SPARK Ventures

Venture Capital Investors

Annual Report 2008

SPARK Ventures is the leading quoted early stage venture capital company in Europe.

About SPARK

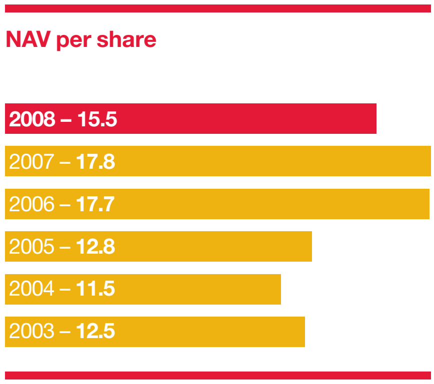
SPARK Ventures is the leading quoted early stage venture capital company in Europe. Following the acquisition of Quester, SPARK manages over £215m on behalf of major institutional investors, leading UK universities, three quoted venture capital trusts and our own balance sheet investments.

As well as capital, we bring a wealth of experience of developing high growth companies from early stage through to IPO or trade sale, adding value to our investments through active support and strategic direction. SPARK is listed on the Alternative Investment Market ('AIM') of the London Stock Exchange.

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 a limited number of investments in early stage companies with the objective of developing significant capital growth over the medium term.

Highlights – Business and Financial

- Net assets ended the second half unchanged at 15.5p per share (2007: 17.8p), but goodwill impaired of £13.2m (2007: £nil) consumes other investment gains of £6.6m (2007: £9.4m) to produce a loss from investing activities of £6.5m for the year (2007: gain of £9.4m)
- Total funds under management increases to £215.4m bringing new revenues of £3.4m into the group following acquisition of fund management business in the year
- Breakeven from investment operations excluding consolidated investments, depreciation and amortisation (2007: £5.4m loss), but consolidated investment companies contribute losses of £3.1m
- Upwards revaluations in the second half of investments retained in the portfolio amounts to £5.8m, with cash receipts from disposals of £2.3m
- Cash balances (£17.2m – of which £2.9m are restricted) and net assets at year end remain resilient despite market turbulence and SPARK's share price volatility
- £9.7m invested in 13 portfolio companies in the year, including five new investments
- Review of new portfolios in the funds under management reduces value of those funds by £9.6m but with no effect on the SPARK balance sheet



Chairman's Report

Dear fellow Shareholders

It's certainly been a tough year in the finance world. The worst since 1972 in the UK and the USA. Whether you were a public equity holder, private equity player or even a bond holder. For most investors, it's been awful.

Fortunately our early stage Venture Capital world has been a relatively quiet back-water, compared with most other asset classes. While we have had some dramas at SPARK, thanks to the fact we don't have any leverage or leveraged companies in our portfolio, it's been a relatively satisfactory year. Under the circumstances, asset valuations have stayed up pretty well. We've invested in 13 companies in the SPARK portfolio in the year – including several new investments. We've managed to sell stakes in three SPARK positions, two at uplifts to our portfolio valuation of a year ago and one at cost. We have had up valuations in some quite new positions, with most of the new money coming from outside the SPARK group from high quality investors.

We have had to impair the goodwill relating to one big position, Aspex. This is of course not what we had expected or hoped. But this ends a major drain on SPARK's profitability as Aspex had to be consolidated under latest accounting rules. And it reduces uncertainty.

We have a decent level of cash at our banks, well over £15m. Some of our best businesses that we invested in some years ago are doing rather well now. There has been good revenue growth from IMI, Kobalt Music Group, Unanimis, DEM, Complinet, Gambling Compliance and notonthehighstreet.com in our own portfolio. In the former Quester portfolio which we now manage there are some budding stars as well – like Oxford Immunotec and Uniservity. Also in this portfolio, the stake in Nomad was sold for £15.5m, for a 100% uplift during the year.

Our Quester – renamed SPARK – fund management business which we took over in mid 2007, has been smoothly integrated. This business gives us a steady flow of high quality income. In total we have £215m under management now. Profitability from Quester has been somewhat reduced by the fall in asset values in the Quester portfolio for which we took over the management in summer 2007.

All in all then, we have been a relatively safe harbour in a major financial hurricane. Our VC asset class looks less risky than it used to compared to many other asset classes – and as some of our established company investments mature, we are confident that the value of our portfolio will grow steadily. Even some recent investments are already ticking up nicely in value.

"All in all then, we have been a relatively safe harbour in a major financial hurricane."

Strategic investment interest from a significant group of Asian investors continues. There is an opportunity for co-operation with this investor in providing new strategically fitting funds for us to invest.

Our book Net Asset Value continues to be more than 50% above our share price which has been weak partly due to illiquid market conditions with several forced sellers. We believe that we will gradually reach higher NAV levels by exits and good follow on fundings for our star portfolio companies.

Yours sincerely

Thomas Teichman
Chairman
23 September 2008

Thomas is the Chairman of Kobalt, one of the world's largest independent music publishers, with clients such as The Hives (pictured).

Chief Executive Officer's Report

Overview

Positive valuation developments anticipated at the time of our interim report have materialised in the second half despite the turbulence in capital markets (Kobalt, IMI engineering, Complinet, OpenX). Further positive news emerged after the year end which is not reflected in these numbers (Mydeco and notonthehighstreet.com). The result is that after a first half reduction in net assets of 12.6%, arising principally from a write down in goodwill, the second half improvement in valuations have been sufficient to leave net assets stable after covering operating costs and a full write down in goodwill associated with consolidated investments.

The acquisition in May 2007 of the fund management business responsible for managing the former Quester funds contributed revenues of £3.4m and EBITDA of £1.0m during the 10.5 months of ownership in the period. This is a substantial contribution to SPARK's operating costs. Our cash balances remain strong at £17.2m (of which £2.9m are restricted).

The reduction in the value of investments in the Quester funds arising from our review of those portfolios only, has had a modest impact on the income we receive under some of the management contracts, which will continue until values recover. SPARK Ventures plc does not have a participation in those investments on its own balance sheet.

SPARK balance sheet investments and cash

Investments

After a disappointing first half of the financial year, a number of positive portfolio events completed in the second half of the financial year. Taken together, they produced net upwards revaluations of investments retained in the portfolio of £5.8m, and disposals of £2.3m, all of which were made at book value or above.

In particular we were pleased to be able to announce in February 2008 that Kobalt Music Group Ltd (Kobalt), a leading independent music publisher and one of our largest portfolio companies, had signed an agreement with Balderton Capital whereby Balderton invested new equity in Kobalt. The transaction resulted in a 60% uplift in the valuation of SPARK's investment in Kobalt, increasing from £4.4m to £7.0m. In the process, a small portion of our holding (£340k) was sold at this revised valuation in order to enable Balderton to reach its desired holding. Since then, Kobalt has gone on to perform ahead of budget, and is regularly among the top five music publishers in the UK and the USA.

Our largest investment, IMImobile continues to grow well, achieving a good first quarter performance and exceeding budget. In April, IMI engineering, the division of IMI that was its principal business at the time that SPARK first acquired this investment in the company, was sold, realising cash of £2.1m for our holding (of which £0.6m remains in escrow). The sale of this part of IMI created an additional £2.0m of value over and above the value attributed to the combined IMI business at 30 September during the second half of the year.

Other upward revaluations were recorded by OpenX (£870k) and Complinet (£330k) during the second half of the year, in both cases because money was raised from new investors at valuations above our carrying values. OpenX was spun out of Unanimis, a new investment by SPARK during the year, and raised new money as an independent company. In the process a portion of OpenX was sold for £247k and the remaining stake was revalued upwards by £870k.

In addition, subsequent to the year end there have been other positive valuation movements in the portfolio. In particular, despite the serious downturn in consumer markets, we are pleased to report the successful closing of two funding rounds for two consumer orientated businesses at Mydeco and notonthehighstreet.com. Mydeco (www.mydeco.com) raised £7.4m at a valuation of £25.0m representing a 30% increase in the value of our £1.86m first round investment to £2.42m. On the back of strong revenue growth, Not on the High Street (www.notonthehighstreet.com) raised £1.3m at a valuation of £4.3m, lifting the value of our £643k holding at the year end by 147% to £1.59m.

As reported in our interim results, the first half of the year saw a decline in net assets from 17.8p to 15.5p arising principally from the write down in goodwill associated with the consolidated investment in Aspex Semiconductors. In the second half, a sale process initiated for Aspex produced an indicative offer from a major European technology company. Whilst negotiations are still ongoing, the uncertainty about the outcome has led to the view that we should not retain any goodwill for this investment on the balance sheet.

