SPARK Ventures

Annual Report and Accounts 2009

Operational Highlights:

The two largest portfolio companies, IMImobile and Kobalt (representing over 50% of portfolio value), each delivered revenue growth of 70%+ within the last year, but without triggering a valuation event.

Net positive re-valuations from a generally good performance of the portfolio is offset by a write down of Skinkers arising from a refinancing after customer contract delays, pushing Net Asset value per share down by 6% from 15.5p to 14.6p.

Cash reserves remain stable at £17.6m (March 2008: £17.2m), but with the restricted cash component of this rising from £2.9m to £3.2m over the year following the capital reconstruction required to make future shareholder distributions.

Fund management operations continue to be cash positive and the operating loss for the period is reduced by 82% as two loss making portfolio companies previously consolidated have now been sold or re-structured.

Proposed Strategic Developments:

The Board is proposing an immediate return of surplus cash (amounting to 2p per share), a moratorium on the introduction of any new investments into the portfolio and the return to shareholders of surplus cash from future asset sales to address the continuing discount at which the shares trade to their asset value. These changes were approved by shareholders in the EGM on 7 August 2009.

In view of this capital return strategy, the Board is also proposing that the management company is sold to its management team via a Management Buyout to ensure continuity of management to the SPARK portfolio and third party funds throughout the process.

Further details of the Proposed Strategic Developments were set out in the Notice of EGM which was posted to shareholders and put on the Company’s website on 22 July 2009.

SPARK Ventures ('SPARK') is the leading quoted early stage venture capital company in Europe and manages approximately £190m on behalf of major institutional investors, leading UK universities, two 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.

Business Review

Accounts

Chairman's Report

It was gratifying to see our largest investments by far, IMImobile and Kobalt Music, which we backed as start-up and fledgling businesses many years ago, grow very quickly indeed last year. Fortunately, we had no – and still have no – debt or leverage.

Dear Fellow Shareholders

Of course this past year has been one of unimaginable stress in the financial markets. Pillars of the financial and industrial worlds and hundreds of hedge funds have crumbled. And many of the world's leading financial institutions have needed bail-outs by their Governments.

Fortunately, while we have a few local difficulties to deal with, we had no – and still have no – debt or leverage. We are not dependent on any debt funding. Neither do the vast majority of our direct investee and third party managed portfolio companies carry any debt. This saved us from major problems. Indeed, we had ample cash resources which we have husbanded for many years to take advantage of opportunities and just in case of stormy weather and, importantly, to give us the reserves to protect our portfolio's value with follow on funding, if required. Our third party fund management business acquired in 2007, Quester, has again helped cover central costs, although its earnings are significantly below expectations due to falling asset values mainly in the ex Quester VCTs (renamed SPARK VCTs last year).

While asset values in many classes of investment around the world – such as private equity and property – have been collapsing at unprecedented rates in these extraordinarily difficult markets, SPARK Ventures plc's Net Asset Value ('NAV') has declined only slightly. Indeed, some of our direct investee businesses, notably Kobalt Music, Mydeco.com, notonthehighstreet.com and Open X even managed to raise very decent rounds of equity at attractive valuations during the year.

It was gratifying to see our largest investments by far, IMImobile and Kobalt Music, which we backed as start-up and fledgling businesses many years ago, grow very quickly indeed last year. Also some of our smaller investments – including some recent start-ups like Gambling Compliance, Notonthehighstreet.com – and businesses like Mind Candy, are doing very well indeed, rapidly gaining new customers and growing revenues extraordinarily fast. We found a potentially elegant solution for Aspex as well, giving it a real future and the prospect of SPARK making a valuable exit in due course if things go well. Our later stage investments like Unanimis were hit by very weak markets but have done well in the circumstances.

The severe slow down in M and A activity worldwide and the demise of the IPO markets has meant quite a few of our directly owned businesses – and many of the ex Quester third party portfolio companies we now manage – could not even contemplate exits, apart from one major exception, Nomad (US $58m exit value). Many had to draw in their horns, and abandon expansion plans to conserve cash during the credit crunch. This applied even to some well established portfolio businesses. We had some recent difficult portfolio challenges in our smaller internet businesses, resulting from the sudden collapse of confidence in the markets they serve; particularly UK commercial banking (Skinkers), and UK retail (Mydeco). But, thankfully, these problems were outweighed by the excellent performances of our biggest portfolio companies.

Kobalt Music Group
Nearly 40 years and over 100 million albums sold since he signed his first traditional music publishing deal, Dave Stewart, one of the most respected and accomplished artists, producers and songwriters in modern music, made yet another revolutionary turn and opted to sign a new worldwide deal with Kobalt Music Group (www.kobaltmusic.com) in June.

In our managed third party ex Quester portfolios, things were generally much more difficult. We inherited the vast bulk of these portfolios when we took over Quester's fund management businesses in mid 2007. It turns out that we underestimated the challenges in making these companies successful. Even the stars of the portfolio like Oxford Immunotec have faced unexpected challenges and needed major new funding to expand. Management fees we earned on the Quester business have been lower than our expectations at the time of acquisition (due mainly to lower NAVs) and we have had to spend a significantly greater deal of top management time and effort than expected in addressing many tricky structural, management and marketing issues which we inherited in many of these companies. We also had to address their cash flow pressures in a serious recession, due to most missing sales targets, often by large margins. We have had to recommend some significant write downs and closures in these ex-Quester portfolios, but hope we are close to a core of solid assets there now. Additionally, we have had to lead changes in the Boards and reorganisation of the structures of the ex Quester VCTs in particular. This has been very time consuming indeed for our whole management team.

The Future

The venture capital market has moved on a great deal since we created 'SPARK' as a public company called NewMedia SPARK plc. in 1999, in the euphoric glow of the dot.com boom, having previously through NewMedia Investors Ltd., backed some strikingly successful start-ups, such as lastminute.com and ARC which IPO'd for a combined value of about £750m, among several excellent exits. We also had some excellent more recent exits, (total value approximately £250m) which produced about £50m of cash for SPARK Ventures plc, including Mergermarket, Footfall, Pricerunner, and Touch Clarity, sold to high quality corporate buyers. Having survived the nuclear winter of the dot.com bust our expansion into and then subsequent sale of a large German financial business, the VC market has over the last 2 years actually moved into sharp reverse again. Perhaps not as badly hit as private equity or certain debt markets and property assets.

The change in sentiment over these last two years towards early stage venture capital, compounded by the severe worldwide financial crisis, has meant public investors have largely come to prefer liquid stocks, lower risk assets, and investing in companies with shorter term business cycles than venture capital can offer. Many of our exits have taken over five or even seven years. Most investors are not keen any more on start-up risks in early stage technology and healthcare investments and glorious memories of enormous exit multiples in this area have faded. So it's been time for us to reassess the public market's appetite for the VC world and we've come to the conclusion that there isn't much enthusiasm today. Perhaps this is just the right time to indeed invest, when the sector is being shunned by most, but we have to respect the views of many of our shareholders.

Recognising this reality, we have decided to return cash (representing over 25% of our market capitalisation) to shareholders straight away and also to initiate a policy of gradually running off the SPARK Ventures' portfolio, when good opportunities arise. We will, importantly, keep significant cash in reserve for follow-ons and make no investments in new businesses from the SPARK Ventures plc balance sheet and plan to pay out to shareholders the proceeds of exits as they happen, in future.

New Investments

We plan to continue to invest, however, within some of our managed portfolios. The management team also plans to create new funds to permit new investments in start-ups and other sectors like emerging markets technologies, building on our UK and Indian knowledge base from the 65 companies in which we already manage stakes, ranging from concepts developed at Oxford University to successful new internet concepts like Moshi Monsters and notonthehighstreet.com.

Organisation and the Board

We have put forward to shareholders a new plan to split out the fund management business in which SPARK Ventures plc will retain a significant stake.

As shareholders are aware, the executive management team of SPARK Ventures plc (including me) has made an offer to purchase the fund management business of SPARK and will be managing SPARK Ventures plc direct portfolio going forward, subject to shareholder approval at the forthcoming reconvened 2009 EGM. Clearly this represents a possible conflict of interest for me and in any event, after 10 continuous and very eventful years as Chairman of SPARK Ventures plc since foundation, I am echoing best UK Governance practice by planning to step down as Chairman at the next AGM and handing over to a new Independent Chairman. I am very pleased indeed to be handing over the Chairmanship of SPARK Ventures to David Potter, an extremely experienced independent non-Executive Chairman. He has a solid understanding of our business, having been on the SPARK Board for several years, deep experience in financial markets as a practitioner going back to the 70s, a sound knowledge of institutional investors, of governance, and the VC markets within which we operate, combined with a pragmatic attitude to risk and reward. A rare combination indeed.

Andrew Betton, our Finance Director, will also, subject to the management buy out mentioned above, be stepping down from the SPARK Ventures plc Board, to also concentrate on the new fund management business going forward with me, Andrew Carruthers and Jay Patel and the SPARK team. Andrew and Jay will, we expect, remain on the SPARK Ventures plc Board as non-Executive Directors. Andrew Betton will continue to supervise all the SPARK companies' ongoing finance and administration under the new management buy out arrangements, subject to approval at the EGM.

I look forward to helping to build a new fund management operation; SPARK Venture Management Holdings Ltd ('SVMH'), with my colleagues, where the successful management of SPARK Ventures' plc direct assets and its various managed portfolios will be our utmost objective.

SPARK Ventures plc will, I am pleased to add, have a significant stake in SVMH. This is subject to shareholders approval at the reconvened EGM, of course. I relish this task, and as a SPARK Ventures plc founding – and one of its larger private – shareholders, look forward to realising healthy exit values over the coming years. Of course, given what has happened in the past two years, nothing in the financial markets is certain, but I am confident that exit values will overall be healthy.

Thomas Teichman,
Chairman
21 August 2009

Chief Executive Officer's Report

In the case of IMImobile, the growth in revenues by 80% to over 900m Indian Rupees (circa $20m) has generated a near five fold increase in EBITDA to over $5m, demonstrating that the company can generate substantial value. Kobalt has delivered a revenue increase of 70%, expected to be £35m.

Overview

The construction of the SPARK venture portfolio, where most of the value resides in the two larger, more mature assets, IMImobile and Kobalt (representing over 50% by value), has largely protected the erosion of asset value throughout a very turbulent year.

