Annual Report and Accounts 2011

for the year ended 31 March 2011

dem-solutions.com

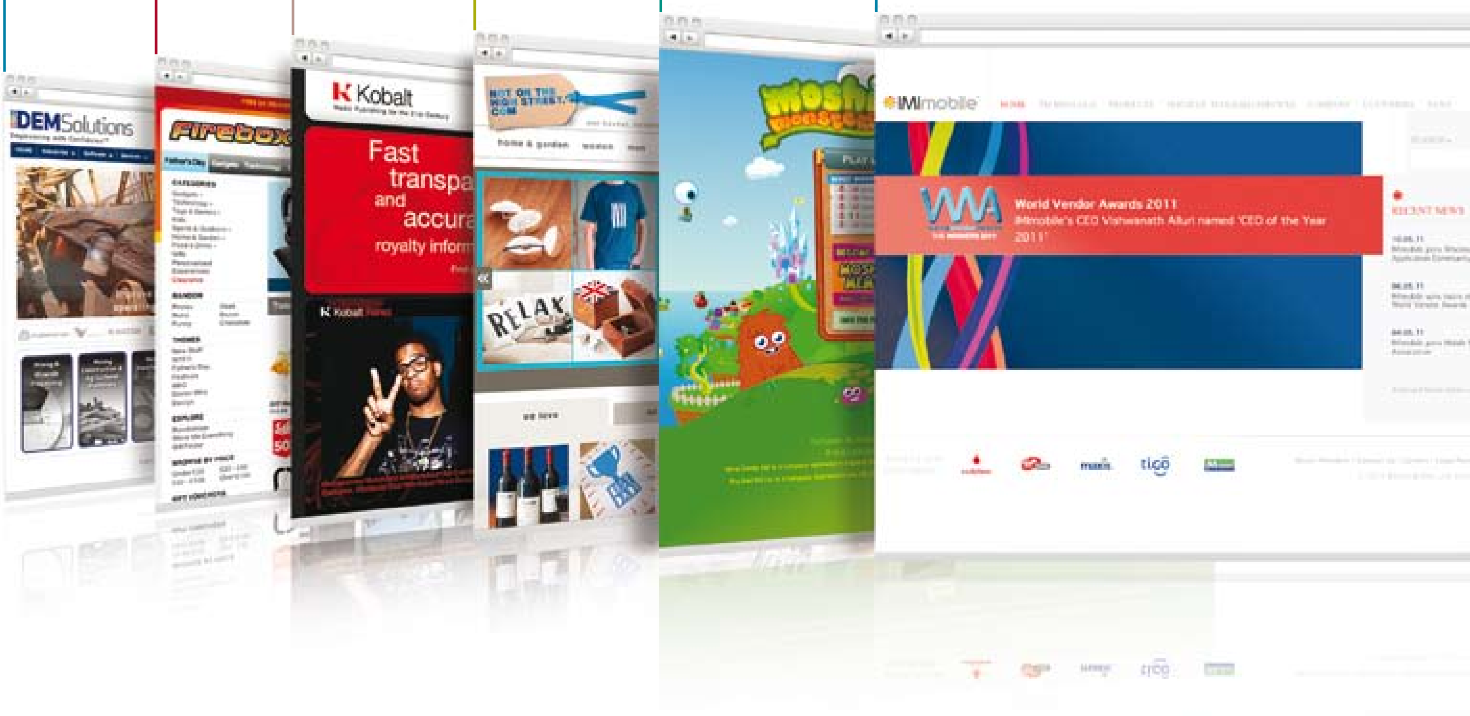
firebox.com

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.