> "The measures we have been taking over the last 18 months include the move to a strategy that mixes fund management income with capital growth."

Cash

The year to March 2008 saw the completion of a number of new investments from the SPARK balance sheet following the successful sale of Mergermarket to The Financial Times in 2006, which brought proceeds of £27.8m into the group. During the year £9.7m was invested in 13 portfolio companies, of which five were new investments and the remainder were follow-on investments into the existing portfolio. In addition, £4.0m was used to finance the acquisition of the management company for the Quester funds. As at March 2008, cash balances were £17.2m (of which £2.9m is restricted). This is consistent with the level of cash reserves we like to hold when the fund is fully invested – even before we had the benefit of income from the management of third party funds which substantially covers the annual cost base.

Fund management

The acquisition of the fund manager of the former Quester funds in May 2007 has brought revenues of £3.4m into the group for the period. Excluding amortisation and depreciation, the net contribution towards operating costs of the group in the 10.5 month period since acquisition has been £1.0m. In the year ahead, having taken the restructuring costs in the current year, we would expect these revenues to remain broadly steady and contribution to increase.

The major initiative in the fund management business this year has been to combine the team, reallocate responsibilities for the Quester investments and carry out a thorough review of those assets. The reallocation of between 70% and 90% of the investments has precipitated a different perspective on valuations, which has been compounded by a number of events within those portfolios, resulting in a substantial reduction in their valuations.

None of the assets subject to this review are held on the SPARK balance sheet or reside within the net asset value of SPARK shares. However, valuation changes within the Venture Capital Trust ('VCT') funds have an impact on the fees chargeable for managing them, as they are calculated on the basis of 2%-2.5% of the net asset value of those funds.

During the year, joint investments have been made in Academia, Skinkers and Isango!, as the strategy set out a year ago to co-invest the SPARK resources and those of the VCT's is implemented. The benefit of co-investment is that it allows the funds under the management of the group, which share a similar investment strategy, to spread their available capital over a wider base of investments more consistently over time. The effect of this will be a reduction in the volatility of returns associated with over-reliance on a limited number of assets invested within a concentrated part of the investment cycle. Nevertheless, it will take a period of sustained co-investment before these benefits become apparent.

In July 2008 the VCT's changed their names to SPARK VCT plc, SPARK VCT2 plc and SPARK VCT3 plc, and in September 2008, the proposed merger was announced between SPARK VCT2 plc and SPARK VCT3 plc. This will complete the restructuring of these funds and the full integration of third party fund management into the core SPARK business.

Conclusion

The period covered by these results has been a turbulent time for capital markets, economic growth and international stability. In the face of this uncertainty, the performance of the underlying SPARK Ventures business, which exhibits all the characteristically volatile features of venture capital investing, has nevertheless demonstrated that the asset class can be resilient. The characteristics of venture capital investment combine binary outcomes for early stage businesses such as that for Aspex on the one hand, with strong growth from emerging technologies and markets in the face of a slowing economy as demonstrated by Kobalt, IMImobile and notonthehighstreet.com, on the other.

Despite these somewhat counter-cyclical features of our business, we clearly have to continue managing down our risks as far as is practicable. This applies particularly in the complex European venture capital market, where access to early stage co-investment capital is rapidly drying up and small companies still struggle to launch across fragmented territories. The measures we have been taking over the last 18 months include the move to a strategy that mixes fund management income with capital growth, the spreading of investment risk over a wider portfolio, the opening up of relationships in Asia to provide access to those markets for portfolio companies, and maintaining sufficient cash reserves to limit capital market risk. The interest expressed by a strategic investor announced earlier in the year remains, and if an investment is closed, will make a significant contribution to this strategy.

Andrew Carruthers
Chief Executive Officer
23 September 2008

Portfolio Highlights

30%
Increased revenue to $13m

260m+
Wireless subscribers

IMImobile

"The company's technology roadmap continues to be at the heart of the company's success."

IMImobile

IMImobile is a leading provider of technology platforms and content aggregation to mobile operators and media companies enabling them to offer innovative and differentiated value added services to increase Average Revenue per User (ARPU) and reduce subscriber churn.

The company's product portfolio includes a core Service Delivery Platform (SDP), carrier grade messaging platforms and gateways, a range of applications for data services and voice platforms and applications for voice value added services.

The company increased revenues by 30% to $13m and expects to continue this rate of organic growth. The growth has come predominantly from the Indian mobile market which continues to grow rapidly with nearly 100m subscribers added during the year to take the total number of wireless subscribers to over 260m. As expected the additional subscribers are based in rural India and as a result there is greater demand for voice based value added services. IMImobile's investment in developing voice platforms is now paying off.

Growth in Latin America and the Caribbean has been slower than expected as sales and deployment cycles have been longer than envisaged. However, new clients like Tigo and new deployments at Terra and Telesur have laid the foundation for accelerating growth in these markets.

The company's technology roadmap continues to be at the heart of the company's success with the company's revenue mix increasingly coming from technology rather than content aggregation though both are critical to the managed service offering.

The company continues to innovate with the launch of Ad-Ring, a multi-channel multi-format mobile advertising solution and mVaayoo, a web-based platform for SMEs in India to reach and interact with their prospects/customers through their mobile phones.

The company's innovation and market presence have been widely applauded both within India and internationally. The company won the prestigious 'Emerging Company of the Year' award in India, was included in Deloitte's 'Technology Fast 50' list and recognised in a global 'Top 250 Technology Companies' list.

The company now employs 340 people and boasts a 24/7 Network Operations Centre in Hyderabad remotely managing over 280 servers globally that support over 150 services for 52 moble operators.

IMIsoftware

The foundations of IMImobile were in engineering software and services that was started in 1988. Originally the company had been designing transmission line towers, microwave towers, switchyard structures on some of the largest projects in the world and producing the most sophisticated software programs for design calculations and detailing of self supporting lattice steel towers.

After the funding of IMImobile in June 2006 the engineering division was managed separately with the founders focused on the mobile business.

In April 2008, the stake in IMIsoftware was sold to Ramboll, a leading Danish engineering group for £2.1m of which £1.5m has been received in cash and £0.6m remains in escrow for warranties. The very high quality of the acquirer is testament to the quality of business and IP built by the founders of IMIsoft who are now the force behind IMImobile.

The cash receipts represent substantially all of the funds invested in IMI by SPARK since the current team took over the management of the investment in 2003.

Gwen Stefani (pictured above) and Moby (pictured below).

Kobalt

Kobalt has grown to become one of the world's largest independent music publishers from a start-up in 2001 by virtue of its home grown technology and artist friendly approach. Kobalt has again experienced strong revenue growth in the last year (60%) 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 has also been the biggest indie on a number of charts around the world – Kobalt reached 5.0% for 2007 in the UK chart market share taking 25% of the indie market. In the US, the company achieved a 4.6% market share on the Q2 2008 airplay chart.

Kobalt's significant US investment programme in offices in Los Angeles (Sunset Blvd), New York (Time Square) and Nashville deliver today 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 continue to expand in the US which is the most important market in the world both for domestic music and also for music played around the world which originated from US writers.

Kobalt have also developed new services for its clients. In June 2008 the company launched a revolutionary new portal including on line advances where clients can get advances using their on line pipeline facility. The response has been very satisfactory.

To finance Kobalt's plans to further expand internationally, as well as help fund sizeable pipeline advances and the roll out of new services for music rights holders, Balderton Capital (ex. Benchmark Capital Europe), one of the largest venture firms in Europe, has made a significant capital investment in the company in January 2008, receiving a minority stake in Kobalt. Balderton Capital joins SPARK as a key institutional investor in Kobalt. Additionally, Tim Bunting, partner at Balderton Capital and ex-partner at Goldman Sachs, joined the Kobalt executive board.

Across the group as a whole, the number and value of new deals signed has continued to increase significantly. Kobalt has a strong 2008 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 Kid Rock, private equity backed clients like Crosstown and successful writers like Ryan Tedder. Among many of Kobalt's successful releases in 2008 so far are Leona Lewis' new album 'Spirit' where Kobalt has four writers represented and Kid Rock's 'Rock N Roll Jesus' – these successes should help Kobalt to continue its growth in 2008/9.

Looking forward, the music publishing industry starts to recognise Kobalt's success and its thinking starts to have an impact on the whole industry. The Kobalt web site has been significantly updated as a window to the music world. Please see www.kobaltmusic.com for more information.

