on SPARK's IFRS conversion date at 1 April 2005. This goodwill was assessed for impairment using the current financial projections prepared by the Company and no impairment was considered necessary due to expected future cash flows being sufficient to cover the goodwill valuation. These projections are for the four years to 2011. SPARK has discounted the resulting cash flows at 10% per annum and has assumed that the performance for the year to March 2012 would be the same as for the year to 2011. The projections show strong revenue growth in the 3rd and 4th years of the plan particularly as expected sales from projects currently in development come on stream. Forecast losses in years 1 and 2 of the plan are expected to turn to significant profits in years 3 and 4. Clearly if new sales forecasts do not come on stream when expected or not at all, it is possible that there will be insufficient future cash flows to justify the existing goodwill value and that goodwill might have to be impaired in future periods.

The goodwill valued in accordance with its fair value is attributable to DX3 and represents the minimum amount that is expected to be recovered should DX3 be sold and reflects the value of the team, its contracts and its music ingestion database.

12 TRADE AND OTHER RECEIVABLES

	Group 31 March 2007 £'000	Group 31 March 2006 £'000	Company 31 March 2007 £'000	Company 31 March 2006 £'000
Trade debtors	552	567	38	30
Amounts owed by subsidiary undertakings	–	–	4,405	5,638
Social security and other taxes	40	62	7	12
Overseas taxation	–	275	–	–
Other debtors	91	100	–	–
Prepayments and accrued income	675	370	413	77
	1,358	1,374	4,863	5,757
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 TRADE AND OTHER PAYABLES

	Group 31 March 2007 £'000	Group 31 March 2006 £'000	Company 31 March 2007 £'000	Company 31 March 2006 £'000
Trade creditors	598	612	75	31
Amounts owed to subsidiary undertakings	–	–	110,014	109,509
Social security and other taxes	106	102	25	24
Other creditors	630	301	186	116
Accruals and deferred income	803	1,738	110	180
	2,137	2,753	110,410	109,860

14 PROVISIONS FOR LIABILITIES

	31 March 2007 £ '000
Group and Company – Claims and associated legal costs	
Provision as at 1 April 2006 and 31 March 2007	133

The provision made for claims and associated legal costs represents the costs the Directors estimate will be incurred in 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 LEASES

At 31 March 2007 the Group was committed to making the following annual payments during the next year in respect of operating leases:

	31 March 2007 £ '000	31 March 2006 £ '000
Non-cancellable operating lease rentals are payables as follows:		
Land and buildings:		
Less than one year	**22**	72
Between one and five years	**–**	–
More than five years	**703**	703
	725	775
Software license fees:		
Less than one year	**–**	160
Between one and five years	**–**	–
More than five years	**–**	160

The Group leases two properties under operating leases. One leased property has a rolling four months break option in favour of both landlord and tenant. This break option has been exercised by the landlord and the lease expired on 6 July 2007. The other leased property expires in late 2014 with no option to renew the leases or early termination option. The total minimum lease payments over the next seven and a half years is expected to be approximately £5.3m. The lease payments are subject to review in 2009. None of the leases includes contingent rentals.

16 FINANCIAL INSTRUMENTS

(a) Policies and risks

Price risk

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.

Credit risk

The directors consider that there is no significant credit risk faced by the Group.

Liquidity risk

The directors consider that there is no significant liquidity risk faced by the Group. The Group has ample cash resources to continue its operations.

Interest rate risk

The Directors consider that there is no significant interest rate risk except for the fact that interest received on cash balances will fall if interest rates fall.

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.

(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 2007 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 5.0% (2006: 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

	Group 31 March 2007 £'000	Group 31 March 2006 £'000	Company 31 March 2007 £'000	Company 31 March 2006 £'000
Authorised:				
950,000,000 (2006: 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 (2006: 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 2007, 8.817m of these options have been exercised, leaving 7.024m shares still held by the NewMedia SPARK Employee Benefit Trust. In the year ended 31 March 2007, 1.315m of these options were exercised by former employees with an average market price at the time of exercise of 15.76p.