Both of these companies operate without any significant debt and have been taking substantial business from larger (often distressed) industry competitors, both growing rapidly in spite of the global recession. In the case of IMImobile, the growth in revenues by 80% to over 900m Indian Rupees (circa $20m) has generated a near five fold increase in EBITDA to over $5m, demonstrating that the company can generate substantial value. Similarly, Kobalt has been investing funds raised in February 2008 to grow its US business, delivering a revenue increase of 70% to £29m in the first ten months of its financial year to June 2009, with full year revenues expected to be ahead of budget at approximately £35m. Both of these companies benefit from high levels of repeat business, and the effect of successful business development in any given year is often felt more fully in the second and subsequent years, giving us a high degree of confidence that both companies will continue to generate future value for our shareholders.

There is, however, a generation of newer companies which SPARK invested in from 2006 onwards, which are less developed businesses and have therefore been more vulnerable in the difficult markets. Nevertheless, overall even these businesses have delivered a very robust, and in some cases exceptional, performance. In this category are Notonthehighstreet, which delivered 130% revenue growth to £2.3m, Gambling Compliance which has seen revenues grow by 100% to £1.1m and DEM which has delivered a revenue growth of 35% to £2.2m. In the case of Mydeco, which raised money during the year at a higher valuation, leading to a £0.6m write up in value at the interims, we have written that value down again by £0.9m in the second half as retail markets have continued to suffer. More significantly, Skinkers has had a disappointing year in sales as its pipeline of financial services customers was hit particularly hard, leading to a refinancing at a substantially lower value and reducing SPARK's net assets by £4.1m (of which £2m had been recorded at the interims). However, the company has recently won MBNA and Capital One as clients and potential customers who had previously delayed are reviving interest. Skinkers had also been funding LiveStation, the online TV proposition, which is being spun off and funded separately by other investors.

Overall, therefore, despite a modest 6% decline in the Net Asset Value of the company to 14.6p per share, we believe that there remains substantial upside potential to that value.

In addition, following the sale of DX3 and the reconstruction of Aspex, neither of these two portfolio companies will have their performance consolidated into the accounts of SPARK plc, thereby simplifying their presentation in future. In the current period, their removal part way through the financial year has been reflected in a marked reduction in the operating loss from £3.85m (as stated in the 2008 audited accounts) to £0.7m in the current year. The total loss for the current year of £3.9m includes losses from investments of £3.0m, a loss on the serviced office operations of £0.5m, a loss from the former subsidiaries Aspex and Dx3 of £0.3m, a break-even performance from the investment management operations, non-cash amortisation charges of £1.3m offset by interest received of £1.0m and the release of an old liability of £0.2m. The result from the fund management business has provided SPARK shareholders with the benefit of another year of cost free management for the direct investments held on the balance sheet. The decline in fees from the management of third party funds to £3.2m in the year (2008: £3.4m) reflects a fall in the value of the funds under management from £215m to £197m.

Proposed Strategic Developments

The continuing discount at which our share price has traded to the value of our assets has become a significant structural challenge for SPARK. We appreciate the patience of our shareholders and accept that the time has come to demonstrate this value by realising the assets held on our balance sheet and distributing the cash proceeds as the portfolio matures. Consequently, the Board proposed a scheme that was approved at the extraordinary general meeting of the Company held on 7 August 2009, under which no new investments will be brought into the portfolio and the proceeds from the sales of existing investments will be returned to shareholders.

As a consequence, a proportion of the cash balance has become surplus to requirements, allowing an immediate return to shareholders equivalent to 2p per share. In order to ensure that the value of existing investments can be maximised, SPARK will retain sufficient cash resources to enable it to make follow-on investments in existing portfolio companies where required.

In addition, in order to ensure that the direct investments have continuity of management even as the portfolio reduces, the Board proposes to externalise its management team via a Management Buyout by which the executive management of SPARK (Tom Teichman, Andrew Carruthers, Jay Patel and Andrew Betton) will acquire certain parts of the third party fund management business to create a newly incorporated company ('The Manager'). Following the acquisition, the Manager will be appointed to manage the direct investment portfolio of SPARK Ventures plc, as well as continuing to manage existing third party funds with the management team that previously managed these investments. When combined, these contracts will together create a fund management business with the necessary scale and stability to provide effective fund management services to all parties.

A circular describing these proposals in more detail, and convening an EGM for shareholders to approve them, was sent to shareholders on 20 July 2009. However the meeting on 7 August was adjourned prior to considering the resolutions that would have given effect to the management buy-out to allow for more time to consult with shareholders. If these changes are approved when the meeting reconvenes, the value of the intangible assets held on SPARK's balance sheet will reduce from £3.3m to approximately £1.0m Additionally SPARK will receive proceeds of £1.0m for those assets being sold resulting in an income statement charge (and corresponding reduction in balance sheet value) of £1.3m in the year to 31 March 2010 being the difference between the £3.3m intangible assets at 31 March 2009 and the resulting residual values post completion of £2m.

Portfolio Review

Our main portfolio investments are covered separately on the following pages.

The performances of some of our smaller holdings have been very strong overall. Complinet, (www.complinet.com) the leading global provider of online regulatory solutions, has performed well in the current year, growing revenues by 16% despite the turmoil in its clients' markets. In addition, Aspex Semiconductor (www.aspex-semi.com), which we wrote off in full following a failed sale of the business in September 2008, has subsequently won a major contract that has provided consistent revenues for the company allowing it to trade profitably for the first time. This major achievement provides the basis to revise up the value of our debt and minority equity holdings in the company to £1m. Similarly, the continuing successful development and adoption of OpenX (www.openx.org) has been the basis of a further capital raising of $10m in May 2009, which underpins the valuation of £1m. Gambling Compliance (www.gamblingcompliance.com), the provider of regulatory, legal and compliance information for the global gambling industry, has grown revenues by 100% and has raised further funding at a valuation that allows us to write up the value of our investment by £0.4m. Finally, after several years of development,

A Katsuma, a MoshiMonsters character.

Mind Candy launched 'Moshi Monsters' (www.moshimonsters.com) a major new subscription based puzzle game for children. It has experienced exceptional growth in recent months gaining over 3 million registrations since November 2008, with a current growth rate of 25% per month, and a worldwide distribution of users. This performance is well ahead of budget and has taken the company through to cash flow breakeven for the first time since start-up in 2004.

In the context of these positive developments, the downward adjustment of the valuation of our holding in Firebox (www.firebox.com) by £0.7m is a modest setback and reflects falling margins and valuations in the retail sector generally. Despite this margin pressure, Firebox has maintained its revenue levels at £11.5m and has maintained good stock turnover.

Conclusion

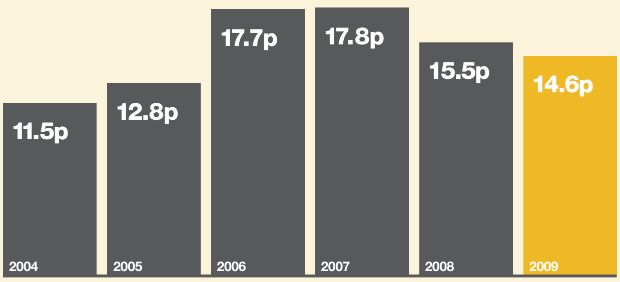
In summary, the SPARK portfolio of directly held investments has performed well through the recession. While there have been setbacks in certain cases, we are pleased with the way in which many portfolio companies have adapted to the current market and, in many cases, have taken full advantage of the opportunities presented by the recession to take market share from competitors. This robust reaction from portfolio companies overall, when combined with the fact that it is our largest investments that have added the most scale in the period, demonstrates, we believe, that there is significant value to be achieved from holding them to maturity. Furthermore, the proposed strategic changes being put forward by the Board to return surplus cash to shareholders and to externalise the management of its direct investments will ensure that the Company is able to manage effectively its existing portfolio with a view to maximising value and generating returns for shareholders over the next few years.

Andrew Carruthers,
Chief Executive Officer
21 August 2009

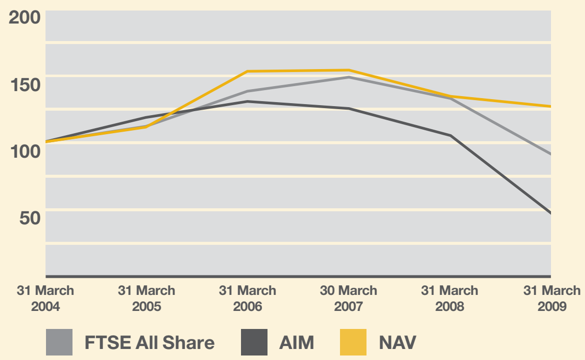
SPARK Track Record

- The current executive team and Board have been in place since 2004.
- In the period from March 2004 to March 2009, NAV has risen from 11.5p to 14.6p (+27%). This compares favourably to the performance of other indices during the same period. FTSE 100 (-10%). AIM (-54%)
- The executive management team of SPARK has been responsible for generating £50m of cash exits during the period from March 2004 to March 2009.
- The total value of businesses sold during the period exceeds £250m.
- Businesses have been sold to blue-chip trade buyers including The Financial Times (Mergermarket, 2006), Qualcomm (Elata, 2005), Experian (Footfall, 2006), Ominiture (Touch Clarity, 2007), Ramboll (IMISoft, 2008), Valueclick (Pricerunner, 2004)
- Mergermarket, SPARK's most successful exit, achieved a multiple of 24x and an IRR of 60% when sold to The Financial Times in 2006.
- The SPARK executive team was involved in the start-up of its two largest investments, IMImobile and Kobalt, which between them currently represent 50% of the total value of SPARK's investment portfolio. Both IMImobile and Kobalt have more than trebled revenues over the last three years.
- Only the eventual exit from these two investments, and of the remainder of the portfolio, will determine the relative performance of the management team.
- Following the successful sale of Mergermarket and other assets a new investment cycle began in 2006. The recent dip in NAV reflects the 'J' curve effect which is typical in venture capital investing and reflects no revaluation of our IMImobile and Kobalt stakes.

SPARK NAV per Share



NAV Against Comparator Indices



Portfolio Highlights

IMImobile (www.imimobile.com) achieved a very strong year of growth with revenues up 80% to over INR900m (circa $20m) and EBITDA increasing nearly fivefold to INR240m (over $5m) in the year ended March 2009.

IMImobile

The company's services now reach over 500m subscribers globally and its platform manages over 40m billing transactions.

+80%
Increased revenue to circa $20m

>40m
Billing transactions

Revenues have now quadrupled over the last three years and this illustrates the strength of the company's business model which provides managed services under rolling software and services contracts with its telecom and media sector clients. The increase in profitability reflects the investment made in previous years on international expansion and product development as the rewards from that investment are now creating higher operating margins.

The company's services now reach over 500m subscribers globally and its platform manages over 40m billing transactions, 15m minutes of usage for voice services and 1m content downloads on a monthly basis. IMImobile's home market of India continues to grow strongly and the company is well positioned to benefit from new entrants into the market and the expected licensing of 3G spectrum later in the year. The business now employs over 400 people, with 300 based in Hyderabad.