Operational Highlights

- Net asset value per share increased by 23% to 14.5p at 31 March 2011 from 11.8p at 31 March 2010 (after the 2010 published NAV is adjusted for the 1p per share shareholder return in September 2010) and is up by 37% since October 2009 (date of MBO).
- £4.1m (1p per share) returned to shareholders in the year and intention to distribute a further £4.1m (1p per share) in the autumn subject to shareholder approval.
- £3.1m received after the balance sheet date from selling part of SPARK's stake in Mind Candy – generating an IRR of 71% to date and a 15x return on cost.
- Mind Candy valuation increases by 733% in the year – from £0.72m to £6m – following the sale of shares to a third party.
- £11.0m profit for the year (2009: £2.3m), an increase of 369%, principally due to unrealised investment revaluations for IMImobile and Mind Candy.
- SPARK's stake in IMImobile increased in value by £7.8m from £15.1m to £22.9m on the basis of strong trading and the provision of a loan facility, net of repayments, of £1.4m.
- Key asset, IMImobile, records revenue growth of 27% over the prior year for the year to March 2011 to US $33.6m (excluding growth from the WIN acquisition) on top of 28% growth over the year before.
- The majority of SPARK's key investments were cash flow positive during the period, and have had positive valuation movements during the year.
- Kobalt revenue growth of 20% year on year for the nine months to March 2011 with expected revenues around £55m for the full year to June 2011; NPS up 24% for the same period and renewal rates continuing at 98%.

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Chairman's Report

The strategy and structure we embarked upon has served shareholders well

Dear Shareholder,
We are now approaching the halfway point of our five year divestment of the portfolio. I am glad to say that we are making considerable progress both in terms of disposals, preparations for exits and in increases in the value of the remaining portfolio.

When we embarked on this process in the summer of 2009 the portfolio was worth £37.3m (31 March 2009 audited valuation) and we had never paid a dividend. In the following two years we have returned £12.3m to shareholders and the residual portfolio has risen in value to £51.9m. I believe I can confidently say that the strategy and structure we embarked upon has served shareholders well.

As you will see from the manager's report, we have four substantial investments, IMI, Kobalt, Mind Candy and Notonthehighstreet.com. I am very pleased to say that all four companies are doing well and increases in value in both IMI and Mind Candy have been the major contributors to the profit reported in the period of £11.0m compared with £2.3m in the prior year.

We have had a partial realisation from Mind Candy after the year end and have also recovered deferred consideration from the sale of IMI Engineering which will enable the Board to propose a further 1p capital repayment/dividend at the forthcoming Annual General Meeting, a return to shareholders of a further £4.1m.

Whilst the Board (like that of many small companies) is disappointed by the low share price and discount to Net Asset Value ("NAV"), currently some 50%, we feel that since the shareholders voted to realise the portfolio most of you will be content with the position of waiting for the results of the investment realisations over the next three years. The Board has not therefore proposed any further share buy-backs or other measures to narrow the discount.

We remain convinced that the team at our manager, SVMH, has the appropriate knowledge and experience to manage the portfolio and they continue to enjoy our full support. Additionally, because their incentive scheme is based on cash returned to shareholders, they are incentivised to reduce our cost base – the significant reduction in our operating loss indicates that they are doing so. I would like to remind shareholders that our portfolio includes a 30% interest in SVMH and so will be pleased to know that in the last year SVMH has acquired the management contract for a £25m regional development fund in North West England and has signed heads of terms for a Chinese regional fund of a similar size. SVMH has also announced the launch of The Black Sheep EIS Fund for early stage technology and brand investment jointly with BBH, a leading advertising agency. However SVMH no longer manages VCT funds, which will reduce fee income in future periods.

I would like to thank all our stakeholders for their continued support.

Yours faithfully

David Potter
Chairman

Investment Manager's Report

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

Introduction

We are pleased to report that the Group has made a profit for the period on continuing operations of £11.0m compared with £2.3m in the previous year. This profit is due to net unrealised investment valuation gains of £12.8m being considerably higher than the Group's operating loss of £1.9m. Net Asset Value (NAV) per share has risen in the period from 12.8p to 14.5p despite paying out 1p per share in the shareholder return approved at the AGM on 22 September 2010. After adjusting for the 1p per share return, NAV per share has risen by 23% in the year and by 37% over the 18 months following completion of the externalisation of the investment management team in October 2009.