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. None of these options have been exercised by 31 March 2007. Following the completion of the audit for the year ended 31 March 2007, 40% of these options will have vested.

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 2007 was 15.21 pence. In the year the share price reached a maximum of 17.44 pence and a minimum of 13.00 pence. The closing share price on 31 March 2007 was 14.38 pence.

As at 31 July 2007, the major shareholders of the Group are as follows:

	Number of shares held	% of Issued shares
M&G Investment Management	86,716,122	20.93%
MPC Investors	47,468,014	11.46%
New Star Asset Management	21,750,000	5.25%
Majedie Asset Management	15,550,000	3.75%
Utilico Investment Trust plc	15,250,000	3.68%
Ennismore Fund Management	12,850,000	3.10%

The percentage holdings shown above are based on the total number of issued shares, less those shares held in Treasury at 31 July 2007 (58,390,949).

18 RESERVES

	Share premium £'000	Retained earnings £'000
Group		
Balance at 1 April 2006	39,693	24,377
Loss for the financial year	–	(215)
Own shares purchased for treasury	–	(3,456)
Share based payment	–	395
Balance at 31 March 2007	39,693	21,101
Company		
Balance at 1 April 2006	39,693	13,830
Loss for the financial year	–	(2,449)
Own shares purchased for treasury	–	(3,456)
Share based payment	–	395
Balance at 31 March 2007	39,693	8,320

	31 March 2007 £ '000	31 March 2006 £ '000
Reconciliation of movements in equity		
Opening total equity	**75,680**	60,137
Total recognised income and expenses	**213**	18,710
Share buy-backs	**(3,456)**	(3,167)
Closing total equity	**72,437**	75,680

19 FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The figures for previous GAAP as at 31 March 2006 shown below refer to UK GAAP.

Effect of IFRS on the Balance Sheets

As at 31 March 2007	Previous GAAP £'000	Consolidate Aspex(1) £'000	Calculate Aspex Goodwill £'000	Consolidate DX3(1) £'000	Other adjustments(2) £'000	IFRS £'000
Non current assets						
Property, plant and equipment	579	68	–	–	–	647
Investments at fair value through profit and loss	38,632	(948)	(11,231)	(1,000)	–	25,453
Deferred consideration	1,498	–	–	–	–	1,498
Goodwill	–	–	12,178	1,000	–	13,178
	40,709	(880)	947	–	–	40,776
Current assets						
Deferred consideration	2,147	–	–	–	–	2,147
Inventory	–	89	–	–	–	89
Trade and other receivables	1,035	164	–	159	–	1,358
Taxation	–	422	–	–	–	422
Restricted cash	2,869	–	–	–	–	2,869
Cash at bank and in hand	31,396	450	–	–	–	31,846
	37,447	1,125	–	159	–	38,731
Current liabilities						
Trade and other payables	(1,643)	(494)	–	–	–	(2,137)
Carried interest payable	(4,800)	–	–	–	–	(4,800)
Provisions	(133)	–	–	–	–	(133)
	(6,576)	(494)	–	–	–	(7,070)
Net current assets	30,871	631	–	159	–	31,661
Net assets	71,580	(249)	947	159	–	72,437
Equity						
Share capital	11,818	945	(945)	–	–	11,818
Share premium account	39,693	–	–	–	–	39,693
Own shares held by EBT	(413)	–	–	–	238	(175)
Revaluation reserve	(21,712)	(1,294)	–	159	22,847	–
Retained earnings	42,194	100	1,892	–	(23,085)	21,101
Equity shareholders' funds	71,580	(249)	947	159	–	72,437
Minority interest						
Total equity	71,580	(249)	947	159	–	72,437

(1) The most significant adjustment arising from the adoption of IFRS has arisen from the adoption of IAS 27 'Consolidated and Separate Financial Statements', which requires NewMedia SPARK to consolidate portfolio investments where greater than 50% of the shares are held. The investments affected by this change in accounting policy are Aspex Semiconductors Ltd and DX3 Technologies Ltd.