IMImobile took a major step to establishing a presence in Africa and the Middle East with new clients including MTN, Yu (Kenya), and Mascom (Botswana). In several competitive bid situations, the company was chosen ahead of many much larger global telecom infrastructure vendors and this is testament to IMImobile's unique value proposition. The financial benefits of this contract will come through in future years as the services are deployed.

In addition, IMImobile has established a significant presence in Europe through the acquisitions of DX3 and M2Y (a unit of Nokia Siemens Network). This has delivered blue chip clients including AOL and Vodafone, as well as relationships with all the major music record labels. The European presence has led to a Joint Venture with Telecom Express, the UK's largest provider of interactive services to UK media companies, for the development of a dedicated business ('IMEXmobile') that provides UK media businesses with mobile interactivity solutions.

The company's progress has been recognised by a number of industry awards from Deloitte and Red Herring.

SPARK owns 38% of IMImobile and has worked with the management team since 2000. SPARK helped to create the mobile division through operational and business development activities and continues to provide significant levels of strategic advice and acquisition support.

Further information about the progress of this investment is covered on page 12.

Portfolio Highlights

Kid Rock

Kobalt

Kobalt has grown rapidly to become the world's largest 'independent' music publisher with a chart market share of over 5%.

Kobalt (www.kobaltmusic.com) based in London, has developed a leading music industry technology for royalty collection on an industrial scale. Their state-of-the-art administration system is designed to collect more royalties, speed up payments and avoid errors on a global basis.

In addition, Kobalt's synch licensing division works across borders in all major territories including the U.K., the U.S., Europe, Asia and Australia.

SPARK owns 23% of Kobalt, having backed the management team as a start-up in 2001, and has been the lead investor ever since, chairing the board, providing strategic input and assisting with execution.

In the past 12 months, Kobalt has grown rapidly to become the world's largest 'independent' music publisher with a chart market share of over 5% in the major music economies such as the USA, the UK and Germany, ranking just below the 'Majors' (e.g. Universal, Sony, Warner Chappell and EMI). Revenues of £29m in the ten months to April 2009 is 70% up on the same period last year, and 17% up on budget. Full year revenues are expected to be approximately £35m, benefiting in part from favourable exchange rates, since much of the revenue is generated outside the UK. Costs are in line with budget. Client retention, a key performance indicator, is running at over 95%, and new revenue sources from 'synching' music into advertisements and movies, while small in absolute terms, have increased rapidly and are delivering higher margins (15-25%) than Kobalt's traditional business.

Following the fund raising in early 2008, Kobalt has deliberately followed a strategy of rapid expansion of staff and offices in order to gain market recognition and confidence. It has focused on winning world class writers as clients, establishing its brand in the music industry, and developing an impressive and solid pipeline of significant new publishing and synching business. As a result, since July 2008, Kobalt has won 110 new clients, processed more than one million new registrations and collected approximately five million individual royalties. In addition, the value of these new deals is increasing with a number of major names amongst the new signings including Lionel Richie, Kelly Clarkson, Kid Rock, and as of this month, Dave Stewart. Kobalt now has three offices in the USA and three in Europe and has won major music industry awards in both markets (Independent Music Publisher of the Year – Music Week).

Kobalt continues to believe that investing in rapid growth is the key driving shareholder value. This growth, combined with high marginal profitability in the business, means that the Kobalt group is expected to breakeven by the end of 2010. An exit could be in the form of an IPO within the next 2-3 years. The very high level of renewals is a positive factor in valuation.

Further information about the progress of this investment is covered on page 14.

£35m
Revenues expected year end June 2009

+70%
Revenue growth up on the same period last year

Mydeco.com (www.mydeco.com) has generated 41 million page views, 46,000 sales and has created 90,000 rooms on its 3D 'Complete Room Planner' tool.

mydeco.com

Strongly positioned through judicious use of the capital raised during the year (£7.5m).

Through the period, the website saw encouraging growth in the key metrics of monthly unique visitors, number of referrals to retailers, total number of customers and a reasonable conversion rate of visits to purchasers. However, there is no doubt that Mydeco has been affected by the current economic climate, and achieving the revenue forecasts put in place before the downturn has proved difficult.

Nevertheless, through judicious use of the capital raised during the year (£7.5m) along with reduced spend on contractors and marketing, Mydeco remains in a strong position to ride out the recession.

Skinkers (www.skinkers.com) has had a tough year.

SKINKERS communication you can't miss!

livestation™

Skinkers has been recognised by the Credit Card Awards as 'best online initiative'.

The company completed the development of the platform during 2008 and started a number of trials with companies in the financial services sectors. It had been expected that the pipeline would generate significant revenues with a number of million pound contracts. The potential uses for the platform included secure customer communications, branch communications and internal employee communication. However the turmoil in the financial services sector, as well as consolidation and delays in certain technology modules, has led to sales not meeting expectations. The company had anticipated at least doubling its sales from £2m, but will instead see a decline by 40% in the year to March 2009. However, the majority of potential sales appeared to have been 'delayed' rather than cancelled and as the environment has stabilised, the company has progressed a number of discussions. Over the last few months the company has won MBNA as a client and the application has been recognised by the Credit Card Awards as the 'best online initiative'. The company has also closed deals with Procter & Gamble and Capital One. Skinkers recently raised £1.2m from existing investors for its sales and marketing activities in which SPARK participated, but the valuation at which this round was completed has led to a further reduction in our carrying value by £2.1m to £2.0m after a write down of £2m in the interim results.

Skinkers has also been funding the development of LiveStation, a peer to peer technology for the streaming of live video. During the year, LiveStation established partnerships with the BBC, Bloomberg, Al Jazeera and many other news organisations to deliver live news to the desktop and user numbers have grown quickly. In addition, in June 2009, LiveStation announced the launch of a BBC World News application, allowing users of the iPhone and iPod Touch in sixteen European countries to watch the channel live on their Apple devices over Wi-Fi and 3G networks. The company had been searching for a strategic partner to help fund the growth. However, for a variety of reasons this initiative was not successful and as a result Skinkers has spun off the business and the management has raised private funds to continue its activities. Skinkers retains a significant minority stake.

Portfolio Highlights

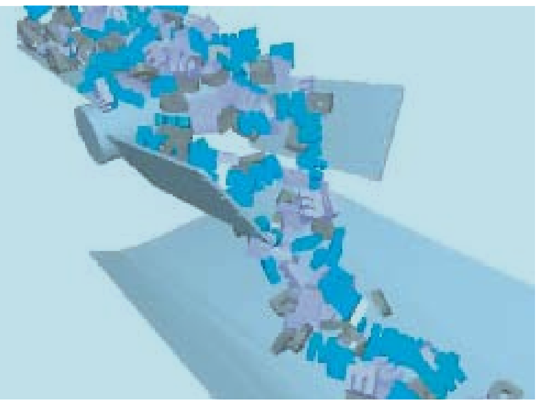
Unanimis (www.unanimis.co.uk) has continued to maintain its position as one of the leading digital advertising networks in the UK.

UNANIMIS
Europe's digital adspace experts

The company's new clients include ASOS, Sony PlayStation and WWE.

Although turnover was initially hit by the loss of eBay, a major client, in April 2008, the company has now recovered those revenues and has a more diversified publisher and media product base. The company's new clients include ASOS, Sony PlayStation and WWE. Growth in the large, maturing internet advertising UK market has slowed in the year and expectations for the whole market in the next few years are at best in the single digits.

However, Unanimis is well placed to weather the storm as it has diversified into a complete digital media offering which includes branded exclusive media, regional and international departments, and performance-based advertising products including a recently acquired affiliate advertising business. The valuation increase in the period arises from strategic interest in the company.



DEM Solutions (www.dem-solutions.com) provides computer aided engineering tools that allow industrial designers to test the performance of complex industrial machinery prior to building them.

DEMSolutions

Clients include Procter & Gamble, Pfizer, NASA, GSK, Xerox, Hitachi, Caterpillar and GE.

From its academic roots it has grown rapidly with the advances in computer processing power by creating a software tool that is now used by many of the world's leading companies across many industrial sectors. The list of clients taking annual licenses of its software has grown impressively every year and includes names like Procter & Gamble, Pfizer, NASA, GSK, Xerox, Hitachi, Caterpillar and GE. The cost savings offered by their software, combined with the solid revenue base from renewing licenses, has allowed the company to grow revenues in the current year to June 2009 by 35% to £2.2m, despite the dramatic slowdown experienced by many of their customers. With growth returning to their major clients in the commodities and mining sectors, and the relatively low penetration into these markets of tools such as these, the prospects for DEM Solution's growth remain strong.

www.notonthehightstreet.com is a web retailer for over 1,200 smaller, specialised, UK businesses creating unique products.

NOT ON THE HIGH STREET.COM
ONE BASKET, HUNDREDS OF UNIQUE SHOPS

On almost every metric the business is performing strongly despite the economic situation.

The company was backed as a start-up by SPARK in 2006 and is valued at the last round in mid 2008 when a new specialist investor in retail, Venrex (major shareholder in Smythson), invested. Revenues for the year to December 2008 grew by 134% to £2.3m, and already in the current year to date (Jan-April) shows a 187% increase over the same period last year. On almost every metric the business is performing strongly despite the economic situation; traffic is up 68%, conversion is up by 83% year to date, average basket size is up 3% to over £40 – and accelerating. A distinctive strength of its business model compared to most retailers is that it holds no stock, thereby making it very capital efficient. Instead, the company collects sign-up fees and a commission on sales through its website.

The company's critical contribution to suppliers is its marketing strength and product selection. The personality of the brand has grown strongly on the back of award winning catalogues and impressive PR, with the result that supplier sign-ups are up 67%, total transaction value is running at 210% above and commissions 238% above last year. On the back of this performance, the expectation is that the company will not need further funding and is budgeting to go cash positive in 2009.

When the IPO market has recovered, notonthehighstreet.com should be a good candidate for a public listing.

+134%
Increase in revenue for the year to December 2008

+238%
Increase in commissions above last year

Portfolio Focus

IMImobile's technology platforms underpin and enable the delivery of innovative mobile services and content to 500 million subscribers around the world on behalf of more than 50 operators and media companies.

In 2008, platforms and applications developed and operated by IMImobile were responsible for 4 billion consumer interactions via text, image, video and voice in 32 countries. The business is head quartered in Hyderabad, India and employs 430 employees globally.

SPARK owns 38% of the business and key executives have been involved from the start-up and development of the mobile business. SPARK works very closely with the founders in determining and executing the organic and acquisition led growth strategy of the business.