Portfolio Valuation Performance

In the year to 31 March 2011 the Group has made net unrealised gains of £12.8m. £6.4m of this gain arose from an increase in the valuation of the Group's stake in IMImobile ("IMI"), £5.3m arose from an increase in the valuation of the Group's stake in Mind Candy, £1.2m arose from an increase in the valuation of the Group's stake in OpenX and a net £0.1m reduction arose from seven other valuation changes. Disposals in the period were of Complinet in June 2010 for £3.2m and a partial disposal of Notonthehighstreet.com raising £1m of proceeds for SPARK. Both of these disposals were covered in the 2010 Annual Report of SPARK and were reflected in the 31 March 2010 valuations hence there is no gain/loss in the year. Of the 18 portfolio companies existing at 31 March 2010, six have been valued upwards, four have been valued downwards, one was sold (Complinet) with the rest unchanged except for changes in SPARK's valuation arising from additions or disposals. Only three (IMI, Gambling Compliance and mydeco.com) have received further funding whilst one (DEM Solutions) repaid debt and IMI repaid £1.1m of the £2.5m advanced by SPARK to help fund the acquisition of WIN plc.

With the increases in value reported for IMI and Mind Candy the top five investments (IMI, Kobalt, Notonthehighstreet.com, Mind Candy and OpenX) now represent 84% of the portfolio by value compared with 79% for the then top five at 31 March 2010. Progress made in the nine portfolio companies valued at £1m or more 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 enhance operator revenues including: social network aggregation, contact management, mobile advertising, mobile marketing, messaging, storefronts, ring back tones and digital music services.

The valuation of IMI has increased in the year by £7.8m from £15.1m to £22.9m. £1.4m of this uplift represents the balance remaining of the £2.5m secured loan provided by SPARK to IMI to help fund the acquisition of WIN plc. £4.0m of the valuation growth relates to the inclusion of IMI's acquisition of WIN (at cost) in the business valuation less the debt issued to part finance this, with the remaining £2.4m of the increase in value due to growth in IMI's earnings. The increase of £4m arising from the acquisition is because the cash held on IMImobile's balance sheet at 31 March 2010, much of which was ultimately used to fund the acquisition of WIN plc, was not included in the calculation of last year's valuation as negotiations were at an early stage and therefore the ultimate growth in value was uncertain. Full year revenues (excluding WIN) to March 2011 are up by 27% and EBITDA is up by 96% compared with the same period in 2010. This earnings growth has then been applied to a PE ratio (20) consistent with that used in the 2010 Annual Report.

IMI completed the 100% acquisition of WIN plc (an AIM listed UK based Mobile Telecoms Service Provider) in October. The strategic rationale for the acquisition is to combine IMI's core strengths in its technology and product offering with WIN's relationships with Tier 1 European telecoms operators and leading UK corporates. The combined group has over 600 employees with offices in Hyderabad, Dubai, Kuala Lumpur, Athens, Panama and Miami and provides services to over 100 operator and blue-chip enterprise customers.

The purchase price of the acquisition (including related costs) of approximately £17m was primarily funded by IMI from banking facilities and a $13m equity investment from FirstMark Capital and Sequoia Capital. As a result of the capital return strategy SPARK did not participate in the equity financing but provided a £2.5m loan which is repayable over 18 months with a coupon of 10% up to December 2010 and 12% thereafter. As at 28 June 2011 SPARK has received 11 monthly instalments as planned totalling £1.5m leaving £1.0m outstanding.

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.

Since the 2008 funding round Kobalt's revenues have grown from £13m in the year ended 30 June 2007 to £48.7m in the year to June 2010 and are on target to significantly exceed that in the current year. We have not changed the valuation of £7.3m in the period. In December 2010, SPARK's convertible loan converted into equity at the price set in the previous funding round in January 2008. Over the same period Net Publisher Share has grown from £1.6m to £5.4m – an annualised growth rate of 50% over the three year period.