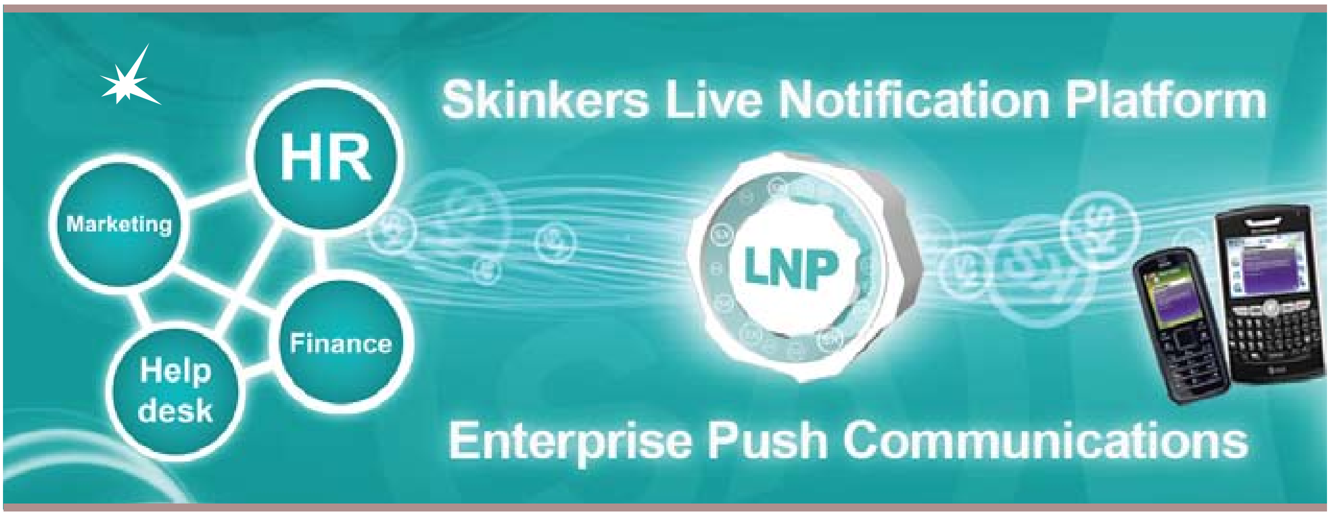
60%
Increased revenue growth

4.6%
Market share on the Q2 2008 airplay chart

Kobalt

"Kobalt has grown to become one of the world's largest independent music publishers from a start-up in 2001."

Portfolio Highlights continued



£6m

Capital raised, of which £1.4m came from SPARK Ventures plc and £1.3m came from SPARK VCT's

£5.2m

Total investment

Skinkers

It has been a year of transition for Skinkers. The company has reorganised itself into two separate units, an enterprise division and LiveStation. It has also raised an additional £6m of capital of which £1.4m came from SPARK taking SPARK's total investment to £5.2m.

The enterprise division is built on the launch of the Live Notification Platform (LNP) which was developed out of Skinker's expertise in desktop communications. The platform enables organisations to deliver priority notifications and distribute heavy content through a controlled, highly versatile and secure universal communication platform.

Over the last year the LNP has been brought to market with significant interest from blue chip companies across several sectors. The company has won new clients such as Flybe, Metro, American Airlines and Brewin Dolphin and has a number of global companies engaged with proof of concepts.

Though the slowdown in enterprise software and financial services in particular has had an impact on sales cycles the company has begun to modularise its solutions to enable the platform to more quickly illustrate the value and payback periods.

In the previous year the company had begun to develop a disruptive live streaming internet broadcasting solution. The solution was built on technology co-developed with Microsoft Research and is designed to deliver uninterrupted live TV to large audiences at dramatically reduced costs. In February 2008 a beta version of the technology was bought to the market in the form of Livestation.

Livestation provides an internet TV player which allows the user to watch Live TV at a high quality from many of the world's leading broadcasters. Initially launched with a range of news channels the product is steadily being improved to encompass additional channels and social collaboration features. The service has attracted partnership and strategic interest from many broadcasters and technology companies.

SKINKERS communication you can't miss!

livestation™

"Livestation provides an internet TV player which allows the user to watch Live TV at a high quality from many of the world's leading broadcasters."

mydeco.com

Mydeco.com, founded in 2007 by the creators of lastminute.com, who we also backed in 1997, has seen strong growth in its business with over 1.5m unique visits over the last few months. SPARK led the founding round and raised over £5m for the venture from some influential value added investors. The high visitor level already positions mydeco as the number one portal for home design in the UK. New functionality that has been introduced over the last two months such as a visual colour palette search, panoramic views of 3D rooms and the BCIS costing tool keeps customers coming back and engaged. This is unique technology for a retail site.

Mydeco has created some interesting partnerships with well-known brands, such as Sony and Smeg, both of which have run integrated marketing campaigns across the site reaching their audience through design competitions, editorial and micro-sites. As well as partnering with brands onsite, mydeco is also about to roll out two of their tools onto third party sites. Channel 4 has just launched mydeco's 3D Complete Room Planner and product search allowing home enthusiasts to browse for products and test their interior skills whilst staying on Channel 4's site. This is the first of many partnerships, which should also transcend the offline world and even move into TV.

Whilst there has been focus on introducing new functionality to the site, mydeco has also remained focused on the core of its business, shopping. It has partnerships with over 200 retailers including major brand names like John Lewis, Marks and Spencer, Habitat and Next, and 85 design boutique suppliers who have captivated the interiors press ensuring that mydeco is regularly featured in consumer titles. Retailers have been keen to work with mydeco and increasingly supply exclusive offers.

Mydeco has recently raised new capital – £7.35m – from strong investors – including a leading German publishing group – at a significant uplift to SPARK's investment price last year. It has also struck important unique cooperation deals with some of the world's leading interior designers, including Philippe Starck and Sir Terrence Conran.

While it is early days and mydeco has been operating in beta form until now, it will launch the final product in the coming months. Reaction to this will be important in determining Mydeco's success.

1.5m

Unique visits over the last few months

£7.35m

Mydeco has recently raised new capital £7.35m – from strong investors

mydeco

"I approached SPARK this year when I was setting up my new venture, mydeco."

Brent Hoberman

Portfolio Highlights continued

£11.4m
Turnover

16%
Growth from the previous year

25%
Sales increase

£2.1m
Total investment

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 ecommerce, a mail-order catalogue and telephone call centre. The company sources products from around the world in order to identify the 'next big thing' and many major high street retailers watch Firebox to identify products that will go on to become successful in the mass market.

The US market continues to represent 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 launched its service fully in the US this year with local distribution and customer service and already close to 4% of overall revenue for the group comes from this market. The initial investment in the US has been worthwhile and Firebox plans to continue to support a conservative expansion plan in the US, with a focus on key product lines and profitability.

As a result of these developments, we are maintaining the value of our stake in Firebox at £1.4m reflecting

> "The company has more than 600,000 registered newsletter subscribers and had more than seven million visits to its website during 2007."

Despite more challenging retail conditions this year, including increased competition and rising cost of imports from Asia, turnover for the year to January 2008 was £11.4m representing 16% growth from the previous year. However, operating margins reduced for the year reflecting the company's investments in its US operations and in increasing its logistics capacity in the UK.

its continued strong performance and future growth prospects balanced with worsening overall retail market conditions.
The company has more than 600,000 registered newsletter subscribers and had more than seven million visits to its website during 2007. Firebox is based in London and employs 42 staff.

Unanimis

SPARK invested £2.1m in April 2007 in Unanimis Consulting Limited (Unanimis), an established premium digital advertising sales business.

Founded in 2001, Unanimis is the UK's leading digital advertising business. Unanimis offers advertisers the opportunity to maximise their return from internet advertising and offers web publishers a completely outsourced solution to delivering significant advertising revenue. Unanimis has been one of the UK's fastest growing media and technology companies and has grown profits consistently over the last few years.

Since the investment the company has continued to grow revenues at around 25% year on year and has successfully developed a performance based ad network as well as an expertise in new types of digital advertising inventory such as mobile and online video.

The sector though not immune to a global slowdown, is still forecast to show growth over the next few years. Unanimis is strategically very well placed to benefit from the expected sector consolidation with its leading independent position, experienced management team and consistent financial performance.

30,000+
Web publishers in over 100 countries

$20m
Finance raised from third parties

OpenX

SPARK's holding in OpenX resulted from the spin off of OpenX from Unanimis.

OpenX has developed a free open source ad server trusted by more than 30,000 web publishers in over 100 countries around the world.
The company is now developing a set of tools to help publishers make more money from their web presence and is backed by financing from leading VCs including Accel Partners.