Market Context

Globally the market for non-voice mobile services continues to grow despite the economic downturn with industry estimates that 25% of all revenues earned by operators will be for non-traditional voice services by 2012 up from below 20% today. This growth is particularly pronounced in emerging markets.

IMImobile's principal market is India where the Mobile VAS ('Value Added Services') market has been growing strongly and is expected to continue that growth. The non-SMS VAS revenues are expected to grow from c6% of total mobile revenues to c10% by 2012 in line with how the market has developed in the more mature mobile markets.

The mobile VAS market includes many services from caller ringback tones, content sales, to voice portals and is highly fragmented with many small suppliers and few established companies. IMImobile is recognised as one of the leading players and estimates its market share to be at least 5% and it would expect to increase market share as the industry consolidates.

The challenge facing mobile operators globally is how to deliver the next generation of services that are based on software applications and a multitude of rich media relationships. The core competencies of many operators are to build and install hardware and network infrastructure and there is an opportunity for partners to work with operators to help deliver the next generation of services.

Value Proposition

IMImobile has addressed these issues by delivering managed, turnkey solutions for designing, developing and launching innovative new services. IMImobile's centralised operations result in economies of scale and provide operators with a flexible and fast way of introducing new services.

At the core of the company's technology is The DaVinci Service Delivery Platform™ (SDP). The DaVinci SDP™ includes core messaging platforms for SMS, MMS, WAP and USSD, a Service Creation Environment (SCE) for rapid development of applications across multiple bearer technologies with open standards and interfaces and a comprehensive Content Management System (CMS). IMImobile has also developed leading Voice & Video Portals, Ring Back Tone (RBT), User Generated Content (UGC) applications, Call Completion platform, Mobile Marketing and Enterprise Messaging applications.

The company delivers its technology platforms and services through five main business segments. The mVaayoo and Ad-Ring segments were introduced over the last year to target the nascent enterprise messaging and mobile advertising markets.

Business Performance

IMImobile achieved a very strong year of growth with revenues up 80% to over INR900m (circa $20m) and EBITDA increasing nearly fivefold to INR240m (over $5m) in the year ended March 2009. The increase in profitability reflects the investment made in previous years on international expansion and product development as the rewards from that investment are now creating higher operating margins.

The strength of the company's business model lies in the managed services nature of its contracts. This 'software as a service' business model takes time to establish with the full value of client wins being recognised over a period of time however it adds resilience to the business with a growing base of repeatable revenue. This can be seen by noting the quarter by quarter growth in managed service revenues.

In addition to an impressive financial performance the company has progressed strategically.

The company has taken a major step to establishing a presence in Africa and the Middle East with new clients including MTN, Yu (Kenya), and Mascom (Botswana). In several competitive bid situations, the company was chosen ahead of many much larger global telecom infrastructure vendors. The financial benefits of these client wins will come through in future years as the services are deployed.

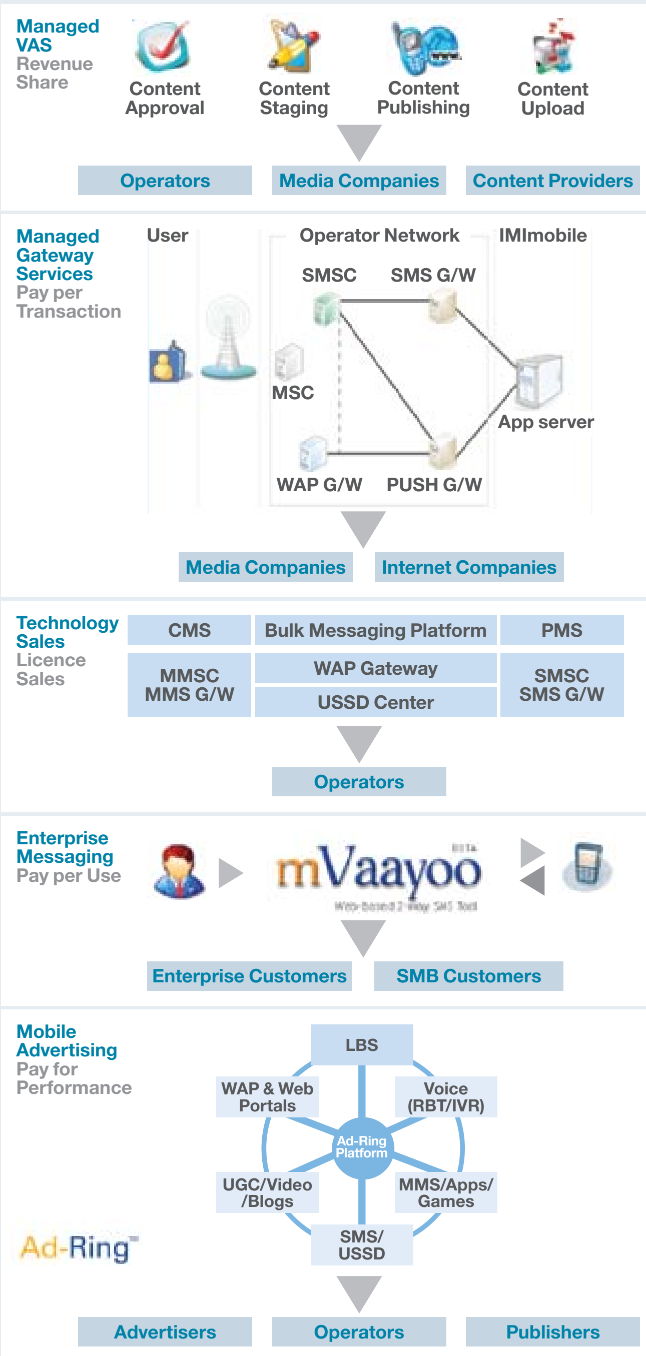
In Europe the business has established itself with a number of acquisitions including DX3 (a SPARK holding), certain contracts from Nokia Siemens Networks and certain assets from Mobyko. The company has also established a JV with Telecom Express to target UK media companies. These acquisitions have provided a number of blue chip clients and a substantial local sales presence.

Future Strategy

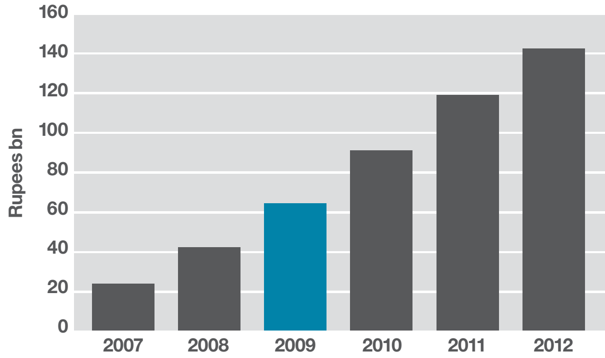
The company is well positioned to benefit from the growth in the Indian market and the expected licensing of 3G spectrum over the next year. The investment in developing an enterprise messaging product and mobile marketing platform will provide the basis for additional growth opportunities. The domestic position should provide the foundations for international growth and the company will be looking to further establish itself in Europe and Africa organically and through acquisition.

IMImobile's Headquarters.

IMImobile's Business Verticals

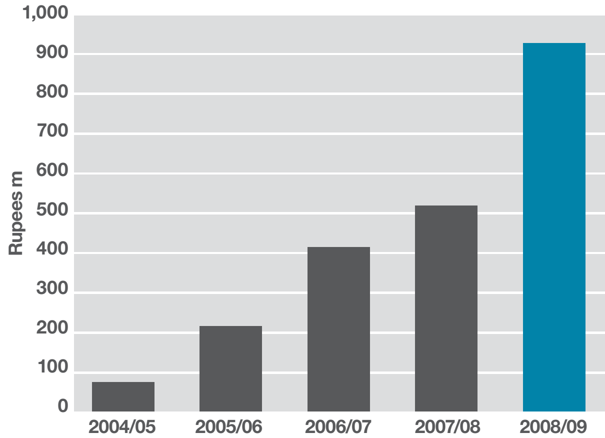


Estimates of Growth in the Indian Non-SMS VAS Market

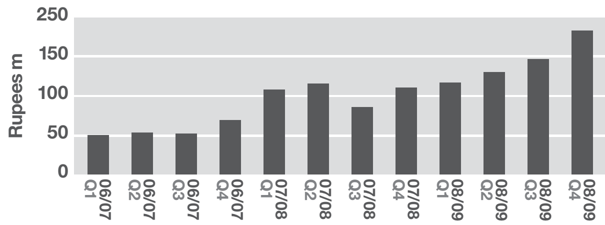


Source: Analyst Estimates

IMImobile – Revenue Growth



IMImobile Quarterly Managed Service Revenues



Portfolio Focus

Kobalt is one of the world's leading independent music publishers offering global copyright administration, creative and synch/licensing services, and advances to writers, publishers and other publishing rights holders. It currently has over 7% US Airplay market share and 97% client retention rates. SPARK invested at start-up in 2001.

With offices in London, New York, Nashville, Los Angeles, Berlin and Stockholm, as well as agents in over 20 major territories, Kobalt administers more than 150,000 copyrights worldwide on behalf of over 800 clients.

SPARK owns 23% of the issued share capital and has been an investor since the business was founded in 2001 and has guided and supported the business since that time.

Value Proposition

Music publishing is based around managing or acquiring the copyrights inherent in lyrics and musical compositions and the royalties that are payable for use of those copyrights. Collection of royalties has traditionally been time-consuming and costly. Usually writers receive royalties 9-24 months after they are earned and pay a significant amount of up to 50% of gross royalties in payments to intermediaries including collection societies. In addition, the traditionally opaque and complex reporting has made it near impossible for the writers to know if the collected royalties are correct or comprehensive.

Kobalt has developed centralised, automated and efficient administration services supported by a scalable, proprietary, dedicated system using the latest technology. As a result of Kobalt's innovative approach, Kobalt offers a reduction in royalty collection time of up to 50%, materially lower marginal collection costs as well as substantially improved transparency.

Market Context

The recorded music market has seen turbulent market conditions as CD sales have declined markedly through the growth of piracy. However the publishing market has largely been able to offset this impact with other revenue streams such as digital (downloads, ringtones, etc), performance (radio, live, bars etc) and synch (film and TV). This is further supported by the growth of developing markets.

Despite this flat market trend Kobalt has achieved significant growth through acquiring market share. Kobalt has signed over 800 clients including many major artists and successful writers.