Client renewals remain very high at 98%. The music publishing business has continued to grow revenues and Kobalt has been taking a larger share of this market, helped in part by securing talented people from the major music publishers that are suffering from ownership uncertainties. In the most recent music publishers market share statistics (Q1 2011) published by BillBoard, Kobalt had a 12.9% share of the US airplay chart (ahead of Sony and within half a percent of both Warner and Universal). Kobalt also reported a 6.6% share of the German music publishing market for calendar year 2010. Kobalt retained its crown as the largest UK independent music publisher for a fourth consecutive year.

Investment Manager's Report (continued)

Notonthehighstreet.com

Notonthehighstreet.com is an internet marketplace for almost 2,000 smaller specialised UK based businesses creating unique products. Unlike most online retailers, Notonthehighstreet.com holds no stock. Notonthehighstreet.com is based in London and employs over 50 people.

The Company's performance has been strong enough to avoid possible dilution under the terms of the last funding round so we have increased SPARK's valuation of its stake in the business.

As reported last year, Notonthehighstreet.com secured £7.5m of funding from venture capital investors – Index Ventures and Greylock and SPARK sold some existing shares to these new investors, which had the effect of reducing SPARK's aggregate valuation by £1m and realising £1m of cash.

Notonthehighstreet.com has maintained its impressive growth in 2010 with top-line sales values for the year to December being 131% up on the previous year and beating their own demanding targets.

Mind Candy

Mind Candy has become one of the world's leading developers of social multi-player children's games, helping children around the world to play skill enhancing games and connect with each other safely. Mind Candy is headquartered in London and has around 100 staff, including freelancers.

We have increased our valuation of Mind Candy from £0.7m at 31 March 2010 to £6.0m at the year end. This £6m value is derived from the $200m enterprise value a new investor has paid to buy 50% of SPARK's stake and therefore represents a third party valuation. Previously SPARK valued the business according to a sales multiple.

Pearl Jam, a Kobalt client

Moshimonsters (the main product of Mind Candy) has continued its phenomenal growth in the last six months. It now has over 50m registered users worldwide, has successfully launched the sale of physical monsters and launched the Moshimonsters' magazine – becoming the best selling children's magazine in the UK with its first issue. It has a significant American and international client base. The business is profitable and has many more exciting initiatives launching soon.

OpenX

OpenX is a business based on an open source ad-serving platform. It is headquartered in California and employs over 90 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 increased from £1.3m at 31 March 2010 on the back of the business recently concluding a $20m funding round with SAP Ventures and other investors.

The Company's strong financial performance has continued with trailing 12 month revenues roughly three times that of the equivalent period 12 months ago. The business has recently had its first profitable month and is on target to be profitable in its current financial year.

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 at the level reported for March 2010 (£1.85m) by a small amount to £1.80m. This is due to earnings being substantially below that reported for the previous year due to several one-off factors, despite the Company recording record sales (£14.5m for year to January 2011 – 14% ahead of prior year). The Firebox valuation methodology is primarily earnings based but this year, for the first time, we have also recognised Firebox's valuable stake in Mind Candy in coming to our view of the valuation for the whole of the business.

DEM Solutions

DEM is a leading provider of particle simulation (or discrete element modelling) software for simulating and analysing industrial processes. DEM is based in Scotland and employs 20 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. Recent financial performance has been very encouraging. The Company is beating its revenue and profits forecasts with revenues for the ten months to April 2011 being ahead of the ambitious 19% growth budgeted for the full year.

A loan made in June 2009 to bridge the Company through to profitability has been fully repaid now that the Company is consistently profitable.

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 increased the valuation of SPARK's share in the business to £1.4m as a result of the cash invested in the first half of the year and as a result of the growth in the Company's sales. The business is valued on a sales multiple and sales for the year to March 2011 were approximately 20% ahead of the previous year.

Aspex

Aspex is a UK based (High Wycombe) fabless semiconductor chip company and employs 22 staff.