>100,000
Professional users

£18.5m
Financing round completed

Complinet

SPARK had invested £0.7m in December 2006 and a further £0.8m in May 2007. The revaluation upwards reflects the terms of a financing.

Complinet Group is a leading provider of online regulatory solutions for the global financial services industry. Complinet, founded in 1997, is headquartered in London and is unique in the financial services industry. It currently services over 1,200 companies, including approximately 80% of the world's leading financial services firms.

The company's 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.

Since the investment the company has exhibited strong revenue growth and in order to build out its international presence and enhance the product portfolio as well as provide some liquidity to early investors the company completed an £18.5m financing with Fidelity Equity Partners. This should provide the foundations and stability for continued growth.

+120
Enterprise clients globally

£0.7m
Investment from SPARK

Marketclusters

SPARK has invested a total of £0.7m in MarketClusters.

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.

StrategyEye is the flagship market intelligence platform of MarketClusters. The company started with the digital media sector and it has now established itself at the heart of strategy and business development in many leading media organisations. Renewal rates for the subscription service are encouraging and with additional 'enterprise collaboration' features the platform should become increasingly critical.

The platform has now also been applied to the Clean Technologies sector and has received a good initial response.

100
Clients in first year

£0.3m
Total investment at year end

Gambling Compliance

SPARK had invested £0.3m at the year end and a further £0.2m in May 2008 in backing a proven entrepreneur in starting an online publishing business which aims to be the market leading provider of regulatory, legal and compliance information for the global gambling industry.

The first year of trading has been very successful with the company establishing over 100 clients globally and meeting its first year financial targets. As it enters its second year of trading the renewal rates of well over 100% in value terms are very impressive and illustrate how in a short space of time the company has built a strong and trusted presence in the sector. As a result the company has attracted strong strategic and partnership interest.

62%
Sales increase

£1.75m
Total investment

DEM Solutions Limited

DEM Solutions Limited is a leading provider of particle simulation or discrete element modelling (DEM) software for simulating and analysing industrial processes.

Founded in 2003 by Dr John Favier, DEM Solutions has quickly become a leader in the particle simulation field with the modelling software EDEM. EDEM provides companies with a tool to substantially reduce the number of physical prototypes and tests required to get a product to market or a process on-stream. It is used to help trouble-shoot difficult particulate processes and, because it is physics based, it can greatly improve understanding of system fundamentals leading to better product and process design and innovation.

First released in 2005, EDEM is now used in the design and analysis of particulate handling, processing, and manufacturing operations in almost every industry sector and engineering discipline. Since launch, the company has sold to many of the world's leading companies across many industrial sectors including NASA, Pfizer, Shell, John Deere, Volvo, Xerox, De Beers and Mitsubishi. In addition, they have sold to world leading industrial research groups at universities such as Queensland and Cape Town.

DEM Solutions' corporate headquarters are located in Edinburgh, Scotland with offices in Lebanon, New Hampshire, Frankfurt, Germany and Singapore with distributor representation worldwide.

Board of Directors

Thomas Teichman

Michael Whitaker

David Potter

Andrew Carruthers

Jayesh Patel

Charles Berry

Andrew Betton

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 and 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 Vycon Inc and a non executive director of Noble Group, Quercus Publishing, and Solar Integrated Technologies. He is 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
Over the last year Andrew has been responsible for the acquisition of Quester, the integration of that team, the review of the new portfolios under SPARK management, and establishing relationships with new stakeholders in the group. He also sits on the Board of a number of portfolio companies, including DEM, Antenova and Uniservity 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, Complinet, MarketClusters, Unanimis, OpenX and Gambling Compliance. He was previously involved in Kobalt, Firebox, elata and mblox and has led a number of past 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 of 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.

Directors' Report

The Directors present their annual report and the audited financial statements for the year ended 31 March 2008.

SPARK Ventures 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 advisors are given on the inside of the back cover. The nature of the Group's operations and its principal activities are set out below and in the Chief Executive Officer's review.

During the year, the company changed its name by special resolution from NewMedia SPARK plc to SPARK Ventures plc.

Activities

The principal activity of SPARK Ventures 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. These investments being from the Balance Sheet of SPARK Ventures plc and from funds under management, primarily on behalf of Quester Venture Partnership and Quester VCT, Quester VCT4 and Quester VCT5. Since the year end the three VCT's have been renamed SPARK VCT, SPARK VCT2 and SPARK VCT3 respectively.

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

Aspex Semiconductor ('Aspex') is a leading edge fabless (ie 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

It is disappointing to report that net asset value per share fell in the year to March 2008 from 17.8p to 15.5p – entirely due to the impairment of the goodwill relating to Aspex Semiconductors held on the balance sheet at the start of the year (£12.2m). Without this impairment NAV per share would have risen on the strength of positive developments in the rest of the investment portfolio.

The Group closed the year with cash balances of £17.2m (2007: £34.7m), £14.2m of which is unrestricted, an investment portfolio valued at £40.6m (2007: £25.4m), and equity shareholders' funds of £62.9m (2007: £72.4m). The loss after tax amounted to £9.5m (2007: £0.2m) due to the goodwill impairment of £13.2m being well in excess of income less other administrative expenses.

On the positive side, the acquisition of Quester in May 2007 has brought fund management income into the group for the first time. These revenues amounted to £3.4m in the 10.5 months to 31 March 2008. The effect of these revenues is to make the investing business division of the group now roughly break-even when depreciation and amortisation of goodwill and the other intangible assets are excluded and the operating losses of Aspex and DX3 are excluded.

SPARK's serviced office arrangement with the Executive Offices Group continues to perform well with rental income decreasing slightly in the year from £1.4m in 2007 to £1.3m in 2008 due to a much larger proportion of the office being kept for SPARK Ventures' own uses since the Quester team were moved into the Glasshouse Street premises in July 2007. The building continues to be almost fully let and has been so for the majority of the last eighteen months.

SPARK's semiconductor subsidiary, Aspex, has shipped increased volumes of the company's products during the year and an increase in revenue has been achieved. Aspex's historic Linedancer products were placed on Last Time Buy during the year so that future revenue from these products will be limited to the sale of existing inventory. Having seen the excellent performance of Aspex's technology for video encoding applications and being cognisant of the increasing prevalence of high definition video technology Aspex has focussed its efforts on the design of a semiconductor device, named Q, optimised for video encoding and transcoding applications. Additionly Aspex is in discussions with potential customers regarding the licensing of its technology in specific vertical markets which Aspex would not choose to address directly. However Aspex's sales continue to be well below its costs and an operating loss for the year of £2.4m was made. (2007: operating loss of £3.8m). As a result of continuing losses the value of goodwill in relation to Aspex is not considered recoverable and has been impaired down to zero.

Purchase of own shares

During the year, SPARK bought back 3,590,000 of its own shares (0.8% of issued share capital) with a nominal value of £90k and for a total cost of £0.350m and an average cost of 9.67p per share which represents a substantial (37%) discount to the year end net asset per share value. These shares are held in Treasury. These shares were bought to enhance net asset value per share as they were trading at prices substantially below our net asset value per share. During the year, 22,735,729 shares that were previously held as Treasury shares and with a nominal value of £568k (5% of share capital) were cancelled to bring the Group back within the provisions of the Treasury shares regulations which stipulate that companies are not permitted to hold more than 10% of their own shares in Treasury. The maximum number of shares held in Treasury during the year was 58,390,949 with a nominal value of £1.460m (13% of issued share capital).

Dividends

The Directors do not propose a dividend for the year ended 31 March 2008 (2007: £ nil).

Future prospects

SPARK Ventures 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, and developing and extracting value from our portfolio of investments. SPARK will also look at opportunities to manage additional funds thereby allocating the 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. 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 and with a majority of recent investments already having revenues, 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 SPARK Ventures plc quoted ordinary shares in the year ended 31 March 2008 was 12.6p. In the year the share price reached a maximum of 16.0p and a minimum of 8.50p. The closing share price on 31 March 2008 was 8.77p.

Directors and their interests

The Directors serving during the year ended 31 March 2008 had the following interests in the share capital of the Company:

	Beneficial Holdings		Options(1)		Options(2)	
	2008 No.	2007 No.	2008 No.	2007 No.	2008 No.	2007 No.
T.A Teichmann(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	334,000	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	1,329,194	829,194	–	500,000	5,681,818	5,681,818
D.R.W. Potter	480,000	230,000	–	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.

(6) Jayesh Patel and David Potter exercised 500,000 and 250,000 options respectively on 31 March 2008.

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 33 days (2007: 23 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 given and should be interpreted in accordance with the provision of s234ZA of the Company Act 1985.