Writers/Performers

Gwen Stefani	**Dave Stewart**
Kid Rock	**Kelly Clarkson**
Busta Rhymes	**Eminem**
Editors	**Interpol**
The Offspring	**The Cardigans**
Herbert Grönemeyer	**Moby**
Nine Inch Nails	**The Hives**
William Orbit	**Barry Manilow**
Richard Ashcroft	**Badly Drawn Boy**
One Republic	**Hilary Duff**

This growth has been accelerated by the successful expansion into the important US market. Key staff were hired in the US in 2006 and by 2008 Kobalt was already the largest independent music publisher in the US behind the four major music conglomerates (EMI, Universal, Warner, Sony). In Q2 2009 Kobalt managed to achieve 7.4% US airplay market share according to Billboard, closing the gap with the majors.

Financial Performance

The rapid accumulation of a superstar roster of artists and writers has driven dramatic revenue growth, averaging over 60% per year for the last three years.

This sustainable nature of this revenue growth is underpinned both by the long term nature of the contracts (typically three years), as well as very high retention rates (97% in 2008/9). As a result new clients represent additional revenue further driving top line growth.

Existing operations in the US, UK, Sweden and Germany cover all the key international music markets. As such Kobalt's operations are now leveraging the scalability of the platform.

Despite the adverse economic climate, Kobalt raised additional equity and debt funding in 2008 which is being used to fund deals including pipeline advances. Although Kobalt largely limits such advances to pre-pay royalties that have already been earned but not yet collected, this advance capacity has expanded its target market and so facilitated accelerated growth. This capital has also enabled the development of a unique online advancing service against uncollected royalties.

Kelly Clarkson
Signed an exclusive worldwide publishing administration deal with Kobalt in March 2009.

The Problem – Information and Payment Flows

User (e.g. broadcaster/ label	Collection Society	Regional/ Domestic Publisher	Regional Publisher	Publisher	Copyrights Owner

◀ Copyright/Licensing Information ▶

- Payments delayed up to 2.5 years
- Low Service Level (Registration and Royalty Tracking)
- Complex and opaque statements

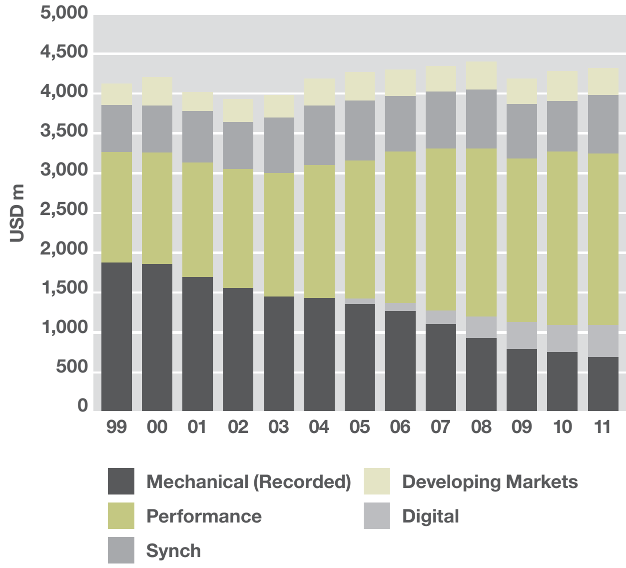
Kobalt's Administration Model

User (e.g. broadcaster/ label	Collection Society	◀◀◀◀ Global Platform ▶▶▶▶	Copyrights Owner
User Label/ISP	◀◀◀◀◀◀◀◀◀◀	US Mechanical Platform ▶▶▶▶	Copyrights Owner

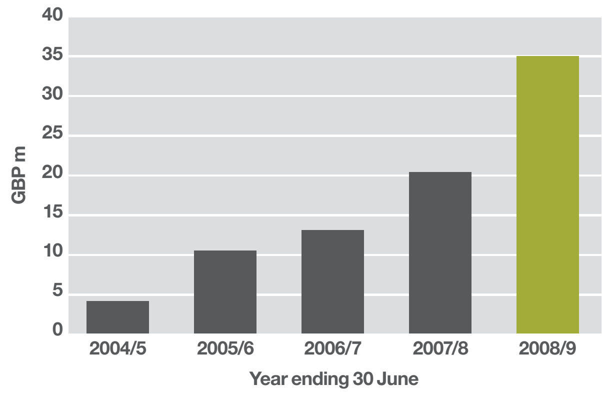
- Payments faster – up to 12 months
- Accurate registration – 5-30% extra income
- Automatic checking – e.g. product level tracking <10%
- Transparent (e.g. Portal) – gives owner control

Busta Rhymes
In July 2009, Busta Rhymes signed an exclusive administration deal with Kobalt.

Kobalt Estimate of Global Market Size



Kobalt Revenue



Board of Directors

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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 £5 billion 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 and Mergermarket. The total value of exits in the public markets of these companies exceeds £1 billion. He has extensive venture capital experience in technology ranging from online information, telecoms, video games and chip design to travel and software for healthcare and retailing. Tom is Chairman of Kobalt Music Group and China Export Finance Ltd and represents SPARK on the Boards of notonthehighstreet.com, Mind Candy, Mydeco.com and We7. Appointed to the SPARK Board on 20 October 1999. He holds a B.Sc.(Econ) Hons from University College London.

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

David Potter
Non-Executive Director
David is the former Deputy Chairman of Investec Bank UK. Prior to this he was Group CEO of Guinness Mahon Group. Between 1981-1989, David was a Managing Director of Samuel Montagu, Midland Montagu and Midland Global Corporate Banking (now HSBC). David was also a Managing Director of CSFB and its predecessor companies (1969-1981). David is currently non-executive Chairman of Camco International and Quercus Publishing and a non-executive director of Noble Group, Vantis plc, 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.

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1: Thomas Teichman
2: Michael Whitaker
3: David Potter
4: Andrew Carruthers
5: Jayesh Patel
6: Charles Berry
7: Andrew Betton

Andrew Carruthers
Chief Executive Officer
Andrew manages the relations with all the stakeholders in the activities of the SPARK group, whether shareholders, Limited Partners, Universities or VCT boards. He also sits on the Board of a number of portfolio companies, including DEM, Antenova, Uniservity and SIFT, 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 IMImobile, Skinkers, Unanimis, Complinet, MarketClusters, OpenX and gamblingcompliance. 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 was until recently 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 2009.

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 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 Report on pages 4 and 5.

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 SPARK VCT plc and SPARK VCT2 plc.

The principal activity of the former trading subsidiaries Aspex Semiconductor Ltd and DX3 Technologies Ltd were 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.

The Group reduced its holding in Aspex in the year and consequently no longer consolidates the results of Aspex with the rest of the SPARK group but treats it as an investment held at fair value instead.

DX3 was sold in the year to IMImobile and was deconsolidated from its sale date.

Business Review

Net asset value per share fell in the year to March 2009 from 15.54p to 14.57p – primarily due to the fall in value of one investment – Skinkers. Given the extraordinary financial sector crash and deep recession the UK economy has experienced, this modest fall in NAV is a reasonable result in the circumstances.

The Group closed the year with cash balances of £17.6m (2008: £17.2m), £14.4m of which is unrestricted, an investment portfolio valued at £37.3m (2008: £40.6m), and equity shareholders' funds of £58.9m (2008: £62.9m). The loss after tax amounted to £3.9m (2008: £9.5m loss). This loss includes losses from investments of £3.0m, a loss on the serviced office operations of £0.5m, a loss from the former subsidiaries Aspex and DX3 of £0.3m, a break-even performance from the investment management operations, non-cash amortisation charges of £1.3m offset by interest received of £1.0m and the release of an old liability of £0.2m.

Fund management income amounted to £3.2m in the year to March 2009 compared with £3.4m in the ten and a half months to 31 March 2008, reflecting a decline in value of the funds managed. In the year the SPARK team led the merger of SPARK VCT2 and SPARK VCT3 thereby considerably improving the efficiency of each VCT.

SPARK's serviced office arrangement with the Executive Offices Group continues to perform well with rental income remaining steady at £1.3m, the same as in 2008, despite a much tougher trading environment. At the time of writing the building is 100% occupied, a considerable achievement in the current climate.

Purchase of own shares

During the year SPARK did not buy back any of its own shares. SPARK continues to hold 39,245,220 shares in Treasury.

Dividends

The Directors have proposed a distribution of two pence per share to all shareholders on the register on 7 August 2009. This distribution is being made by the award of either B-shares or C-shares to shareholders with shareholders choosing how they would like to receive the funds with the B-shares being a capital repayment and the C shares receiving a dividend. The distribution was approved by shareholders passing the necessary resolutions at the Extraordinary General Meeting on 7 August 2009 and will be paid before 24 August 2009. There was no distribution in the previous financial year.

Future prospects

SPARK Ventures plc held an EGM on 7 August 2009 at which shareholders approved a change in strategy of the Company. SPARK will not make new investments from its own balance sheet but will concentrate on securing the best possible exits from the current portfolio over the next five years. As part of this strategy, SPARK will return £8.2m to shareholders before 24 August 2009 and will make further returns to shareholders as investments are sold.

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 15, 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 2009 was 6.44p. In the year the share price reached a maximum of 9.40p and a minimum of 4.01p. The closing share price on 31 March 2009 was 4.82p.

Going concern
The Directors consider the Group to be a going concern. See Note 1 for details.

Directors and their interests
The Directors serving during the year ended 31 March 2009 had the following interests in the share capital of the Company:

	Beneficial Holdings		Options[1]		Options[2]	
	2009 No.	2008 No.	2009 No.	2008 No.	2009 No.	2008 No.
T.A. Teichman [3]	14,729,138	14,729,138	840,000	840,000		–
M.K. Whitaker [4]	18,880,551	18,880,551	840,000	840,000		–
C.R. Berry	287,968	287,968	–	–		–
A.D.N. Betton	334,000	334,000	–	–	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	1,329,194	–	–	5,681,818	5,681,818
D.R.W. Potter	480,000	480,000	–	–	–	–

(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. T A Teichman, M K Whitaker and A B Carruthers exercised all their options under this scheme on 21 July 2009.
(2) Options were granted in the year ended 31 March 2006 under the 2005 Unapproved Executive Share Option Scheme adopted by the Company at the 2005 Annual General Meeting on 15 September 2005. These options vest in five equal annual instalments subject to the meeting of the performance target for the year in question. These options expire on 29 September 2015 and have an exercise price of 11p, which was the market price of SPARK shares on 30 September 2005 – the date when these awards were made.
(3) T.A. Teichman is interested in 14,729,138 ordinary shares held by Grangeleigh Limited on behalf of the trustees of The Montana Trust of which he is a beneficiary.
(4) The Michael Whitaker Life Interest Settlement, in which M.K. Whitaker is beneficially interested, owns 13,133,320 ordinary shares and Sun Life Pension Management a/c 380, in which M.K. Whitaker is beneficially interested, owns 5,747,231 ordinary shares.
(5) These ordinary shares are held by the trustees of the Carruthers Retirement Annuity Trust of which A.B. Carruthers is a beneficiary.

