Half Year Report 2011

SPARK Ventures

dem-solutions.com

firebox.com

kobaltmusic.com

notonthehighstreet.com

moshimonsters.com

imimobile.com

SPARK Ventures plc (SPARK) is an AIM listed early stage venture capital company, established in 1999 and has a portfolio of investments in fast-growing technology companies.

SPARK is managed by a company owned by its former executive management team, SPARK Venture Management Limited ('SVML'). SPARK has no full-time employees but has a Board of six directors, being four independent non-executive directors and two representatives of its manager.

The SVML team is very experienced, has been investing in early-stage businesses for 13 years and has a wealth of expertise in backing and developing companies from start-up through to eventual trade sale or IPO. SVML is wholly-owned by SPARK Venture Management Holdings Limited (SVMH), in which SPARK retains a 30% stake.

Highlights

- Net gains on fair value of investments of £1.2m
- Profit for the period of £0.2m
- £4.1m distributed to shareholders (1.0p per share) during the period
- Cash balance at period end of £4.4m (31 March 2011: £4.7m)
- NAV per share is 13.5p when adjusted for the shareholder return of 1.0p
- Strong revenue performance from several portfolio companies
- Significant commercial progress made by Aspex resulting in an increase in SPARK's valuation
- IMI reduced in value due to deterioration in market backdrop
- Positive valuation uplifts recorded for Kobalt & Aspex

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Chairman's Report

Dear Shareholder,

The last six months have seen another period of extraordinary turbulence in world markets and in the Eurozone in particular. This has produced unusually high levels of volatility in most asset classes.

Apart from one precautionary write-down (which is described more fully below) and a change in method basis behind the Kobalt valuation, all our other investments have been valued on the same basis as at the year end. Overall there has been a 1p per share decline in Net Asset Value per share (NAV) in a period during which there was a return of capital of the same amount.

Whilst this apparently flat performance could be seen as a good result in turbulent markets, it actually masks some considerable progress by many of our best companies as described more fully in the Investment Manager's Report – in particular in Kobalt, Mind Candy, Aspex and Notonthehighstreet.com.

Against this very positive trend we have trimmed the value of IMI in the light of some weakness in Indian telecoms shares, but we note the good progress in integrating the WIN purchase and some important new client acquisitions.

At the half-way stage in our five year realisation programme we are well on track and, despite the gloomy economic environment, our major investments seem quite well positioned to continue to perform well.

I would like to thank all the staff at our Manager, SPARK Venture Management Limited, whose business in which we have a 30% stake is also performing well.

Yours faithfully

David Potter
Chairman
12 December 2011

Investment Manager's Report

Introduction

We are pleased to report that the Group has made a profit for the period on continuing operations of £0.2m compared with £1.4m in the previous year. This profit is due to net investment valuation gains of £1.17m less the Group's operating loss of £0.93m. Net Asset Value (NAV) per share would have remained the same when the opening NAV is adjusted for the 1p per share (£4.1m) shareholder return approved at the AGM on 28 September 2011 but, after this payment, has fallen in the period from 14.5p to 13.5p. Compared with the NAV following completion of the externalisation of the investment management team in October 2009 (11.63p), the total shareholder return (NAV plus dividends/capital returns) stands at 15.54p – an increase of 33.8%.

Portfolio Valuation Performance

In the half year to 30 September 2011 the Group has made net unrealised gains of £1.4m. This can be analysed further into significant unrealised investment gains totalling £6.7m from four companies (Kobalt £3.8m, Aspex £2.0m, MyDeco £0.6m and Academia £0.3m) being greater than reductions in value recorded from three others totalling £5.3m (IMI £4.4m, Firebox £0.7m, and Notonthehighstreet £0.2m). Disposals in the period were of half of the Group's stake in Mind Candy in June 2011 for £3.1m and of Skinkers to IMImobile for no upfront consideration. Of the 16 portfolio companies existing at 31 March 2011, five have been valued upwards, four have been valued downwards, one was sold (Skinkers) with the rest unchanged except for changes in SPARK's valuation arising from additions or disposals. Only Skinkers received further funding (£20k) whilst IMImobile repaid debt of £0.8m, leaving only £0.6m of the £2.5m loan advanced by SPARK outstanding at the balance sheet date. Since the balance sheet date, the entire £0.6m owed by IMI has been repaid.