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

A. D. N. Betton
Company Secretary and Finance Director
23 September 2008

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 which 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 differs from legislation in other jurisdictions.

Independent Auditors' Report

to the Members of SPARK Ventures plc

We have audited the group and individual company financial statements ('the financial statements') of SPARK Ventures plc for the year ended 31 March 2008 which comprise the group income statement, the group statement of recognised income and expenses, the reconciliation of movements in equity, the group and company balance sheets, the group and company cash flow statement, the note to the consolidated group and company 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 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 Executives Officers Report, and the Portfolio review. 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 other information.

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 2008 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 2008;
- 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.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London
23 September 2008

Group Income Statement

For the year ended 31 March 2008

	Note Ref	Year ended 31 March 2008 £ '000	Year ended 31 March 2007 £ '000
Gains on investments at fair value through profit or loss			
Realised gains and losses		**172**	2,047
Realised carried interest valuation		**–**	4,800
Impairment of goodwill	11	**(13,178)**	–
Unrealised gains and losses	9	**6,477**	2,537
		(6,529)	9,384
Revenue			
Bank interest receivable		**1,403**	1,331
Management fee income		**3,423**	–
Portfolio dividends and interest		**40**	292
Sales of goods and related services		**1,163**	881
Other income		**1,998**	1,426
		8,027	3,930
Administrative expenses			
Salaries and other staff costs	4	**(5,645)**	(3,990)
Carried interest expense	4	**–**	(4,800)
Depreciation of property, plant and equipment	8	**(192)**	(196)
Amortisation of other intangible assets	11	**(664)**	–
Other costs		**(5,379)**	(5,257)
Total Administrative expenses		**(11,880)**	(14,243)
Loss before taxation		**(10,382)**	(929)
Taxation	6	**922**	714
Loss for the financial year		**(9,460)**	(215)
Attributable to:			
– Equity shareholders		**(9,460)**	(215)
Basic and diluted loss per ordinary share	7	**(2.32p)**	(0.05p)

Reconciliation of movements in equity

	31 March 2008 £ '000	31 March 2007 £ '000
Opening total equity	**72,437**	75,680
Total recognised income and expenses	**(9,233)**	213
Share buy-backs	**(350)**	(3,456)
Closing total equity	**62,854**	72,437

Group and Company Statement of Recognised Income and Expenses

For the year ended 31 March 2008

	Group Year ended 31 March 2008 £ '000	Group Year ended 31 March 2007 £ '000	Company Year ended 31 March 2008 £ '000	Company Year ended 31 March 2007 £ '000
Loss attributable for the financial year	**(9,460)**	(215)	**(11,404)**	(2,449)
Share based payments	**227**	428	**227**	395
Total recognised income and expenses	**(9,233)**	213	**(11,177)**	(2,054)

Group Balance Sheet

As at 31 March 2008

	Note ref	31 March 2008 £ '000	31 March 2007 £ '000
Non-current assets			
Property, plant and equipment	8	**596**	647
Investments at fair value through profit and loss	9	**40,580**	25,453
Deferred consideration	9	**–**	1,498
Intangible assets	11	**4,586**	13,178
Restricted cash	12	**2,869**	2,869
		48,631	43,645
Current assets			
Deferred consideration	9	**1,639**	2,147
Inventory – finished goods		**47**	89
Trade and other receivables	12	**2,040**	1,358
Taxation	6	**288**	422
Cash and cash equivalents		**14,281**	31,846
		18,295	35,862
Total assets		**66,926**	79,507
Current liabilities			
Trade and other payables	13	**(3,072)**	(2,137)
Deferred consideration		**(500)**	–
Carried interest payable		**–**	(4,800)
Provisions	14	**–**	(133)
Total liabilities		**(3,572)**	(7,070)
Net current assets		**14,723**	28,792
Non-current liabilities			
Deferred consideration		**(500)**	–
		(500)	–
Net assets		**62,854**	72,437
Equity			
Issued capital	17	**11,250**	11,818
Share premium	18	**39,693**	39,693
Revenue reserve	18	**11,518**	21,101
Capital Redemption Reserve	18	**568**	–
Own shares		**(175)**	(175)
Total equity		**62,854**	72,437
Net asset value per share		**15.54p**	17.78p

	Number '000	Number '000
Ordinary shares in issue	**450,000**	472,736
Shares held in Treasury	**(39,245)**	(58,391)
Shares held by Employee Benefit Trust	**(6,273)**	(7,023)
Shares in issue for net asset value per share calculation	**404,482**	407,322

These financial statements were approved by the Board of Directors on 23 September 2008.
Signed on behalf of the Board of Directors

A. D. N. Betton
Finance Director

Company Balance Sheet

As at 31 March 2008

	Note Ref	31 March 2008 £ '000	31 March 2007 £ '000
Non-current assets			
Investments at fair value through profit and loss	9	**21,499**	9,785
Investments in subsidiary undertakings	10	**114,566**	122,697
Restricted cash	12	**2,869**	2,869
Deferred consideration	9	**–**	1,498
		138,934	136,849
Current assets			
Deferred consideration	9	**1,639**	2,147
Trade and other receivables	12	**5,875**	4,863
Cash and cash equivalents		**12,388**	31,140
		19,902	38,150
Total assets		**158,836**	174,999
Current liabilities			
Trade and other payables	13	**(110,707)**	(110,410)
Carried interest payable		**–**	(4,800)
Provisions	14	**–**	(133)
Total liabilities		**(110,707)**	(115,343)
Net current liabilities		**(90,805)**	(77,193)
Net assets		**48,129**	59,656
Equity			
Issued capital	17	**11,250**	11,818
Share premium	18	**39,693**	39,693
Revenue reserve	18	**(3,207)**	8,320
Capital Redemption Reserve	18	**568**	–
Own shares		**(175)**	(175)
Total equity		**48,129**	59,656

These financial statements were approved by the Board of Directors on 23 September 2008.
Signed on behalf of the Board of Directors

A. D. N. Betton
Finance Director

Group and Company Cash Flow Statement

Year ended 31 March 2008

	Group Year ended 31 March 2008 £ '000	Group Year ended 31 March 2007 £ '000	Company Year ended 31 March 2008 £ '000	Company Year ended 31 March 2007 £ '000
Cash flows from operating activities				
Cash flow from operations	**(7,099)**	(6,469)	**(4,255)**	(349)
Tax received	**402**	570	**(21)**	–
Net cash outflow from operating activities	**(6,697)**	(5,899)	**(4,276)**	(349)
Cash flows from investing activities				
Purchase of property, plant and equipment	**(141)**	(61)	**–**	–
Acquisition of subsidiary	**(2,994)**	–	**(4,598)**	–
Purchase of financial investments	**(9,660)**	(4,143)	**(9,445)**	(3,689)
Investment in subsidiary undertakings	**–**	–	**(2,360)**	(4,353)
Sale of financial investments	**2,277**	30,395	**2,277**	28,430
Net cash (outflow)/inflow from investing activities	**(10,518)**	26,191	**(14,126)**	20,388
Cash flows from financing activities				
Purchase of own shares	**(350)**	(3,456)	**(350)**	(3,456)
Net cash outflow from financing activities	**(350)**	(3,456)	**(350)**	(3,456)
Change in cash and cash equivalents	**(17,565)**	16,836	**(18,752)**	16,583
Opening cash and cash equivalents	**31,846**	15,010	**31,140**	14,557
Closing cash and cash equivalents	**14,281**	31,846	**12,388**	31,140

Reconciliation of operating loss to net cash outflow from operating activities

	£ '000	£ '000	£ '000	£ '000
Interest received	**1,403**	1,479	**1,358**	1,341
Dividends received	**40**	144	**40**	144
Other revenue	**6,584**	2,307	**509**	26
Total revenue	**8,027**	3,930	**1,907**	1,511
Administrative expenses	**(11,880)**	(14,243)	**(2,685)**	(7,153)
Operating loss	**(3,853)**	(10,313)	**(778)**	(5,642)
Increase/decrease in trade and other receivables	**1,692**	(276)	**809**	49
Increase/decrease in trade and other payables	**(6,064)**	3,522	**(4,513)**	4,849
Increase/decrease in inventory	**43**	(26)	**–**	–
Depreciation of property, plant and equipment	**192**	196	**–**	–
Amortisation of other intangible assets	**664**	–	**–**	–
Non-cash expenditure	**–**	33	**–**	–
Share based payment	**227**	395	**227**	395
Net cash outflow from operations	**(7,099)**	(6,469)	**(4,255)**	(349)

Notes to the Accounts

For the year ended 31 March 2008

1 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

SPARK Ventures 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 2008 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 statement of the Company.