(2) Investments are designated as 'fair value through profit or loss', in accordance with IAS 39 'Financial Instruments; Recognition and Measurement'. Gains or losses arising on sale or valuation of investments, classified as at fair value through profit or loss, are recognised in profit or loss.

19 FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS – CONTINUED

Effect of IFRS on the balance sheet

As at 31 March 2006	Previous GAAP £'000	Consolidate Aspex[1] £'000	Calculate Aspex Goodwill £'000	Consolidate DX3[1] £'000	Other adjustments[2] £'000	IFRS £'000
Non current assets						
Property, plant and equipment	690	93	–	–	–	783
Investments at fair value through profit and loss	59,522	(295)	(11,231)	(2,280)	–	45,716
Deferred consideration	250	–	–	–	–	250
Goodwill	–	–	12,178	1,000	–	13,178
	60,462	(202)	947	(1,280)	–	59,927
Current assets						
Inventory	–	63	–	–	–	63
Trade and other receivables	873	191	–	310	–	1,374
Restricted cash	2,869	–	–	–	–	2,869
Cash at bank and in hand	14,903	107	–	–	–	15,010
	18,645	361	–	310	–	19,316
Current liabilities						
Trade and other payables	(2,330)	(423)	–	–	–	(2,753)
Carried interest payable	(677)	–	–	–	–	(677)
Provisions	(133)	–	–	–	–	(133)
	(3,140)	(423)	–	–	–	(3,563)
Net current assets	15,505	(62)	–	310	–	15,753
Net assets	75,967	(264)	947	(970)	–	75,680
Equity						
Share capital	11,818	945	(945)	–	–	11,818
Share premium account	39,693	–	–	–	–	39,693
Own shares held by EBT	(413)	–	–	–	205	(208)
Revaluation reserve	(3,510)	2,000	–	23,403	(21,893)	–
Retained earnings	28,379	(3,209)	1,892	(24,373)	21,688	24,377
Equity shareholders' funds	75,967	(264)	947	(970)	–	75,680
Minority interest	–	–	–	–	–	–
Total equity	75,967	(264)	947	(970)	–	75,680

19 FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS – CONTINUED

Effect of IFRS on the balance sheet

As at 1 April 2005 (date of transition)	Previous GAAP £'000	Consolidate Aspex[(1)] £'000	Calculate Aspex Goodwill £'000	Consolidate DX3[(1)] £'000	Other IFRS adjustments[(2)] £'000	(opening IFRS Balance Sheet £'000
Non current assets						
Property, plant and equipment	848	112	–	–	–	960
Investments at fair value through profit and loss	35,013	–	(11,231)	(810)	–	22,972
Deferred consideration	–	–	–	–	–	–
Goodwill	–	–	12,178	1,000	–	13,178
	35,861	112	947	190	–	37,110
Current assets						
Inventory	–	33	–	–	–	33
Trade and other receivables	2,351	111	–	59	–	2,521
Restricted cash	2,869	–	–	–	–	2,869
Cash at bank and in hand	18,815	1,234	–	–	–	20,049
	24,035	1,378	–	59	–	25,472
Current liabilities						
Trade and other payables	(1,711)	(545)	–	–	–	(2,256)
Provisions	(189)	–	–	–	–	(189)
	(1,900)	(545)	–	–	–	(2,445)
Net current assets	22,135	833	–	59	–	23,027
Net assets	57,996	945	947	249	–	60,137
Equity						
Share capital	11,818	945	(945)	–	–	11,818
Share premium account	39,693	–	–	–	–	39,693
Own shares held by EBT	(413)	–	–	–	174	(239)
Revaluation reserve	(24,103)	–	1,593	–	22,510	–
Retained earnings	31,001	–	–	249	(22,684)	8,566
Equity shareholders' funds	57,996	945	648	249	–	59,838
Minority interest	–	–	299	–	–	299
Total equity	57,996	945	947	249	–	60,137