Progress made in the eleven portfolio companies valued at more than £0.5m follows:

IMImobile

IMImobile ('IMI') provides the core technology infrastructure for value-added mobile data, voice and video services to mobile operators, media companies and enterprises. IMI's DaVinci Platform™ powers a wide range of services created, delivered and managed by the group which generate revenues for its clients and reduce operational costs by using mobile communications.

SPARK's total valuation of its stake in IMI has reduced in the six months by £5.2m from £22.9m to £17.7m. £0.8m of this reduction is due to the scheduled loan repayments and £1.4m is due to the strengthening of sterling against the Indian Rupee. The balance of the reduction is due to the cautious stance we have taken to reduce the PE multiple applied to IMI's forecast earnings by 25%, from 20 to 15 as a result of the reductions in the PE multiples of the publicly listed comparators of IMI and the general fall in world markets. IMI's full year earnings to March 2012 are forecast to be significantly improved compared to the year to March 2011; however, in the light of new regulatory issues in the Indian market, we have applied a discount to the forecasts to factor in execution risk in a difficult regulatory and trading environment. We expect the impact of the regulatory issues to be clearer in the next six months.

Since the acquisition of WIN plc over twelve months ago, the group is well diversified and has significant growth prospects in Europe and Africa.

Kobalt Music

Kobalt is the world's leading independent music publisher offering global copyright administration to music writers, publishers and other rights holders. It uses internally developed unique technology built in-house since 2001 which significantly boosts royalty collection timing and amounts. It is headquartered in London but now has a substantial US presence with offices in New York, LA and Nashville and employs almost 100 people worldwide. It also has successful offices in Stockholm, Berlin and Sydney.

Investment Manager's Report continued

Since the 2008 funding round (at which the previous valuation per share was established) Kobalt's revenues have grown from £13m in the year ended 30 June 2007 to £58m in the year to 30 June 2011. Kobalt have recently commenced fund raising and, if successful, the resulting valuation of SPARK's stake is likely to be significantly uplifted. However, it is too soon to imply any valuation increase from this process into the current valuation of Kobalt. Consequently, for the first time, we have valued Kobalt according to a music publishing standard metric.

In the last six months, Kobalt has successfully launched a new music rights fund which will feed significant new business to them. In the core business, client renewals remain very high at 98% and revenues have continued to grow. In the most recently released music publishers market share statistics (Q3 2011) published by Billboard, Kobalt had a 15.5% share of the US airplay chart and was second overall, ahead of all the major publishers (Universal, Warner and Sony) with the exception of EMI.

Notonthehighstreet.com

Notonthehighstreet.com is an internet marketplace for over 2,000 specialised UK based businesses selling a wide variety of unique products. Unlike most online retailers, Notonthehighstreet.com holds no stock. Notonthehighstreet.com is based in London and employs nearly 100 people.

The funding round, which concluded in June 2010, remains the basis behind SPARK's valuation of the business. Whilst the company's performance in the calendar year 2010 was strong enough to avoid possible dilution under the terms of that funding round, some additional dilution may be effected for the calendar year 2011. Accordingly we have slightly reduced SPARK's valuation of its stake in the business from £4.7m to £4.5m.

Despite this, the company has continued to report impressive growth. Total transaction value for the nine months to September 2011 was up by 96% on the same period last year, and total commissions were 98% up over the same period. As with most retailers the final three months of the year will be crucial to the success of the year as a whole.

Mind Candy

Mind Candy, through its Moshimonsters product range, has become one of the world's leading developers of social multi-player childrens' games, helping children around the world to play skill enhancing games and connect with each other safely via its unique childrens' social network. Mind Candy is headquartered in London and has around 140 staff including freelancers.

We have held the valuation of Mind Candy at the price received when we sold half of SPARK's stake in June 2011 to a third party.

Moshimonsters (the main product of Mind Candy) has continued its phenomenal growth in the last six months, in particular in new business lines rather than in the traditional subscription business. It continues to have over 50m registered monsters worldwide, has successfully launched the sale of physical monsters and has launched the Moshimonsters' magazine. It has also recently launched a Nintendo DS game which, at the time of writing, is the most popular DS game in the UK. Its magazine is the top selling childrens' magazine in the UK and Australia and it has signed well over 100 licensing deals in 2011 so far. The business is significantly profitable and cash flow positive. It has several new geographical markets and several new products in its sights.