Basis of preparation

The consolidated financial statements for the year ended 31 March 2008 has 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 Accounting Standards and Standing 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.

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
Amendment to IFRS 2 'Share based payment Vesting Conditions and Cancellations'	1 January 2009
IFRS 8 'Operating Segments'	1 January 2009
IAS 23 (Revised) 'Borrowing Costs'	1 January 2009
IAS 1 (Revised) 'Presentation of Financial Statements'	1 January 2009
Amendment to IAS 27 'Consolidated and Separate Financial Statements'	1 July 2009
Amendment to IAS 32 Financial Instruments: Presentation	1 January 2009
IFRS 3 (Revised) 'Business Combinations'	Applicable to business combinations occurring on or after 1 April 2010
IFRIC 12, 13 & 14	Not Applicable to Group's business

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 IFRS 3 (as amended) which deals with business combinations and may have an impact on the Group's financial statements depending upon the investment decisions that the Group may take in the future. None of these standards have been adopted early.

'Improvements to IFRSs' was issued in May 2008 and its requirements are effective over a range of dates, with the earliest effective date being for annual periods beginning on or after 1 January 2009. This comprises a number of amendments to IFRSs, which resulted from the IASB's annual improvements project. The Group is currently assessing the impact and expected timing of adoption of these amendments on the Group's results and financial position.

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

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup 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 goods 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 recognised 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 recognised since the identification and recognition criteria as defined in IAS 38 'Intangible Assets' are not met. Such expenditure is also recognised 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.

1 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Taxation

The tax expense 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 combination) 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 profit and loss account.

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 introduced the following 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 £227,000 and £395,000 for the years to March 2008 and 2007 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.

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 at 30 September 2007 and was revalued downwards by £8.2m to £4.0m based on what the Board considered to be the most likely outcome from the sale process that was about to be started and has been further written down by another £4.0m to zero at 31 March 2008 when it became likely that the amount recovered will be considerably less than £4.0m. It was also reclassified from being valued in accordance with its 'value in use' to being valued according to its 'fair value'.

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. There is no liability due at the balance sheet date based on the current portfolio valuations.

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 £11,404,000 (2007, loss of £2,449,000).

The company has suffered a fall in value in the year on financial assets of £11.295m (2007: £1.8m).

3 SEGMENTAL ANALYSIS

The Group's principal activities are investing (including fund management) and trading. The making, nurturing and selling of venture capital investments is the investing 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 Technology Ltd and DX3 Technologies Ltd respectively. These segments are the basis on which the management analyses 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.

2008	Investing activity £ '000	Trading activity £ '000	Eliminations £ '000	Consolidated £ '000
Revenue				
Other revenue	5,461	1,163	–	6,624
Interest received	1,394	9	–	1,403
Total revenue	6,855	1,172	–	8,027
Result				
Admin expenses: Salaries and other costs	(6,844)	(4,179)	–	(11,023)
Earnings before depreciation and amortisation	11	(3,007)	–	(2,996)
Depreciation and amortisation	(805)	(52)	–	(857)
Net Investment losses	(6,529)	–	–	(6,529)
Loss before tax	(7,323)	(3,059)	–	(10,382)
Tax				922
Loss after tax				(9,460)

2007	Investing activity £ '000	Trading activity £ '000	Eliminations £ '000	Consolidated £ '000
Revenue				
Other revenue	1,688	911	–	2,599
Interest received	1,301	30	–	1,331
Total revenue	2,989	941	–	3,930
Result				
Admin expenses: Salaries and other costs	(8,557)	(5,490)	–	(14,047)
Earnings before depreciation and amortisation	(5,568)	(4,549)	–	(10,117)
Depreciation and amortisation	(129)	(67)	–	(196)
Net Investment gains	9,384	–	–	9,384
Loss before tax	3,687	(4,616)	–	(929)
Tax				714
Loss after tax				(215)

2008	Investing activity £ '000	Trading activity £ '000	Eliminations £ '000	Consolidated £ '000
Balance Sheet				
Depreciation and amortisation	804	52	–	856
Segment assets	65,917	815	194	66,926
Segment liabilities	3,489	560	23	4,072

2007	Investing activity £ '000	Trading activity £ '000	Eliminations £ '000	Consolidated £ '000
Balance Sheet				
Depreciation and amortisation	129	67	–	196
Segment assets	78,156	1,352	–	79,508
Segment liabilities	6,576	494	–	7,070

4 INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	31 March 2008 £ '000	31 March 2007 £ '000
Director's remuneration		
Fees	**125**	130
Basic salaries	**446**	432
Carried interest bonuses	**–**	4,075
Shared based payments	**192**	333
Other emoluments	**(17)**	43
	746	5,013
Total attributable to highest paid director	**212**	1,433
Staff costs (including directors)		
Wages and salaries	**4,063**	7,250
Social security costs	**445**	907
Share based payment	**228**	395
Pension costs	**280**	122
Other personnel costs	**629**	116
	5,645	8,790

Average number of persons employed (including directors)	Year ended 31 March 2008 No.	Year ended 31 March 2007 No.
Investment and related administration	**23**	6
Semiconductor division, office & management	**7**	7
Semiconductor division, research, engineering & sales	**17**	20
Digital Music division, administration, sales, management and database maintenance	**12**	12
	59	45

Pension costs represent contributions by the Group to employees' personal pension arrangements. Four directors (2007: four) benefit from the Company's pension contributions to their own money purchase pension arrangements. The total pension contributions shown above attributable to directors is £0.068m (2007: £0.057m).

5 LOSS FOR THE YEAR

Loss for the year has been derived after taking the following items into account:

	31 March 2008 £ '000	31 March 2007 £ '000
Depreciation of property, plant and equipment – owned assets	**192**	196
Amortisation of intangible assets	**664**	–
Impairment of goodwill	**13,178**	–
Operating lease rentals		
Land and buildings	**748**	818
Auditors remuneration		
Fees payable for the audit of the company's annual accounts	**63**	68
Fees payable to the company's auditor and its associates for other services:		
The audit of the company's subsidiaries, pursuant to legislation	**23**	–
Other services relating to taxation	**61**	103
Research and development costs	**1,197**	1,944

6 TAX CREDIT ON LOSSES ON ORDINARY ACTIVITIES

	31 March 2008 £ '000	31 March 2007 £ '000
UK corporation tax		
Corporation tax liability at 30%	(17)	–
Research and development tax credit for current year	267	422
Research and development tax credit in respect of prior periods	–	292
Total current tax	250	714
Deferred tax	672	–
Tax credit on profit/(loss) on ordinary activities	922	714

The tax assessed for the year is different to that resulting from applying the standard rate of corporation tax in the UK: 30% (2007: 30%). The differences are explained below:

	31 March 2008 £ '000	31 March 2007 £ '000
Current tax reconciliation		
Loss before taxation	(10,382)	(925)
Current tax credit at 30% (2007: 30%)	3,115	278
Effects of:		
Permanent differences, including goodwill impairments	(4,158)	(143)
Capital allowances in excess of depreciation	(43)	(50)
Movement in short-term timing differences	5	(1)
Accounting profits/(losses) on disposals	52	619
Untaxed investment revaluations	1,943	2,202
Enhancement of research and development expenditure	167	264
Research and development tax credit rate variance	(234)	(371)
Utilisation of tax losses	42	40
Unutilised losses carried forward	(639)	(2,416)
Offset of deferred tax assets previously unrecognised	672	–
Research and development tax credit in respect of prior periods	–	292
Tax credit for the year	922	714

Deferred tax
The deferred tax credit in the year reflects the offset of a proportion of the group's previously unrecognised deferred tax asset against deferred tax liabilities arising in the acquired Quester group. There remains an unrecognised deferred tax in respect of tax losses and other temporary differences. The unrecognised deferred tax asset is £45.1m (2007: £50.1m).

7 LOSS PER ORDINARY SHARE

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

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares in issue on the assumption of conversion of all dilutive potential ordinary shares. No adjustment is made to the number of shares in issue in the diluted earnings per share calculation where the group has reported a loss for the year.