19 FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS – CONTINUED

Effect of IFRS adoption on the income statement

Year ended 31 March 2007	Previous GAAP £'000	Consolidate Aspex[1] £'000	Consolidate DX3[1] £'000	Reverse subsidiary revaluations £'000	Other adjustments[2] £'000	IFRS £'000
Gains on investments at fair value through profit and loss						
Realised gains and losses	2,047	–	–	–	–	2,047
Realised carried interest valuation	–	–	–	–	4,800	4,800
Unrealised gains and losses	–	–	–	4,980	(2,443)	2,537
	2,047	–	–	4,980	2,357	9,384
Revenue						
Bank interest receivable	1,301	30	–	–	–	1,331
Portfolio dividends and interest	292	–	–	–	–	292
Sales of goods and related services	–	403	478	–	–	881
Other income	1,426	–	–	–	–	1,426
	3,019	433	478	–	–	3,930
Administrative expenses						
Salaries and other staff costs	(939)	(2,033)	(623)	–	(395)	(3,990)
Carried interest expense	(4,800)	–	–	–	–	(4,800)
Depreciation	(129)	(67)	–	–	–	(196)
Other costs	(2,482)	(2,128)	(706)	–	59	(5,257)
Total administrative expenses	(8,350)	(4,228)	(1,329)	–	(336)	(14,243)
Loss before taxation	(3,284)	(3,795)	(851)	4,980	2,021	(929)
Taxation	–	714	–	–	–	714
Loss for the financial year	(3,284)	(3,081)	(851)	4,980	2,021	(215)

Effect of IFRS adoption on the income statement

Year ended 31 March 2006	Previous GAAP £'000	Consolidate Aspex £'000	Consolidate DX3 £'000	Reverse subsidiary revaluations £'000	Other adjustments £'000	IFRS £'000
Gains on investments at fair value through profit and loss						
Realised gains and losses	3,224	–	–	–	–	3,224
Unrealised gains and losses	–	–	–	2,000	21,273	23,273
	3,224	–	–	2,000	21,273	26,497
Revenue						
Bank interest receivable	858	13	–	–	–	871
Portfolio dividends and interest	216	(95)	–	–	–	121
Sales of goods and related services	–	431	242	–	–	673
Other income	1,280	–	–	–	–	1,280
	2,354	349	242	–	–	2,945
Administrative expenses						
Salaries and other staff costs	(1,698)	(2,192)	(687)	–	(448)	(5,025)
Carried interest expense	(1,354)	–	–	–	–	(1,354)
Depreciation	(143)	(71)	–	–	–	(214)
Other costs	(2,502)	(1,680)	(774)	–	(43)	(4,999)
Total administrative expenses	(5,697)	(3,943)	(1,461)	–	(491)	(11,592)
(Loss)/profit before taxation	(119)	(3,594)	(1,219)	2,000	20,782	17,850
Taxation	–	381	–	–	–	381
(Loss)/profit for the financial year	(119)	(3,213)	(1,219)	2,000	20,782	18,231