Aspex has been under contract with a major global infrastructure vendor since February 2009 to produce a custom chip and has all its operating costs covered under this contract for as long as milestones towards the successful delivery are met. All targets were hit up to June 2010. Since then some milestones have been delayed by third party suppliers, but not to the extent that the contract has been breached. Significantly, the delivery of a working device now looks likely to happen shortly (Q3 2011) as early test results have been encouraging and acceptance tests with the customer are expected to take place in the autumn. If the chip is accepted, this will be the earliest likely trigger point for the customer to exercise its option to buy the business. The customer has until the end of 2012 to exercise its option.

SPARK's valuation is at impaired cost and represents the estimated recoverable amount reflecting the risks of both the production of a very complex chip and the uncertainties around the exercise of the option. A successful outcome is likely to be a multiple of the current value.

Capital Return and Cash Balances

During the year to March, SPARK received cash of £3.2m from the sale of Complinet and £1m from the partial sale of Notonthehighstreet. With these receipts, SPARK was able to declare a shareholder return of 1p per share at the AGM on 22 September 2010. This return gave shareholders the choice of receiving income or capital. The Capital return of £1.85m was made in September 2010 with the dividend on the C shares of £2.27m following in October 2010. The process chosen to return cash has been welcomed by shareholders but it does incur considerable professional fees so it is not likely that this process will be carried out more than once a year. The Board intends to call an AGM for 28 September 2011 at which a return of £4.1m to shareholders will be proposed.

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 31 March 2011, £3.3m of this £6m had been utilised with £1.1m of this amount repaid by IMI. It is important 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

The income statement presented is the first one since the MBO to show a full year of operations under the new arrangements. Operating losses of £1.9m have decreased over that reported for the year to March 2010 (£2.9m) but this is mainly due to the absence of high professional fees from the group re-organisation in the prior year. The performance of the serviced office has improved following a recovery in occupancy rates and the Company has secured an agreement with the landlord that rental costs can not rise again during the remaining period of the lease to 2014. We remain focussed on delivering the Board's wish to minimise operating costs.

Conclusion

We believe that the results presented here demonstrate substantial progress in the SPARK portfolio and in the strategic decisions approved by SPARK shareholders in 2009.

Shareholders have already received 3p per share in cash returned to them since the change of strategy was implemented, and it is the Board's intention to return a further 1p per share this autumn. After this, shareholders will hold shares underpinned by net assets currently representing a further 13.5p. Yet at the time of writing the share price is hovering around the 7p mark – a discount in excess of 50% to the current NAV.

We remain confident that there is significant value to be gained from holding the portfolio to maturity.

SPARK Venture Management Limited

Moshimonsters, the main product of Mind Candy

Board of Directors

David Potter
Chairman
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 Chairman of Quercus Publishing and Ortis VCT plc. 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.

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.

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). Since ceasing his executive role with SPARK, Charles has worked with Virgin Group and is now at Lloyds Bank working out the bank's investments. His previous experience includes industry, investment banking and consulting. He was appointed to the Board on 16 September 2004.

Helen Sinclair
Non-Executive Director
Helen's early career was in investment banking, followed by seven years at 3i plc focusing on MBO and growth capital investments. She later co-founded Matrix Private Equity raising a successful technology fund, the Matrix Venture Fund VCT plc. She subsequently became Managing Director of Matrix Private Equity before moving to take on a portfolio of Non-Executive Director roles in 2005. She is currently Chairman of British Smaller Companies VCT plc, a Non-Executive Director of The Income & Growth VCT plc, The Framlington AIM VCT plc and Matrix Income & Growth 4 VCT plc. Helen has a degree in Economics from Cambridge University and an MBA from INSEAD Business School. Appointed to the Board on 17 December 2009.

Andrew Carruthers
Manager Representative
Prior to the management buy-out, Andrew was the Chief Executive Officer of SPARK from September 2004 until October 2009. He sits on the Board of DEM and Aspex and has led SPARK's active participation in the development of these companies. Over recent years he led the creation of SPARK Impact as a manager of regional development funds, the acquisition of the Quester fund management business, 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 and prior to that involved in a number of online information, TV and digital distribution companies in the US and UK. He qualified as a chartered accountant with KPMG and holds a degree from the London School of Economics. Appointed to the Board on 27 September 1999.