Suppliers
The Company agrees payment terms and conditions with individual suppliers which vary according to the commercial relationship and the terms of the agreements reached. It is the policy of the Group and Company that, whenever possible, payments to suppliers are made in accordance with the terms agreed. The average time taken by the Company to pay purchase invoices is 41 days (2008: 33 days).

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

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

Provision of information to auditors
Each of the persons who is a Director at the date of approval of this report confirms that:

(1) so far as the Director is aware, there is no relevant audit information of which the Company’s auditors are unaware; and
(2) the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company’s auditors are aware of that information.

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

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

A D N Betton
Company Secretary and Finance Director
21 August 2009

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;
- 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; and
- make an assessment of the Company's ability to continue as a going concern.

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 2009 which comprise the group income statement, the reconciliation of movements in equity, the group and company balance sheets, the group and company cash flow statement, the notes to the cash flow statement and the related Notes 1 to 20. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of Directors and auditors

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 and the Chief Executive Officer's Report. 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 2009 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 2009;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Deloitte LLP
Chartered Accountants and Registered Auditors
London
21 August 2009

Group Income Statement

for the year ended 31 March 2009

	Note Ref	Year ended 31 March 2009 £'000	Year ended 31 March 2008 £'000
Continuing operations			
Gains/(losses) on investments at fair value through profit or loss			
Realised gains and losses		**452**	172
Unrealised gains and losses	9	**(3,474)**	6,477
		(3,022)	6,649
Revenue			
Bank interest receivable		**953**	1,394
Management fee income		**3,197**	3,423
Portfolio dividends and interest		**151**	40
Other income		**2,640**	1,998
		6,941	6,855
Administrative expenses			
Salaries and other staff costs	4	**(3,144)**	(2,840)
Depreciation of property, plant and equipment	8	**(136)**	(141)
Amortisation and impairment of other intangible assets	11	**(1,256)**	(664)
Other costs		**(3,085)**	(4,004)
Total Administrative expenses		**(7,621)**	(7,649)
(Loss)/profit before taxation		**(3,702)**	5,855
Taxation	6	**73**	655
(Loss)/profit for the financial year from continuing operations		**(3,629)**	6,510
Loss for the period from discontinued operations	18	**(294)**	(15,970)
Loss for the financial year		**(3,923)**	(9,460)
Attributable to:			
– Equity shareholders		**(3,923)**	(9,460)
Basic earnings per ordinary share from continuing operations	7	**(0.90p)**	1.60p
Diluted earnings per ordinary share from continuing operations	7	**(0.90p)**	1.58p
Basic and diluted earnings per ordinary share from continuing and discontinued operations	7	**(0.97p)**	(2.32p)

There are no recognised gains and losses other than shown above and hence no statement of recognised income and expense is presented.

Reconciliation of Movements in Equity

	31 March 2009 £'000	31 March 2008 £'000
Opening total equity	**62,854**	72,437
Total recognised income and expenses	**(3,923)**	(9,460)
Share-based payments	**–**	227
Share buy-backs	**–**	(350)
Closing total equity	**58,931**	62,854

Group Balance Sheet

as at 31 March 2009

	Note Ref	31 March 2009 £'000	31 March 2008 £'000
Non-current assets			
Property, plant and equipment	8	**482**	596
Investments at fair value through profit and loss	9	**37,349**	40,580
Deferred consideration	9	**700**	–
Intangible assets	11	**3,330**	4,586
Restricted cash	12	**3,199**	2,869
		45,060	48,631
Current assets			
Deferred consideration	9	**–**	1,639
Inventory – finished goods		**–**	47
Trade and other receivables	12	**2,060**	2,040
Taxation		**–**	288
Cash and cash equivalents		**14,423**	14,281
		16,483	18,295
Total assets		**61,543**	66,926
Current liabilities			
Trade and other payables	13	**(2,112)**	(3,072)
Deferred consideration		**(500)**	(500)
Total liabilities		**(2,612)**	(3,572)
Net current assets		**13,871**	14,723
Non-current liabilities			
Deferred consideration		**–**	(500)
		–	(500)
Net assets		**58,931**	62,854
Equity			
Issued capital	16	**11,250**	11,250
Share premium	17	**26,486**	39,693
Revenue reserve	17	**20,802**	11,518
Capital Redemption Reserve	17	**568**	568
Own shares		**(175)**	(175)
Total equity		**58,931**	62,854
Net asset value per share		**14.57p**	15.54p

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

These financial statements were approved and authorised for issue by the Board of Directors on 21 August 2009.
Signed on behalf of the Board of Directors.

A D N Betton
Finance Director

Company Balance Sheet

as at 31 March 2009

	Note Ref	31 March 2009 £'000	31 March 2008 £'000
Non-current assets			
Investments at fair value through profit and loss	9	**20,172**	21,499
Investments in subsidiary undertakings	10	**112,818**	114,566
Restricted cash	12	**3,199**	2,869
		136,189	138,934
Current assets			
Deferred consideration	9	**–**	1,639
Trade and other receivables	12	**4,057**	5,875
Cash and cash equivalents		**13,428**	12,388
		17,485	19,902
Total assets		**153,674**	158,836
Current liabilities			
Trade and other payables	13	**(111,799)**	(110,707)
Total liabilities		**(111,799)**	(110,707)
Net current liabilities		**(94,314)**	(90,805)
Net assets		**41,875**	48,129
Equity			
Issued capital	16	**11,250**	11,250
Share premium	17	**26,486**	39,693
Revenue reserve	17	**3,746**	(3,207)
Capital Redemption Reserve	17	**568**	568
Own shares		**(175)**	(175)
Total equity		**41,875**	48,129

These financial statements were approved and authorised for issue by the Board of Directors on 21 August 2009.
Signed on behalf of the Board of Directors.

A D N Betton
Finance Director

Group and Company Cash Flow Statement

for the year ended 31 March 2009

	Group Year ended 31 March 2009 £'000	Group Year ended 31 March 2008 £'000	Company Year ended 31 March 2009 £'000	Company Year ended 31 March 2008 £'000
Cash flows from operating activities				
Cash flow from operations	**(693)**	(6,832)	**1,533**	(4,255)
Tax (paid)/received	**(13)**	135	**–**	(21)
Net cash (outflow)/inflow from operating activities	**(706)**	(6,697)	**1,533**	(4,276)
Cash flows from investing activities				
Purchase of property, plant and equipment	**(66)**	(141)	**–**	–
Acquisition of subsidiary	**–**	(2,994)	**–**	(4,598)
Purchase of financial investments	**(2,532)**	(9,660)	**(2,500)**	(9,445)
Investment in subsidiary undertakings	**–**	–	**–**	(2,360)
Sale of financial investments	**3,446**	2,277	**2,007**	2,277
Net cash inflow/(outflow) from investing activities	**848**	(10,518)	**(493)**	(14,126)
Cash flows from financing activities				
Issue/Purchase of own shares	**–**	(350)	**–**	(350)
Net cash outflow from financing activities	**–**	(350)	**–**	(350)
Change in cash and cash equivalents	**142**	(17,565)	**1,040**	(18,752)
Opening cash and cash equivalents	**14,281**	31,846	**12,388**	31,140
Closing cash and cash equivalents	**14,423**	14,281	**13,428**	12,388

Reconciliation of operating loss to net cash (outflow)/inflow from operations

	£'000	£'000	£'000	£'000
Interest received	**953**	1,394	**926**	1,358
Dividends received	**115**	40	**115**	40
Other revenue	**5,873**	5,421	**–**	509
Total revenue	**6,941**	6,855	**1,041**	1,907
Administrative expenses	**(7,621)**	(7,649)	**(1,732)**	(2,685)
Operating loss	**(680)**	(794)	**(691)**	(778)
Loss on discontinued operations	**(486)**	(15,970)	**–**	–
	(1,166)	(16,764)	**(691)**	(778)
(Increase)/decrease in trade and other receivables	**(20)**	1,692	**1,132**	809
Increase/(decrease) in trade and other payables	**(946)**	(6,064)	**1,092**	(4,513)
Decrease in inventory	**47**	43	**–**	–
Depreciation of property, plant and equipment	**136**	192	**–**	–
Amortisation and impairment of other intangible assets	**1,256**	13,842	**–**	–
Share based payment	**–**	227	**–**	227
Net cash (outflow)/inflow from operations	**(693)**	(6,832)	**1,533**	(4,255)

Notes to the Accounts
for the year ended 31 March 2009

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 2009 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. The accounting policies applied are consistent with the prior year.

Basis of preparation

The consolidated financial statements for the year ended 31 March 2009 has been prepared in accordance with International Financial Reporting Standards ('IFRS') approved by the International Accounting Standards Board ('IASB'), together with interpretations issued by the International Financial Reporting Interpretation Committee and 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 with those parts of the Companies Act 1985 applicable to companies reporting under IFRS.

The financial statements are prepared on a historical cost basis except for the revaluation of certain financial instruments stated at fair value.

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
IFRS 1 (Revised) 'First time adoption IFRS'	1 January 2009
Amendment to IFRS 2 'Share-based payment Vesting Conditions and Cancellations'	1 January 2009
IFRS 3 (Revised) 'Business Combinations'	Applicable to business combinations occurring on or after 1 April 2010
IFRS 8 'Operating Segments'	1 January 2009
IAS 1 (Revised) 'Presentation of Financial Statements'	1 January 2009
IAS 23 (Revised) 'Borrowing Costs'	1 January 2009
Amendment to IAS 27 'Consolidated and Separate Financial Instruments'	1 January 2009
Amendment to IAS 29 'Eligible hedge items'	1 January 2009
Amendment to IAS 32 'Financial Instruments: Presentation'	1 January 2009
IFRIC 9, 12, 13, 15, 16, 17 and 18	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.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Director's report and Chief Executives Officer's report. The key risks facing the business and management's policy and practices to manage these are further discussed in Note 15. In assessing the Group as a going concern, the Directors' have considered the forecasts which reflect the Directors proposed strategy for portfolio investments and the current uncertain economic outlook. The Group's forecasts and projections, taking into account reasonably possible changes in performance, show that the Group is able to operate within its available working capital.

After making enquiries, the Directors have a reasonable expectation that the Company and Group have sufficient funds to continue in operational existence for the foreseeable future after the return of capital to shareholders. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company made up to 31 March each year.

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.