	31 March 2008 £ '000	31 March 2007 £ '000
Loss for the year	(9,460)	(215)
Weighted average number of ordinary shares in issue ('000) for basic EPS	406,938	422,623
Basic and diluted loss per ordinary share (pence)	(2.32)	(0.05)

Notes to the Accounts continued

For the year ended 31 March 2008

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 2007	1,156	943	144	2,243
Acquisitions	63	55	23	141
Balance at 31 March 2008	1,219	998	167	2,384
Depreciation:				
Balance at 1 April 2007	607	879	110	1,596
Depreciation charge for the year	122	64	6	192
Balance at 31 March 2008	729	943	116	1,788
Carrying amount at 31 March 2008	490	55	51	596
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

9 INVESTMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS
Group

Portfolio Company Name	Note ref	Country of incorp.	% equity 31 March 2008	Value at 31 March 2007 £ '000	Year ended 31 March 2008 Additions £ '000	Disposals £ '000	Revaluations £ '000	Value at 31 March 2008 £ '000
IMI Mobile	(3)	India	38%	11,153	–	–	1,500	12,653
IMI engineering	(6)	India	35%	2,000	204	–	–	2,204
Kobalt Music	(4)	UK	27%	4,359	–	(341)	2,622	6,640
Skinkers	(5)	UK	29%	3,772	1,414	–	–	5,186
Unanimis	(5)	UK	11%	–	2,102	–	–	2,102
Openads	(4)	UK	4%	–	377	(247)	870	1,000
Mydeco	(5)	UK	11%	–	1,855	–	–	1,855
DEM Solutions	(5)	UK	24%	–	1,723	–	–	1,723
Firebox	(2)	UK	29%	1,430	–	–	–	1,430
Mblox	(4)	USA	1%	500	–	–	–	500
Complinet	(4)	UK	3%	703	867	–	330	1,900
Mindcandy	(4)	UK	5%	580	–	–	–	580
Notonthehighstreet	(5)	UK	33%	413	230	–	–	643
Market Clusters	(5)	UK	11%	351	299	–	–	650
Freesourcing	(2)	Sweden	8%	350		–	–	350
Gambling Compliance	(5)	UK	15%	100	200	–	–	300
				25,711	9,271	(588)	5,322	39,716
Other investments (no single investment value greater than £300,000)				897	732	(365)	(400)	864
Investments sold during the year								
NewMedia Heads		UK		400	–	(400)	–	–
Carry scheme	(7)			(1,555)	–	–	1,555	–
Total investments at fair value through profit and loss				25,453	10,003	(1,353)	6,477	40,580

(1) Other investments include, Insurancewide, ID Data, Crocus, Advanced Visual Technology, iSporty, iSango, Academia, and a share in Quester Venture Partnership.

(2) Firebox and Freesourcing 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.

(4) Mindcandy, Openads, Complinet, Kobalt Music and MBlox have been valued on the basis of recent 3rd party funding events.

(5) Skinkers, Unanimis, Market Clusters, DEM Solutions, Mydeco, Gambling Compliance and Notonthehighstreet have been valued at cost with this cost being deemed to be their fair values.

(6) IMI Engineering has been valued at the price a 3rd party paid for the business after the balance sheet date.

(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. The carried interest provision was reduced to zero in the year following the write-downs that were made in the company balance sheet and in the goodwill valuation on the consolidated balance sheet in relation to Aspex Semiconductors Ltd and DX3.

None of the investments shown above are listed.

9 INVESTMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS CONTINUED

Company	31 March 2008 £ '000	31 March 2007 £ '000
Balance at 1 April	**9,785**	29,046
Acquisitions	**9,445**	4,076
Unrealised and realised valuations	**3,622**	1,117
Disposals	**(1,353)**	(24,454)
Balance at 31 March	**21,499**	9,785

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 2008 £ '000	31 March 2007 £ '000
Deferred consideration – non-current assets		
Mergermarket	**–**	1,248
Elata	**–**	250
	–	1,498
Deferred consideration – current assets		
Mergermarket	**1,248**	667
Touchclarity	**391**	1,394
Other		86
	1,639	2,147

10 INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

Company	2008 £ '000	2007 £ '000
Cost:		
Balance at 1 April	**152,291**	147,938
Additions	**6,958**	4,353
Balance at 31 March	**159,249**	152,291
Impairment:		
Balance at 1 April	**29,594**	24,614
Impairment losses	**15,089**	4,980
Balance at 31 March	**44,683**	29,594
Net book value at 31 March	**114,566**	122,697

The Company's principal subsidiary undertakings are included in the consolidation at 31 March 2008, 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	Holding company	Ordinary	100%
NewMedia SPARK BV	Holland	Holding company	Ordinary	100%
Aspex Semiconductors Ltd	UK	Semiconductors	Ordinary	77%
DX3 Technologies Ltd	UK	Digital Service Providers	Ordinary	75%
Querist Ltd	UK	Holding Company	Ordinary	100%
SPARK Venture Management Ltd	UK	Venture Capital Fund	Ordinary	100%
Quester Services Ltd	UK	Business services	Ordinary	100%
Quester Nominees Ltd	UK	Nominee company	Ordinary	100%
Quester Venture Managers Ltd	UK	General partner of limited partnership	Ordinary	100%
Quester Academic GP Ltd	UK	General partner of limited partnership	A Ordinary & Preference	100%
Quester Venture GP Ltd	UK	General partner of limited partnership	A Ordinary & Preference	100%
Quester Venture Participations Ltd	UK	Investment	Ordinary	100%

11 GOODWILL

	Fund management contracts £ '000	Goodwill: Value in use £ '000	Goodwill: Fair value £ '000	Total £ '000
Cost				
At 1 April 2006 and 31 March 2007	–	12,178	24,213	36,391
On acquisition of subsidiary	5,250	–	–	5,250
Re-classification	–	(12,178)	12,178	–
At 31 March 2008	5,250	–	36,391	41,641
Cumulative Amounts charged				
At 1 April 2006 and 31 March 2007	–	–	23,213	23,213
Charge for the year	664	–	–	664
Impairment	–	–	13,178	13,178
At 31 March 2008	664	–	36,391	37,055
Net book value at 31 March 2008	4,586	–	–	4,586
Net book value at 31 March 2007	–	12,178	1,000	13,178

The goodwill valued in accordance with its value in use at the start of the year, arose from the consolidation of Aspex on SPARK's IFRS conversion date at 1 April 2005. During the year it became apparent that the financial projections upon which the valuation was supported, were no longer appropriate and that the goodwill would be more appropriately valued on a fair value basis being the minimum amount we would expect to recover should the business be sold. So far it has not been possible to be confident that any value would be recovered. Accordingly, the Directors have valued the goodwill at zero.

The goodwill valued in accordance with its fair value at the start of the year was attributable to DX3 and represented the minimum amount that is expected to be recovered should DX3 be sold. This amount has been written off in the year as the directors were not confident the goodwill balance could be recovered.

The difference between the price paid for Quester (£5.6m) and the fair value of the net assets acquired (£0.3m) of £5.3m is represented by the value of the fund management contracts which have been included on the consolidated balance sheet as an intangible asset. These fund management contracts provide the expectation of an income stream in the future with an estimated life of seven years. Accordingly the intangible asset is being amortised over seven years.

12 TRADE AND OTHER RECEIVABLES

	Group 31 March 2008 £ '000	Group 31 March 2007 £ '000	Company 31 March 2008 £ '000	Company 31 March 2007 £ '000
Trade debtors	**1,018**	552	**88**	38
Amounts owed by subsidiary undertakings	**–**	–	**4,964**	4,405
Social security and other taxes	**15**	40	**–**	7
Deferred taxation	**4**	–	**689**	–
Other debtors	**330**	91	**–**	–
Prepayments and accrued income	**673**	675	**134**	413
	2,040	1,358	**5,875**	4,863
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 SPARK Ventures plc and £0.413m security for property leases which is recoverable in greater than five years.

13 TRADE AND OTHER PAYABLES

	Group 31 March 2008 £ '000	Group 31 March 2007 £ '000	Company 31 March 2008 £ '000	Company 31 March 2007 £ '000
Trade creditors	**684**	598	**191**	75
Amounts owed to group subsidiary undertakings	**–**	–	**109,897**	110,014
Social security and other taxes	**116**	106	**53**	25
Other creditors	**1,055**	630	**198**	186
Accruals and deferred income	**1,216**	803	**368**	110
	3,071	2,137	**110,707**	110,410

14 PROVISIONS FOR LIABILITIES

	31 March 2008 £ '000
Group and company – Claims and associated legal costs	
Provision as at 1 April 2007	133
Released in year	(133)
Provision as at 31 March 2008	–

Having carefully reviewed the provisions brought forward from prior years, the Board were of the view that it was not likely that any of the liabilities would become payable and have released the provision to the income statement.