Jayesh Patel
Manager Representative
Jay was part of the founding team at SPARK and was an executive director from February 2005 until the completion of the MBO. He is currently responsible for the investments in IMImobile, Market Clusters, OpenX and Gambling Compliance. He was previously involved in Kobalt, Firebox, Elata and Mblox and has led a number of past exits. He was previously a director of NewMedia Investors and held executive positions at UBS Warburg and BSkyB. He qualified as a Chartered Accountant with KPMG and holds degrees from INSEAD and the London School of Economics. Appointed to the Board on 30 January 2004.

Investment Manager
The Company's Manager is SPARK Venture Management Ltd, a company owned by Andrew Carruthers, Jay Patel, Thomas Teichman, Andrew Betton and SPARK Ventures plc. The responsibilities of both Andrew and Jay are described above. Thomas Teichman (the Chairman of SVML and former Chairman of SPARK) is responsible for the investments in Kobalt, notonthehighstreet, Mind Candy and myDeco. Andrew Betton is the Company Secretary (and former Finance Director) and is responsible for most of SPARK's administration, investor relations and external reporting.

Directors' Report

The Directors present their annual report and the audited financial statements for the year ended 31 March 2011.

SPARK Ventures plc is a Company incorporated in the United Kingdom under the Companies Act ("CA") 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.

Activities

The principal activity of SPARK Ventures plc as the Parent Company of the Group is the managing and making of investments in early stage companies in the financial services, technology, ecommerce, media and telecommunications sectors, primarily in the UK. Following the General Meeting of the Company which took place in August 2009, the Company resolved to make no more new investments and to sell off its existing investments over a five year period. The Company has no full-time employees but has a Board consisting of four non-executive directors and two representatives of the Company's manager – SPARK Venture Management Ltd. SPARK Venture Management Ltd is a Company controlled by the Company's former executive directors and is responsible for looking after all the administration of the Company and for managing the Company's investment portfolio. SPARK retains a 30% stake in the group containing its Manager.

Business review

Net asset value per share rose in the year to March 2011 from 12.8p to 14.5p despite a capital return/dividend to shareholders of 1p per share. This increase was due to net investment gains of £12.86m being far higher than the Group's operating loss of £1.86m, thereby resulting in a profit for the year of £11.0m (2010: £2.3m). The investment gains were largely due to increases in value of three companies, IMImobile (£6.4m), Mind Candy (£5.3m) and OpenX (£1.2m). It is worth noting that the Manager's fees are a percentage of the portfolio, therefore if the portfolio values increase strongly, the operating costs of the business will also increase. The performance of SPARK's portfolio is reviewed in the Investment Manager's Report on pages 3 to 5.

The Group closed the year with cash balances of £6.8m (2010: £8.8m), £4.7m of which is unrestricted, an investment portfolio valued at £51.9m (2010, £41.8m), and equity shareholders' funds of £59.4m (2010: £52.5m).

SPARK's serviced office arrangement with the Executive Offices Group improved its performance with revenues of £1.2m versus £1.1m in the previous year. Additionally the Company reached agreement with its landlord for a 1% rent increase and a guarantee of no further increases until the end of the leases in June 2014.

Purchase of own shares

During the year SPARK did not buy back any of its ordinary shares. SPARK continues to hold 39,245,220 ordinary shares in Treasury. As described below, 185m B shares were bought back in September 2010.

Dividends and capital returns

Following the return of £8.2m in the previous year, shareholders approved the return of a further £4.1m on 22 September 2010. Shareholders were given the choice of choosing to receive 1 B share or 1 C share for each ordinary share held. In the event, 185m B shares were issued and 227m C shares were issued. On 6 October 2010, the Company bought back the B shares at 1.0p each from the shareholders and paid 1.0p per share as a dividend on the C shares. After payment of the dividend, the C shares became deferred, having no value or rights and were cancelled. The total amounts returned to shareholders amounted to £1.853m through the B shares and £2.273m through the C shares.