Associates

As the Group is a venture capital organisation, it accounts for all associates at fair value through profit and loss as allowed under IAS 28: Investment in Associates.

Minority interests

All the subsidiaries consolidated in these accounts are 100% owned (Note 10). Aspex and DX3 which were 77% and 75% owned respectively were deconsolidated in the year.

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 and software	33%
Furniture, fixtures and fittings	20%

Financial instruments:
Trade debtors and creditors
Trade debtors and creditors are accounted for at transaction value when the asset or liability is incurred. The fair value equals the carrying amount as these are short-term in nature.

Deferred consideration
Deferred consideration represents the management's best estimate of amounts required to settle or to be received, discounted where time value of money is considered to be material.

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. This scheme will be cancelled if the Management Buy Out goes ahead as originally proposed in the Notice of EGM for the meeting that took place on 7 August 2009.

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.

1 Basis of preparation and significant accounting policies (continued)

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.

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 had been assumed that all options will vest. However the performance target has not been hit since 31 March 2007, therefore no charge to the income statement was taken in the year to 31 March 2009 (31 March 2008: £227,000). 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. As at 31 March 2009, 8,090,909 of these options had vested. If the MBO goes ahead as proposed in the Notice of EGM for 7 August 2009, no further options will vest. The exercise price of the options that have vested was reduced to 9p on 10 August 2009 as a result of the capital distribution by the Company to be made before 24 August 2009. All share based payments are equity settled.

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.

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 £6,254,000 (2008: loss of £11,404,000).

The Company has suffered a fall in value in the year on financial assets of £4.925m (2008: £11.295m).

3 Segmental Analysis

The Group's principal activities are investing (including fund management). The trading activities of the Group were through its subsidiaries, Aspex Technology Ltd and DX3 Technologies Ltd, which were deconsolidated during the year. Refer to Note 18 discontinued operations. The operations of the Group are based in the UK and hence no geographical analysis is presented. As a consequence of the whole trading division being discontinued during the year no separate segmental analysis is presented as the performance of the investing division is presented on the face of the income statement and the performance of the trading division is shown in Note 18.

4 Information regarding Directors and employees

	31 March 2009 £'000	31 March 2008 £'000
Director's remuneration		
Fees	**125**	125
Basic salaries	**513**	446
Carried interest bonuses	**–**	–
Share-based payments	**–**	192
Other emoluments	**(45)**	(17)
	593	746
Total attributable to highest paid Director	**147**	212
Staff costs (including Directors)		
Wages and salaries	**1,990**	1,955
SPARK VCT performance incentive fee paid as bonus	**767**	–
Social security costs	**251**	210
Share-based payment	**–**	228
Pension costs	**183**	223
Other personnel costs	**(47)**	224
	3,144	2,840

Average number of persons employed (including Directors)	Year ended 31 March 2009 No.	Year ended 31 March 2008 No.
Investment and related administration	**21**	23
	21	23

Pension costs represent contributions by the Group to employees' personal pension arrangements. Four directors (2008: four) benefit from the Company's pension contributions to their own money purchase pension arrangements and the highest paid director benefitted to the extent of £0.024m during the year. The total pension contributions shown above attributable to directors is £0.073m (2008, £0.068m).

Notes to the Accounts (continued)

for the year ended 31 March 2009

5 Loss for the year

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

	31 March 2009 £'000	31 March 2008 £'000
Depreciation of property, plant and equipment – owned assets	**136**	141
Amortisation and impairment of intangible assets	**1,256**	664
Impairment of goodwill	**–**	13,178
Operating lease rentals		
Land and buildings	**703**	748
Auditors remuneration		
Fees payable for the audit of the company's annual accounts	**68**	63
Fees payable to the company's auditor and its associates for other services:		
The audit of the company's subsidiaries, pursuant to legislation	**30**	23
Other services relating to taxation	**21**	61

6 Tax credit on losses on ordinary activities

	31 March 2009 £'000	31 March 2008 £'000
UK corporation tax		
Corporation tax liability at 28%	**–**	(17)
Total current tax	**–**	(17)
Deferred tax	**73**	672
Tax credit on profit/(loss) on ordinary activities	**73**	655

The tax assessed for the year is different than that resulting from applying the standard rate of corporation tax in the UK: 28% (2008: 30%). The differences are explained below:

	31 March 2009 £'000	31 March 2008 £'000
Current tax reconciliation		
Loss before taxation	**(3,702)**	5,855
Current tax credit at 28% (2008: 30%)	**1,037**	(1,639)
Effects of:		
Permanent differences, including goodwill impairments	**(269)**	(519)
Capital allowances in excess of depreciation	**49**	(42)
Movement in short-term timing differences	**30**	39
Accounting profits/(losses) on disposals	**72**	52
Untaxed investment revaluations	**(931)**	2,141
Utilisation of tax losses	**36**	42
Unutilised losses carried forward	**(24)**	(91)
Offset of deferred tax assets previously unrecognised	**73**	672
Tax credit for the year	**73**	655

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 £44.8m (2008: £45.1m).

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 2009 £'000	31 March 2008 £'000
Earnings		
Net loss for the year	**(3,923)**	(9,460)
Loss for the year from discontinued operations	**(294)**	(15,970)
(Loss)/Earnings from continuing operations	**(3,629)**	6,510
Number of shares		
Weighted average number of ordinary shares in issue for basic EPS	**404,482**	406,938
Effect of dilutive options in issue	**–**	6,057
Weighted average number of ordinary shares in issue for dilutive EPS	**404,482**	412,995
Earnings per share		
Basic EPS from continuing operations	**(0.90)**	1.60
Basic EPS from discontinued operations	**(0.07)**	(3.92)
Basic EPS from continuing and discontinued operations	**(0.97)**	(2.32)
Diluted EPS from continuing operations	**(0.90)**	1.58
Diluted EPS from discontinued operations	**(0.07)**	(3.92)
Diluted EPS from continuing and discontinued operations	**(0.97)**	(2.32)

8 Property, plant and equipment

Group

	Leasehold improvements £'000	Furniture, and fixtures equipment £'000	Office equipment and software £'000	Total £'000
Cost:				
Balance at 1 April 2008	1,219	998	167	2,384
Acquisitions	34	30	9	73
Disposal of subsidiary	–	(411)	(42)	(453)
Balance at 31 March 2009	1,253	617	134	2,004
Depreciation:				
Balance at 1 April 2008	729	943	116	1,788
Depreciation charge for the year	104	22	10	136
Disposal of subsidiary	–	(363)	(39)	(402)
Balance at 31 March 2009	833	602	87	1,522
Carrying amount at 31 March 2009	420	15	47	482
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	930	110	1,647
Depreciation charge for the year	122	13	6	141
Balance at 31 March 2008	729	943	116	1,788
Carrying amount at 31 March 2008	490	55	51	596

9 Investments at fair value through profit and loss

Group

Portfolio Company Name	Note ref	Country of incorp.	% equity 31 March 2009	Value at 31 March 2008 £'000	Year ended 31 March 2009 Additions £'000	Disposals £'000	Revaluations £'000	Value at 31 March 2009 £'000
IMImobile	(3)	India	38%	12,653	463	–	(116)	13,000
Kobalt Music	(4)	UK	23%	6,640	–	–	–	6,640
Unanimis	(3)	UK	12%	2,102	25	–	1,000	3,127
Skinkers	(2)	UK	42%	5,186	937	–	(4,123)	2,000
DEM Solutions	(5)	UK	24%	1,723	–	–	–	1,723
Notonthehighst	(4)	UK	31%	643	75	–	872	1,590
Complinet	(4)	UK	3%	1,900	–	(380)	–	1,520
Mydeco	(3)	UK	11%	1,855	–	–	(355)	1,500
Aspex	(3)	UK	49%	–	1,000	–	–	1,000
OpenX	(4)	UK	4%	1,000	–	–	–	1,000
Gambling Compliance	(4)	UK	28%	300	275	–	384	959
Firebox	(2)	UK	29%	1,430	–	–	(700)	730
Mind Candy	(4)	UK	5%	580	26	–	–	606
Mblox	(4)	USA	1%	500	–	–	–	500
Freesourcing	(2)	Sweden	8%	350	–	–	–	350
Market Clusters	(4)	UK	11%	650	100	–	(400)	350
				37,512	2,901	(380)	(3,438)	36,595
Other investments (no single investment value greater than £300,000)	(1)			864	82	(156)	(36)	754
Investments sold during the year								
IMI Engineering				2,204	–	(2,204)	–	–
Total investments at fair value through profit and loss				40,580	2,983	(2,740)	(3,474)	37,349

(1) Other investments include Crocus, Isango!, Academia, and a share in Quester Venture Partnership.
(2) Firebox, Freesourcing, MBlox and Skinkers have been valued according to a directors' valuation based on appropriate earnings/sales multiples applied to the most recent results.
(3) IMImobile, Unanimis, Mydeco and Aspex have been valued on the basis of industry valuation benchmarks.
(4) Gambling Compliance, OpenX, Complinet, Kobalt Music, Market Clusters, Mind Candy and Notonthehighst have been valued on the basis of recent third party funding events.
(5) DEM Solutions has been valued at cost with this cost being deemed to be its fair value.

None of the investments shown above are listed.

Company

	31 March 2009 £'000	31 March 2008 £'000
Balance at 1 April	**21,499**	9,785
Acquisitions	**2,500**	9,445
Unrealised and realised valuations	**(3,357)**	3,622
Disposals	**(470)**	(1,353)
Balance at 31 March	**20,172**	21,499

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 2009 £'000	31 March 2008 £'000
Deferred consideration – non-current assets		
IMI Engineering (group only)	**700**	–
	700	–
Deferred consideration – current assets		
Mergermarket	**–**	1,248
Touchclarity	**–**	391
	–	1,639

10 Investments in Subsidiary undertakings

Company

	2009 £'000	2008 £'000
Cost:		
Balance at 1 April	**159,249**	152,291
Additions	**–**	6,958
Disposal	**(33,852)**	–
Balance at 31 March	**125,397**	159,249
Impairment:		
Balance at 1 April	**44,683**	29,594
Impairment losses	**1,298**	15,089
Disposal	**(33,402)**	–
Balance at 31 March	**12,579**	44,683
Net book value at 31 March	**112,818**	114,566

The disposal in the period relates to the deconsolidation of Aspex and DX3 as referred to in Note 19.