OpenX

OpenX is a business based on an open source ad-serving platform. It is headquartered in California and employs over 125 staff. The investment in OpenX was originally acquired when the business was spun out of Unanimis in late 2007.

The valuation of £2.5m for SPARK's stake has been maintained over the last six months, and is based on a recently concluded $20m funding round from SAP Ventures and other investors.

The company's strong financial performance has continued with trailing 12 month revenues roughly two and a half times that of the equivalent period twelve months ago. This growth is expected to accelerate as some recently signed large clients come online.

Firebox.com

Firebox is a retail website selling the latest gadgets, toys and games. Firebox is based in London and employs around 60 staff.

We have reduced the valuation of SPARK's stake in Firebox from £1.8m at 31 March 2011 to £1.1m now on the basis that we expect earnings will come in below that reported for the previous year following current underperformance compared with budget and with the prior year. The next two months will be crucial. The Firebox valuation methodology also includes a valuable stake in Mind Candy which is included in the valuation for the business.

DEM Solutions

DEM is a leading provider of particle simulation software (using discrete element modelling) for simulating and analysing industrial processes. DEM is based in Scotland and employs 18 staff.

The valuation continues to be held at cost but this level is supported by a relatively low business valuation given SPARK's preferred position in the capital structure. Revenues continue to grow and the business is consistently profitable. This was recently recognised by being included In the Deloitte Technology Fast 50 as one of the Top 10 Fastest-Growing UK Software Companies.

Gambling Compliance

Gambling Compliance provides critical regulatory, legal and market analysis to the gaming industry. It is based in London and employs 30 staff.

We have held the valuation of SPARK's share in the business at £1.4m. The business is valued on a sales multiple and sales for the year to March 2011 were approximately 20% ahead of the previous year, and are now running at an annualised run rate in excess of £2m.

Aspex

Aspex is a UK based fabless semiconductor company and employs 30 staff.

The company has been under contract with a major global infrastructure vendor since February 2009 to produce a custom chip. This contract covered all its operating costs for as long as milestones towards the successful delivery were met. In addition, the customer had an option to purchase Aspex. We are pleased to report that a working device has now been delivered, and, subject to final device acceptance, a success payment is due to be received shortly. Accordingly, we believe that it is more likely that the customer will exercise its option to buy the business. The customer has until the end of 2012 to exercise its option. Consequently, we have increased the valuation of Aspex from £1m to £3m.

SPARK's £3m valuation is at impaired cost and represents the level of the secured debt plus rolled up interest held in Aspex. An exercise of the option at the option price would lead to recovery of a multiple of the current value.

Investment Manager's Report continued

Academia

Academia is a social networking site for the academic research community. We have increased the valuation of SPARK's stake in Academia in the period from £0.7m to £0.9m to reflect the recent funding round in which $4.5m was raised from US based Spark Capital (not connected), the lead investors in Twitter.

MyDeco

MyDeco has successfully raised £2m from a new third party investor in the period. We have therefore increased its valuation to reflect this, but have not reflected the full value from the funding round as we recognise there remain considerable challenges ahead. Encouragingly, it is launching a new retail site, mydeco2, and it has signed trade white label deals for its unique 3D technology for home design. MyDeco has also recently agreed to raise fresh funds into its made.com investment at a much higher valuation than previously achieved. MyDeco has rights to just under 25% of the made.com business for services and support it has given it since its foundation two years ago.

Cash balances

Cash balances have fallen slightly in the period from £4.7m to £4.4m mainly as a result of operating costs, since the return to shareholders of £4.1m was covered by proceeds from the partial sale of Mind Candy (£3.1m), IMImobile debt repayments (£0.8m) and the receipt of deferred consideration of £0.3m (Unanimis).

At the time of the change in strategic direction approved by SPARK shareholders in August 2009, £6m of cash balances were retained by the Company specifically to support the existing portfolio as and when required. As at 30 September 2011, £3.3m of this £6m had been utilised with £1.9m of this amount repaid by IMI. It remains essential for the protection of shareholder interests that SPARK maintains sufficient cash reserves to support its portfolio to ensure that ultimate realisation proceeds are maximised.