19 FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS – CONTINUED

Effect of IFRS adoption on the cash flow statement

Year ended 31 March 2007	Previous GAAP £'000	Consolidate Aspex £'000	Consolidate DX3 £'000	Cancel intra-group transactions £'000	Other adjustments £'000	IFRS £'000
Cash flows from operating activities						
Cash flow from operations	(2,208)	(3,657)	(700)	–	96	(6,469)
Tax received	275	295	–	–	–	570
Net cash from operating activities	(1,933)	(3,362)	(700)	–	96	(5,899)
Cash flows from investing activities						
Purchase of property, plant and equipment	(17)	(44)	–	–	–	(61)
Sale of property, plant and equipment	–	–	–	–	–	–
Purchase of financial investments	(8,496)	–	–	4,353	–	(4,143)
Sale of financial investments	30,395	–	–	–	–	30,395
Net cash inflow from investing activities	21,882	(44)	–	4,353	–	26,191
Cash flows from financing activities						
Issue of shares	–	3,749	700	(4,353)	(96)	–
Purchase of own shares	(3,456)	–	–	–	–	(3,456)
	(3,456)	3,749	700	(4,353)	(96)	(3,456)
Change in cash and cash equivalents	16,493	343	–	–	–	16,836
Opening cash and cash equivalents	14,903	107	–	–	–	15,010
Closing cash and cash equivalents	31,396	450	–	–	–	31,846

Reconciliation of operating loss to net cash flow from operations

Year ended 31 March 2007	Previous GAAP £'000	Consolidate Aspex £'000	Consolidate DX3 £'000	Cancel intra-group transactions £'000	Other adjustments £'000	IFRS £'000
Revenue	3,019	433	478	–	–	3,930
Administrative expenses	(8,745)	(4,228)	(1,329)	–	63	(14,239)
Operating loss	(5,726)	(3,795)	(851)	–	63	(10,309)
(Increase)/decrease in trade and other receivables	(453)	26	151	–	–	(276)
Increase in trade and other payables	3,447	71	–	–	–	3,518
(Increase)/decrease in inventory	–	(26)	–	–	–	(26)
Depreciation	129	67	–	–	–	196
Share based payment	395	–	–	–	33	428
Net cash flow from operations	(2,208)	(3,657)	(700)	–	96	(6,469)

19 FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS – CONTINUED

Effect of IFRS adoption on the cash flow statement

Year ended 31 March 2006	Previous GAAP £'000	Consolidate Aspex £'000	Consolidate DX3 £'000	Cancel intra-group transactions £'000	Other adjustments £'000	IFRS £'000
Cash flows from operating activities						
Cash flow from operations	(1,626)	(3,756)	(1,470)	–	5	(6,847)
Tax received	–	381	–	–	–	381
Net cash from operating activities	(1,626)	(3,375)	(1,470)	–	5	(6,466)
Cash flows from investing activities						
Purchase of property, plant and equipment	(5)	(52)	–	–	–	(57)
Sale of property, plant and equipment	20	–	–	–	–	20
Purchase of financial investments	(7,289)	–	–	3,765	–	(3,524)
Sale of financial investments	8,155	–	–	–	–	8,155
Net cash inflow from investing activities	881	(52)	–	3,765	–	4,594
Cash flows from financing activities						
Issue of shares	–	2,300	1,470	(3,765)	(5)	–
Purchase of own shares	(3,167)	–	–	–	–	(3,167)
	(3,167)	2,300	1,470	(3,765)	(5)	(3,167)
Change in cash and cash equivalents	(3,912)	(1,127)	–	–	–	(5,039)
Opening cash and cash equivalents	18,815	1,234	–	–	–	20,049
Closing cash and cash equivalents	14,903	107	–	–	–	15,010

Reconciliation of operating loss to net cash flow from operations

Year ended 31 March 2006	Previous GAAP £'000	Consolidate Aspex £'000	Consolidate DX3 £'000	Cancel intra-group transactions £'000	Other adjustments £'000	IFRS £'000
Revenue	2,354	444	242	(95)	–	2,945
Administrative expenses	(6,145)	(4,038)	(1,461)	95	(26)	(11,575)
Operating loss	(3,791)	(3,594)	(1,219)	–	(26)	(8,630)
(Increase)/decrease in trade and other receivables	363	(81)	(251)	–	–	31
Increase in trade and other payables	1,211	(122)	–	–	–	1,089
(Increase)/decrease in inventory	–	(30)	–	–	–	(30)
Depreciation	143	71	–	–	–	214
Share based payment	448	–	–	–	31	479
Net cash flow from operations	(1,626)	(3,756)	(1,470)	–	5	(6,847)