The Company's principal subsidiary undertakings are included in the consolidation at 31 March 2009, 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%
Querist Ltd	UK	Holding Company	Ordinary	100%
SPARK Venture Management Ltd	UK	Venture Capital Fund Management	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 and Preference	100%
Quester Venture GP Ltd	UK	General partner of limited partnership	A Ordinary and Preference	100%
Quester Venture Participations Ltd	UK	Investment	Ordinary	100%

Notes to the Accounts (continued)

for the year ended 31 March 2009

11 Intangible assets

	Fund management contracts £'000	Goodwill: Fair value £'000	Total £'000
Cost			
At 31 March 2008 and 31 March 2009	5,250	36,391	41,641
Cumulative Amounts charged			
At 31 March 2008	664	36,391	37,055
Charge for the year	756		756
Impairment	500		500
At 31 March 2009	1,920	36,391	38,311
Net book value at 31 March 2009	3,330	–	3,330
Net book value at 31 March 2008	4,586	–	4,586

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 had been included on the consolidated balance sheet as an intangible asset in the prior year. 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. During the year the value of the management contracts was reviewed. As the net assets of the funds under management have declined, the intangible asset has been impaired by £500k to reflect lower expected streams of income from these contracts.

The goodwill arising from the consolidation of Aspex and DX3 was valued at zero in the year ended 31 March 2008.

12 Trade and other receivables

	Group 31 March 2009 £'000	Group 31 March 2008 £'000	Company 31 March 2009 £'000	Company 31 March 2008 £'000
Trade debtors	**995**	1,018	**21**	88
Amounts owed by subsidiary undertakings	**–**	–	**3,204**	4,964
Social security and other taxes	**64**	15	**8**	–
Deferred taxation	**–**	4	**624**	689
Other debtors	**113**	330	**14**	–
Prepayments and accrued income	**888**	673	**186**	134
	2,060	2,040	**4,057**	5,875
Restricted cash	**3,199**	2,869	**3,199**	2,869

The restricted cash represents £2.786m (2008: £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. £0.500m of this restricted cash will be released to free cash after the payment of a creditor in May 2009.

13 Trade and other payables

	Group 31 March 2009 £'000	Group 31 March 2008 £'000	Company 31 March 2009 £'000	Company 31 March 2008 £'000
Trade creditors	**529**	684	**194**	191
Amounts owed to group subsidiary undertakings	**–**	–	**111,070**	109,897
Social security and other taxes	**95**	116	**71**	53
Other creditors	**731**	1055	**347**	198
Accruals and deferred income	**757**	1217	**117**	368
	2,112	3,072	**111,799**	110,707

14 Operating leases

At 31 March 2009 the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	31 March 2009 £'000	31 March 2008 £'000
Non-cancellable operating lease rentals are payables as follows:		
Land and buildings:		
Less than one year	**–**	–
Between one and five years	**–**	30
More than five years	**703**	703
	703	733

The Group leases one property under an operating lease that expires on 30 June 2014 with no option to renew the lease or early termination option. The total minimum lease payments over the next five and a quarter years is expected to be approximately £3.7m. The lease payments are subject to review in 2009. The lease payments do not include contingent rentals.

15 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 debtors and creditors that arise directly from its operations. £37m of the Group's net assets were invested in venture capital investments and £14m in liquid balances (31 March 2008: £41m in investments and £14m 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 2009 £'000	31 March 2008 £'000
IMImobile	**13,000**	12,563
IMI Engineering	**700**	2,204
	13,700	14,767

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 2009, the Group held interests in over 20 companies (31 March 2008: 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.

15 Financial instruments and financial risk management (continued)

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.

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 2009 is £58.9m (31 March 2008: £62.8m) 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.

16 Called up share capital

	Group 31 March 2009 £'000	Group 31 March 2008 £'000	Company 31 March 2009 £'000	Company 31 March 2008 £'000
Authorised:				
950,000,000 (2008: 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 (2008: 450,000,000) ordinary shares of 2.5p	**11,250**	11,250	**11,250**	11,250

During the year there were no cancellations of Treasury shares (2008: 22,735,729 Treasury shares cancelled).

Under the Group's 2001 Unapproved Share Option Scheme, 15,841,000 options had been granted to employees, with an exercise price of 2.5p, 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 2009 no options were exercised (2008: 750,000). After the year end, 5,355,608 of these options were exercised.

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 2009. Following the completion of the audit for the year ended 31 March 2009, 40% of these options will have vested with the remainder expected to be cancelled if the resolutions proposed at the EGM for 7 August 2009 are passed when the meeting reconvenes after its adjournment. The repayment to shareholders of 2p per share in August 2009 will reduce the exercise price of these options to 9.0p per share.

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 2009 was 6.44p. In the year the share price reached a maximum of 9.40p and a minimum of 4.01p. The closing share price on 31 March 2009 was 4.82p.

As at 30 June 2009, 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%
RWC Partners (formerly MPC)	36,265,877	8.83%
Vine Street Capital	34,486,019	8.40%
River & Mercantile Asset Management	20,856,568	5.08%
Ennismore Fund Management	19,765,000	4.81%
New Star Asset Management	16,312,500	3.97%
Ingot Capital Management	15,250,000	3.71%
Majedie Asset Management	12,572,300	3.06%

The percentage holdings shown above are based on the total number of issued shares, less those shares held in Treasury at 30 June 2009 (39,245,220). The number of shares held in Treasury at 31 March 2009 and 31 March 2008 was the same as at 30 June 2009.

17 Reserves

	Share premium £'000	Capital Redemption Reserve £'000	Retained earnings £'000
Group			
Balance at 1 April 2008	39,693	568	11,518
Loss for the financial year	–	–	(3,923)
Reduction of share premium	(13,207)	–	13,207
Balance at 31 March 2009	26,486	568	20,802
Company			
Balance at 1 April 2008	39,693	568	(3,207)
Loss for the financial year	–	–	(6,254)
Reduction of share premium	(13,207)	–	13,207
Balance at 31 March 2009	26,486	568	3,746

18 Discontinued operations – Group

In September 2008, SPARK sold DX3 to IMImobile. In December 2008, the shareholding in Aspex was reconstructed, leaving SPARK with less than 50% shareholding. Both have been accounted for under IFRS 5 'Non-current assets held for sale and discontinued operations'.

The results of the discontinued operations, which constituted the trading division of the Group, included in the consolidated income statement, were as follows:

	Year ended 31 March 2009 £'000	Year ended 31 March 2008 £'000
Revenue	**1,492**	1,172
Expenses	**(2,101)**	(4,231)
Impairment of goodwill	**–**	(13,178)
Loss before taxation	**(609)**	(16,237)
Taxation	**123**	267
Loss for the period	**(486)**	(15,970)
Gain on disposal of discontinued operation	**192**	–
Net loss attributable to discontinued operation	**(294)**	(15,970)
Depreciation and amortisation	**(25)**	(52)
Research and development costs	**(854)**	(1,197)
Balance Sheet		
Segment assets	**–**	815
Segment liabilities	**–**	560
Cashflows:		
Operating	**(197)**	(2,577)
Investing	**(7)**	(25)
Financing	**–**	–

19 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 salary related transactions between the Group and its directors are given in Note 4. Details of related party transactions between the Company and its subsidiaries and of non-salary related transactions involving directors are detailed below:

In the year to 31 March 2009, SPARK invested £1.0m into Aspex Semiconductor Limited. As part of this funding, the holding in Aspex fell below 50% and Aspex was deconsolidated.

The related parties of SPARK Ventures plc are its directors, persons connected with its directors and its subsidiary undertakings as listed in Note 10.

Remuneration policy of the Company is to allow investment by company directors and investment managers in companies in which SPARK holds investments subject to guidelines and approval by the remuneration committee.

During the year to 31 March 2009, SPARK sold its stake in DX3 Limited (a former consolidated subsidiary) to IMImobile for £450,000. Jay Patel represents SPARK on the Board of IMImobile and is a director and shareholder in that company holding 4.3% of its issued share capital along with persons connected to Jay.

In April 2008, SPARK sold its stake in IMIsoft Engineering Ltd to Ramboll – a Danish engineering group for approximately £2.2m. Jay Patel was also a shareholder and will receive, along with persons connected to Jay, approximately £0.2m on the same terms as SPARK.

As an alternative to cash directors' fees, Kobalt Music Group Ltd granted Thomas Teichman 6,666 options @ £2.30 per Kobalt share, 5,000 options @ £3.00 per Kobalt share and 5,000 options @ £3.25 per Kobalt share. In total these options amount to 0.34% of the issued share capital of Kobalt.

Thomas Teichman also represents SPARK on the Board of Mind Candy and is a shareholder holding approximately 1% of the ordinary share capital. During the year to 31 March 2009, Mind Candy raised £26,000 from SPARK as part of a funding round led by independent third party investors.

There are no other related party transactions of which we are aware in the year ended March 2009.

20 Subsequent events

On 20 July 2009 SPARK issued a Notice of Extraordinary General Meeting (EGM) to all shareholders for a meeting to take place on 7 August 2009.

The meeting agenda had five resolutions to be considered as follows.

(1) Payment of £8.2m to shareholders via either electing for capital (B shares) or income (C shares).
(2) Change in the Company's investment policy to prohibit the making of new investments and to sell all existing investments within five years.
(3) A proposal to sell the fund management division of the Group to the current executive Directors (the MBO).
(4) A proposal to create a new class of shares (D shares) to incentivise management under the new investment policy.
(5) A proposal to change the Company's Articles of Association to implement the creation of the B and C shares and of the D shares.

If Resolution 1 was passed but not Resolution 5 then the articles would be changed to give effect to the B and C shares but not the D shares. Resolutions 3 and 4 were conditional on the passing of Resolution 5.

In the event, Resolutions 1 and 2 were passed with 99% of the votes received being in favour. The meeting was adjourned prior to considering Resolutions 3, 4 and 5 to allow the more Board more time to consult with shareholders who had raised some concerns on the proposals. At the time of writing, it is not known how long this adjournment will be.

Following the conclusion of the General Meeting, a representative of Chamonix Private Equity confirmed to those present that he had written within the last 24 hours to the Company expressing an interest in acquiring some or all of the SPARK portfolio and the Querist management contracts. It is understood that such proposed acquisition could be structured as either a purchase of the Company's assets or as an offer for shares of the Company.

The independent non-executive Directors of the Company intend to commence discussions with this third party in relation to such expression of interest. However, the independent non-executive Directors wish to stress that the approach is at a very early stage, no specific terms have been provided, including as to consideration, so there can be no certainty that an offer will be made for the Company or that any transaction might be entered into.

It is expected that a total payment of £8.2m will be made to the B & C shares created at the EGM on or before 24 August 2009.

The proposed MBO to the executive management team would have constituted a related party transaction under the AIM rules. Further details of this proposal can be obtained in the notice of EGM for 7 August 2009 which was posted to all shareholders on 20 July 2009 and made available on the Company's website from that date.

Notes

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