Operations

Operating losses of £0.9m have decreased by £0.1m from that reported for the half year to 30 September 2010 (£1.0m) due to negotiating much lower professional fees on dealing with the shareholder return despite the Investment Management fee being higher than for the equivalent period last year. It should be remembered that one of the Company's largest costs is that of the Investment Management services provided by SPARK Venture Management Ltd. An increase in these costs is actually a reflection of success as the fee is based on a percentage of the investment portfolio's value. Occupancy rates in the serviced office have stayed high but rates increases, which are outside our control, have led to considerably higher property costs than in the same period for the previous year.

Conclusion

We believe that the results presented here demonstrate strong progress in the SPARK portfolio.

Shareholders have now received 4p per share (£16.4m) in cash since the change of strategy was implemented in August 2009 – and 13.5p of value remains on the balance sheet. Whilst the share price (7.5p at time of writing) remains at a substantial discount to the NAV, this total picture compares favourably with the share price in early July 2009 (approx. 7p) before the strategic change was implemented.

We remain focussed on achieving successful exits from companies in the portfolio and expect we will have many more such exits to report over the coming years to March 2014, although it is (and has always been) difficult to predict precisely when these realisations will be achievable. Whilst the general economic backdrop is not very helpful, the majority of the SPARK portfolio is not significantly exposed to the European consumer sector.

Spark Venture Management Limited
12 December 2011

Independent Review Report To SPARK Ventures plc

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2011 which comprises the Group Statement of Comprehensive Income, Group Statement of Financial Position, Group Statement of Changes in Equity, Group Statement of Cash Flows and related Notes 1 to 4. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with the terms of our engagement. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the AIM Rules of the London Stock Exchange.

As disclosed in Note 2, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared using accounting policies consistent with those to be applied in the next annual financial statements.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2011 is not prepared, in all material respects, in accordance with the AIM Rules of the London Stock Exchange.

PKF (UK) LLP
London, UK
12 December 2011

Group Statement of Comprehensive Income (condensed)

Six months to 30 September 2011

	Six months to 30 Sep 2011 £'000 Unaudited	Six months to 30 Sep 2010 £'000 Unaudited	Year to 31 March 2011 £'000 Audited
Continuing operations			
Gains and losses on investments at fair value through profit or loss			
Realised (losses)/gains	**(187)**	–	50
Unrealised gains	**1,356**	2,373	12,805
	1,169	2,373	12,855
Revenue			
Bank interest receivable	**85**	105	201
Fund management revenue	**557**	595	1,175
Portfolio dividends and interest	**27**	27	27
Other income	**725**	549	1,312
	1,394	1,276	2,715
Administrative expenses			
Salaries and other staff costs	**(86)**	(83)	(208)
Investment management fees	**(394)**	(352)	(725)
Fund management costs	**(418)**	(446)	(881)
Depreciation and amortisation	**(223)**	(224)	(450)
Property costs	**(991)**	(862)	(1,679)
Other costs	**(214)**	(316)	(631)
Total administrative expenses	**(2,326)**	(2,283)	(4,574)
Profit before taxation	**237**	1,366	10,996
Taxation	**–**	–	–
Profit and total comprehensive income for the financial period	**237**	1,366	10,996
Attributable to:			
– Equity shareholders' funds of the parent	**237**	1,366	10,996

Group Statement of Financial Position (condensed)

At 30 September 2011

	30 Sep 2011 £'000 Unaudited	30 Sep 2010 £'000 Unaudited	31 March 2011 £'000 Audited
Non-current assets			
Property, plant and equipment	**219**	306	262
Investments at fair value through profit and loss	**49,181**	42,509	51,875
Deferred consideration	**–**	1,133	–
Intangible assets	**180**	540	360
Restricted cash	**2,035**	2,035	2,035
	51,615	46,523	54,532
Current assets			
Trade and other receivables	**487**	911	773
Deferred consideration	**–**	–	351
Cash and cash equivalents	**4,412**	6,192	4,742
	4,899	7,103	5,866
Current liabilities			
Trade and other payables	**(1,037)**	(1,605)	(1,020)
Dividend declared on 2010 C shares	**–**	(2,273)	–
	(1,037)	(3,878)	(1,020)
Net current assets	**3,862**	3,225	4,846
Net assets	**55,477**	49,748	59,378
Equity attributable to the shareholders of the parent			
Issued capital – ordinary shares	**1,800**	2,025	2,025
Issued capital – B shares	**–**	92	–
Issued capital – C shares	**50**	4,730	–
Issued capital – D shares	**10**	10	10
Share premium	**9**	9	9
Revenue reserve	**43,815**	38,086	47,716
Capital redemption reserve	**9,968**	4,971	9,793
Own shares	**(175)**	(175)	(175)
Total Equity	**55,477**	49,748	59,378