15 OPERATING LEASES

At 31 March 2008 the Group was committed to making the following annual payments during the next year in respect of operating leases:

	31 March 2008 £ '000	31 March 2007 £ '000
Non-cancellable operating lease rentals are payables as follows:		
Land and buildings:		
Less than one year	**–**	22
Between one and five years	**30**	–
More than five years	**703**	703
	733	725

The Group leases two properties under operating leases. One for property for Aspex' office premises expires on 1 July 2010 with a tenant only break option to terminate the lease on 30 June 2009 on three months notice. 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 £4.6m. The lease payments are subject to review in 2009. None of the leases includes contingent rentals.

16 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

As a venture capital investor the Group invests in unquoted companies in accordance with the investment policy set out in note 1. In addition to its venture capital portfolio, which is invested mainly in technology-related companies in the TMT (technology, media and telecoms) sector, the Group maintains liquidity balances in the form of cash held for follow-on financing and new venture capital investment and debtors and creditors that arise directly from its operations. £45m of the Group's net assets were invested in venture capital investments and £18m in liquid balances (31 March 2007: £39m in investments and £33m in liquidity).

In pursuing its investment policy, the Group is exposed to risks that could result in a reduction in the value of net assets and consequently funds available for distribution by way of dividend or for re-investment.

These risks and the management of them, which is the responsibility of the Directors, are unchanged from the previous accounting period and are set out below.

Market risk

The fair value of the future cash flows of financial instruments held by the Group may fluctuate because of changes in market prices. Market risk comprises currency risk, interest rate risk and other price risk:

Currency risk

The Group has subsidiaries in the Netherlands, Mauritius, Germany and USA as well as investments that are denominated in local currencies. Of these investments, IMI is the only material investment that might be affected by currency risk since IMI is based in India and its value is derived in Indian Rupees and therefore subject to normal currency risk arising from movements in Indian Rupees. The value of the holding in IMI in sterling is as follows:

	31 March 2008 £ '000	31 March 2007 £ '000
IMI Mobile	**12,563**	11,153
IMI Engineering	**2,204**	2,000
	14,767	13,153

Interest rate risk

As the Group has no borrowings it only has limited interest rate risk. The impact is on income and operating cash flow and arises from changes in market interest rates. Certain of the Group's cash resources are placed on short term fixed deposits (one month to six months) to take advantage of preferential rates and are subject to interest rate risk to that extent. Otherwise, cash resources are held in current, floating rate accounts.

Other price risk

Venture capital investments carry a significant risk of failure, as investing in early stage companies are by their nature of a higher risk than investing in more mature trading companies. Risk is mitigated to a certain extent by the fact that the Group holds investments in several companies – 31 March 2008, the Group held interests in over 20 companies (31 March 2007: more than 20 companies). The management of risk within the venture capital portfolio is addressed through careful investment selection, by diversification across different industry segments within the TMT sector, by maintaining a wide spread of holdings in terms of financing stage and by limitation of the size of individual holdings. The Directors monitor compliance with the investment policy, review and agree policies for managing this risk and monitor the overall level of risk on the investment portfolio on a regular basis.

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.

Fair values of financial assets and financial liabilities

Financial assets and liabilities are carried in the balance sheet at either their fair value (investments), or the balance sheet amount is a reasonable approximation of the fair value (dividends receivable, accrued income, accruals, and cash at bank).

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.

16 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT CONTINUED

Capital disclosures

The Group's objective is to deliver, as far as is consistent with venture capital investment, steady growth in the net asset value of the Group. This is unchanged from the previous accounting period.

The capital subscribed to the Group has been managed in accordance with the Group's objectives. The available capital at 31 March 2008 is £62.8m (31 March 2007: £72.4m) as shown in the Balance Sheet, which includes the Group's share capital and reserves.

The Company has no borrowings and there are no externally imposed capital requirements other than the minimum statutory share capital requirements for public limited companies.

17 CALLED UP SHARE CAPITAL

	Group 31 March 2008 £ '000	Group 31 March 2007 £ '000	Company 31 March 2008 £ '000	Company 31 March 2007 £ '000
Authorised:				
950,000,000 (2007: 950,000,000) ordinary shares of 2.5p	**23,750**	23,750	**23,750**	23,750
Called up, allotted and fully paid:				
450,000,000 (2007: 472,735,729) ordinary shares of 2.5p	**11,250**	11,818	**11,250**	11,818

During the year 22,735,729 shares that were previously held as Treasury shares were cancelled. The average cost of the shares cancelled was 11.3p.

Under the Group's 2001 Unapproved Share Option Scheme, 15,841,000 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 2008, 9,567,000 of these options have been exercised, leaving 6,274,000 shares still held by the NewMedia Spark Employee Benefit Trust. In the year ended 31 March 2008, 750,000 of these options were exercised by two current directors (500,000 by Jayesh Patel and 250,000 by David Potter) with an average market price at the time of exercise of 9.0p. The gains made by each director before taxation were £32,500 and £16,250 respectively.

Under the Group's 2005 Executive Share Option Scheme, 20,227,273 options had been granted to employees, with an exercise price of 11.0p, 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 2008. Following the completion of the audit for the year ended 31 March 2008, 40% of these options will have vested.

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

The average share price of SPARK Ventures plc quoted ordinary shares in the year ended 31 March 2008 was 12.6p. In the year the share price reached a maximum of 16.0p and a minimum of 8.50p. The closing share price on 31 March 2008 was 8.77p.

As at 31 July 2008, the major shareholders of the Group are as follows:

	Number of shares held	% of Issued shares
M&G Investment Management	86,716,122	21.11%
MPC Investors	48,935,914	11.91%
New Star Asset Management	21,750,000	5.30%
Ennismore Fund Management	17,070,000	4.16%
River & Mercantile Asset Management	15,818,152	3.85%
Majedie Asset Management	15,550,000	3.79%
Ingot Capital Management	15,250,000	3.71%

The percentage holdings shown above are based on the total number of issued shares, less those shares held in Treasury at 31 July 2008 (39,245,220).

18 RESERVES

	Share premium £ '000	Capital Redemption Reserve £ '000	Retained earnings £ '000
Group			
Balance at 1 April 2007	39,693	–	21,101
Loss for the financial year	–	–	(9,460)
Own shares purchased for treasury	–	–	(350)
Treasury shares cancelled in the year	–	568	–
Share based payment	–	–	227
Balance at 31 March 2008	39,693	568	11,518
Company			
Balance at 1 April 2007	39,693	–	8,320
Loss for the financial year	–	–	(11,404)
Own shares purchased for treasury	–	–	(350)
Treasury shares cancelled in the year	–	568	–
Share based payment	–	–	227
Balance at 31 March 2008	39,693	568	(3,207)

19 ACQUISITIONS

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 (at the time of acquisition) 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 was £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 first of these payments was made in May 2008 with the balance expected to be paid in May 2009.

The net assets in the business at acquisition were 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 which Quester could not recognise in their own consolidated balance sheet. The principal intangible assets are the long-term contracts to manage third party funds. These contracts were estimated at having a value of £5.250m and are being amortised over seven years.

In the period from 11 May 2007 to 31 March 2008, the acquisition of Quester contributed £1.0m towards group overheads and cash flows, prior to the amortisation of intangible assets (£0.7m) and a recharge of costs from the rest of the SPARK group of £0.5m.

Notes to the Accounts continued

For the year ended 31 March 2008

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 2008, SPARK invested £1.6m into Aspex Semiconductors Limited and £0.7m into DX3 Technologies Limited. Additionally, SPARK invested £0.2m into Spark India Ltd to enable them to make further investments into IMI and to pay management and administrative expenses.

In the year to 31 March 2008, SPARK Ventures plc was charged management fees by Spark Services Ltd of £0.9m and by Spark Investors Limited of £0.8m and charged net management fees to Quester companies of £0.3m.

The related parties of SPARK Ventures 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 March 2008.

21 SUBSEQUENT EVENTS

On 4 April 2008, the Group's Mauritian subsidiary, SPARK India Limited, agreed to sell its entire holding in IMI Engineering Ltd to Ramboll, a major Danish engineering group for expected proceeds of £2.1m of which £1.5m was paid in May 2008 with the balance held in ESCROW to cover warranties.

On 4 July 2008, Mydeco Ltd received funding from 3rd parties amounting to £7.4m. The effect on the valuation of Mydeco Ltd will be to raise it from £1.8m to £2.4m.

Officers and 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
33 Glasshouse Street
London W1B 5DG

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

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

Auditors
Deloitte & Touche LLP
London

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

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Tel **+44 (0)131 220 7990 www.emperordesign.co.uk**

SPARK Ventures

SPARK Ventures plc
33 Glasshouse Street
London W1B 5DG

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