20 RELATED PARTY TRANSACTIONS

Transactions and balances between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation. The details of transactions between the Group and the other related parties, which are members of key management are given in Note 4. Details of related party transactions between the Company and its subsidiaries are detailed below;

In the year to 31 March 2007, SPARK invested £3.7m into Aspex Semiconductors Limited and £0.7m into DX3 Technologies Limited. Additionally, SPARK invested £0.5m into SPARK India Ltd to enable them to make further investments into IMI and to pay management and administrative expenses. SPARK also received €3.5m in loan repayments and dividends from its German subsidiary, NewMedia SPARK Holdings Gmbh, following its sale of shares in Spuetz AG and its recovery of German withholding tax.

In the year to 31 March 2007, NewMedia SPARK plc was charged management fees by SPARK Services Ltd of £0.6m and by SPARK Investors Limited of £0.7m.

The related parties of NewMedia SPARK plc are its directors and its subsidiary undertakings as listed in note 10.

There are no other related party transactions of which we are aware in the year ended 31 March 2007.

21 SUBSEQUENT EVENTS

On 2 April 2007, SPARK invested £1.8m into Mydeco.com, a soon to be launched home decoration community website founded by Brent Hoberman and Martha Lane Fox who the SPARK team previously backed in 1998 with their first venture, Lastminute.com.

On 26 April 2007, SPARK invested £2.1m into Unanimis Consulting Limited, the UK's leading digital advertising business. The funding was a mixture of debt and equity and gave SPARK approximately 11% of the share capital of Unanimis.

On 2 May 2007, SPARK invested £1.7m into DEM Solutions Ltd, a leading provider of computer aided engineering software for the modelling of particles in industrial processes. The funding gave SPARK approximately 24% of the share capital of DEM.

On 11 May 2007, SPARK bought the entire issued share capital of Querist Ltd, the parent company of the Quester group of companies. Quester is a venture capital fund manager managing approximately £200m of 3rd party funds consisting of university funds, Venture Capital Trusts and a Limited Partnership. The Quester group companies acquired include: Querist Ltd, Quester Services Limited, Quester Capital Management Ltd (FSA regulated), Quester Venture Participations Ltd, Quester Venture Managers Ltd, Quester Venture GP Ltd and Quester Academic GP Ltd.

The total purchase price paid by SPARK is expected to be £5.6m, calculated as follows:

	£'000
Up-front purchase price	4,000
Net assets left in the business	348
Professional fees	221
Stamp-duty	29
Deferred consideration	1,000
	5,598

The deferred consideration of £1m is payable in two instalments of £0.5m providing that certain revenue targets are met in future years.

The net assets in the business can be summarised as follows:

	£'000
Property, plant and equipment	58
Investments at fair value through profit and loss	342
Current assets (excluding cash)	1,117
Cash & cash equivalents	1,604
Current liabilities	(1,966)
Non-current liabilities	(140)
Deferred tax	(667)
	348

The difference between the price paid and the assets acquired is represented by intangible assets and goodwill, neither of which Quester could recognise in their own consolidated balance sheet. The principal intangible assets are the long-term contracts to manage third party funds. At the time of writing it has not been possible to value these contracts sufficiently accurately, nor has it been possible to ascertain the expected amount of taxation that will be payable now that the Quester companies are part of a larger corporation tax group. Accordingly it is not yet possible to calculate the amount of goodwill, if any, created in SPARK's Group balance sheet by the acquisition of Quester.

Looking forwards, at the time of the acquisition, it was expected that the acquisition of Quester would lead to a contribution of approximately £1.5m towards Group overheads, prior to any amortisation of intangible assets. Further information on the effects on the income statement and balance sheet of the acquisition of Quester will be provided in our interim statement for the half year to September 2007, which we expect to release in early December 2007.

notes

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