Group Statement of Financial Position (condensed) continued

At 30 September 2011

Net assets per share

	30 Sep 2011 Number '000 Unaudited	30 Sep 2010 Number '000 Unaudited	31 March 2011 Number '000 Audited
Ordinary shares in issue	**450,000**	450,000	450,000
Shares held in Treasury	**(39,245)**	(39,245)	(39,245)
Shares held by Employee Benefit Trust	**(918)**	(918)	(918)
Shares in issue for net asset value per share calculation	**409,837**	409,837	409,837
NAV per share (pence)	**13.54**	12.14	14.49

Group Statement of Changes in Equity (condensed)

For the six months ending 30 September 2011

	D shares £'000	C Shares/ Deferred shares £'000	B shares £'000	Ordinary share capital £'000	Share Premium £'000	Revenue Reserve £'000	Capital Redemption reserve £'000	Own shares £'000	Total equity £'000
Balance at 1 April 2010	10	4,597	–	2,250	9	40,846	4,971	(175)	52,508
Profit and total comprehensive income for the financial period						1,366			1,366
New share split into 2010 B & C shares		133	92	(225)					–
Share buy-backs of 2010 B shares						(1,853)			(1,853)
Dividend proposed on 2010 C shares						(2,273)			(2,273)
Balance at 30 September 2010	10	4,730	92	2,025	9	38,086	4,971	(175)	49,748
Balance at 1 April 2010	10	4,597	–	2,250	9	40,846	4,971	(175)	52,508
Profit and total comprehensive income for the year						10,996			10,996
New share split into 2010 B & C shares		133	92	(225)					–
Share buy-backs of 2010 B shares			(92)			(1,853)	92		(1,853)
Dividend on 2010 C shares						(2,273)			(2,273)
Cancellation of deferred C shares		(4,730)					4,730		–
Balance at 31 March 2011	10	–	–	2,025	9	47,716	9,793	(175)	59,378
Profit and total comprehensive income for the financial period						237			237
New share split into 2011 B & C shares		50	175	(225)					–
Share buy-backs of 2011 B shares			(175)			(3,127)	175		(3,127)
Dividend on 2011 C Shares						(1,011)			(1,011)
Balance at 30 September 2011	10	50	–	1,800	9	43,815	9,968	(175)	55,477

Group Statement of Changes in Equity (condensed) continued

For the six months ending 30 September 2011

At the AGM on 22 September 2010 the Company received shareholder approval to split its share capital. For each existing ordinary share held of 0.5p each a shareholder received one new ordinary share of 0.45p together with 1 B share or 1 C share depending on what the shareholder chose to receive in an election. The new B shares were bought back by the Company for 1p per share, prior to the Balance Sheet date, and subsequently cancelled on 6 October 2010. The new C shares were paid a dividend of 1p per share on 1 October 2010 after which the shares were deferred and subsequently bought back for one penny for the whole class and cancelled on 6 October 2010.

At the AGM held on 28 September 2011, the Company again received shareholder approval to split its share capital. This time, for each existing ordinary share held of 0.45p each, a shareholder received one new ordinary share of 0.40p together with 1 B share or 1 C share depending on what the shareholder chose to receive in an election. The new B shares were bought back by the Company for 1p per share prior to the Balance Sheet date and subsequently cancelled on 7 October 2011. The new C shares were paid a dividend of 1p per share on 29 September 2011 after which the shares were deferred and subsequently bought back for one penny for the whole class and cancelled on 7 October 2011.

Group Statement of Cash Flows (condensed)
Six months to 30 September 2011

	Six months to 30 Sep 2011 £'000 Unaudited	Six months to 30 Sep 2010 £'000 Unaudited	Year to 31 March 2011 £'000 Audited
Cash flows from operating activities			
Cash flow from operations	**(406)**	(342)	(1,444)
Net cash outflow from operating activities	**(406)**	(342)	(1,444)
Cash flows from investing activities			
Purchase of financial investments	**(20)**	(2,585)	(2,691)
Sale of financial investments	**3,902**	4,247	5,471
Release of deferred consideration	**332**	–	807
Net cash inflow from investing activities	**4,214**	1,662	3,587
Cash flows from financing activities			
Dividends paid (C shares)	**(1,011)**	–	(2,273)
Share buy-backs (B shares)	**(3,127)**	(1,853)	(1,853)
Net cash outflow from financing activities	**(4,138)**	(1,853)	(4,126)
Change in cash and cash equivalents	**(330)**	(533)	(1,983)
Opening cash and cash equivalents	**4,742**	6,725	6,725
Closing cash and cash equivalents	**4,412**	6,192	4,742

Reconciliation of operating loss to net cash outflow from operations

Revenue	**1,394**	1,276	2,715
Administrative expenses	**(2,326)**	(2,283)	(4,574)
Operating loss	**(932)**	(1,007)	(1,859)
Decrease in trade and other receivables	**286**	51	160
Increase/(decrease) in trade and other payables	**17**	390	(195)
Depreciation and amortisation	**223**	224	450
Net cash flow from operations	**(406)**	(342)	(1,444)

Notes to the Half Year Report

Note 1 – General information

SPARK Ventures plc is a company incorporated in the UK. The information set out in this unaudited Half Year Report for the periods ended 30 September 2011 and 30 September 2010 does not constitute statutory accounts as defined in section 435 of Companies Act 2006. Comparative figures for 31 March 2011 are derived from the financial statements for that year. The financial statements for the year ended 31 March 2011 have been delivered to the Registrar of Companies and contain an unqualified audit report, did not contain a statement under matter of emphasis and no statements under section 498(2) or (3) of the Companies Act 2006. This Half Year Report has been prepared in accordance with the AIM rules.

Note 2 – Basis of accounting

The Annual Group financial statements are prepared under International Financial Reporting Standards (IFRS) as adopted by the European Union. The financial information set out in this Half Year Report has been prepared using accounting policies, methods of computation and presentation consistent with those applied in the preparation of the accounts for the Group for the year ended 31 March 2011. This report does not itself contain sufficient information to comply with IFRS. These condensed consolidated interim financial statements have been prepared on the basis of IFRSs in issue that are effective at the Group's annual reporting date as at 31 March 2012.

Note 3 – Going concern

After making inquiries, the Directors have reasonable expectations that the Group has sufficient funds to continue in operational existence for the foreseeable future. In assessing the Group as a going concern, the Directors' have considered the forecasts which reflect the Directors' strategy for portfolio investments and the current uncertain economic outlook. The Group's forecast projections, taking into account reasonably possible changes in performance, show that the Group is able to operate within its available working capital for a period of at least twelve months from the date of this Half Year Report.

Accordingly, the Directors continue to adopt the going concern basis in preparing the Half Year Report.

Note 4 – Investments at fair value through profit and loss

Portfolio Company Name	Value at 31 Mar 2011 £'000	Additions £'000	Disposals £'000	Revaluations £'000	Value at 30 Sep 2011 £'000	Value at 30 Sep 2010 £'000
IMImobile	**22,889**	0	(833)	(4,400)	17,656	19,600
Kobalt Music	**7,306**	0	0	3,797	11,103	7,306
Notonthehighstreet	**4,743**	0	0	(282)	4,461	4,600
Mind Candy	**6,000**	0	(3,000)	153	3,153	975
Aspex	**1,000**	0	0	2,000	3,000	1,000
OpenX	**2,500**	0	0	0	2,500	1,300
DEM Solutions	**1,723**	0	0	0	1,723	1,785
Gambling Compliance	**1,416**	0	0	0	1,416	1,334
Firebox	**1,800**	0	0	(700)	1,100	1,850
Academia	**666**	0	0	258	924	666
MyDeco	**0**	0	0	650	650	250
Mblox	**500**	0	0	0	500	500
	50,543	0	(3,833)	1,476	48,186	41,166
Other investments (see Note 1 below)	**1,332**	20	(237)	(120)	995	1,343
Total portfolio	**51,875**	20	(4,070)	1,356	49,181	42,509

(1) Other investments include Crocus, Symbrio AB, Market Clusters, Quester Venture Partnership and SPARK Venture Management Holdings Limited.

Notes

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J.R. Patel
D.R.W. Potter
H.R. Sinclair
M.K. Whitaker

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