Following the receipt of proceeds (after the year end) from selling half of the Group's stake in Mind Candy (receipt of £3.1m) and the receipt of deferred consideration of £0.8m (in the year), the Board intends to return a further £4.1m to shareholders (1p per share) by again offering shareholders the opportunity to choose between a capital return and an income dividend. Such a choice will be offered to shareholders after the necessary amendments to the Company's articles of association have been approved at the next AGM currently scheduled for 28 September 2011.

Future prospects

SPARK Ventures plc continues with its strategy of securing the best possible exits from the current portfolio over the period to March 2014. The Group's investments have performed very well over the previous 12 months with some of this performance being captured in increased valuations. Whilst it is very difficult to predict when SPARK's stake in certain investments can be sold, continued strong trading performance can only be of benefit in making the investments attractive to potential buyers.

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.

The directors of SPARK have considered credit risk, liquidity risk and cash flow risk in Note 15.

Directors' Report (continued)

Share price
The average share price of SPARK Ventures plc quoted ordinary shares in the year ended 31 March 2011 was 6.92 pence. In the year the share price reached a maximum of 8.25 pence and a minimum of 5.75 pence. The closing share price on 31 March 2011 was 7.25 pence.

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

Directors and their interests (audited)
The Directors serving during the year ended 31 March 2011 had the following interests in the share capital of the Company:

	Ordinary shares		Options[1]		D shares[2]	
	2011 No.	2010 No.	2011 No.	2010 No.	2011 No.	2010 No.
Current directors						
M.K. Whitaker [3]	19,720,551	19,720,551	–	–	–	–
C.R. Berry	287,968	287,968	–	–	–	–
H.R. Sinclair	242,400	–	–	–	–	–
A.B. Carruthers	6,587,240	6,587,240	2,727,273	2,727,273	580,000	580,000
J.R. Patel	1,329,194	1,329,194	2,727,277	2,727,277	580,000	580,000
D.R.W. Potter	480,000	480,000	–	–	–	–

(1) 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. As at the date of the EGM on 7 August 2009, 40% of these options had vested. The remaining options were cancelled. These options expire on 29 September 2015 and originally had an exercise price of 11p, which was the market price of SPARK shares on 30 September 2005 – the date when these awards were made. Following the return of 2p per ordinary share to shareholders in 2009 and 1p per share in 2010, the exercise price of these options has now been reduced to 8p per share.

(2) The D shares were created following the approval by shareholders at the General Meeting on 2 October 2009. See Note 16 for details of their rights.

(3) The Michael Whitaker Life Interest Settlement, in which M.K. Whitaker is beneficially interested, owns 13,133,320 ordinary shares and a SIPP managed by James Hay Pension Trustees Ltd, in which M.K. Whitaker is beneficially interested, owns 5,747,231 ordinary shares. The remaining 840,000 shares are held directly.

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 Group at the reporting date to pay purchase invoices is 20 days (2010: 19 days).

Subsequent events
There are no material events after the balance sheet date other than those detailed in Note 19 to the financial statements.

Auditor
A resolution to re-appoint PKF as the Company's auditor will be proposed at the forthcoming Annual General Meeting.

Provision of information to auditor
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 auditor is 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 auditor is aware of that information.

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

A.D.N. Betton
Company Secretary
12 August 2011

Directors' Responsibilities Statement

The directors are responsible for preparing the 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. Under that law the directors have, as required by the AIM Rules of the London Stock Exchange, elected to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and have also elected to prepare the Parent Company financial statements in accordance with those standards. Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the group for that period.

In preparing these financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with IFRSs as adopted by the European Union; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group 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 the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

Independent Auditor's Report to the Members of SPARK Ventures plc

We have audited the financial statements of SPARK Ventures plc for the year ended 31 March 2011 which comprise the Group statement of comprehensive income, the Group and Parent Company statements of financial position, the Group and Parent Company statements of cash flows, the Group and Parent Company statements of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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 auditor

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion;

- the financial statements give a true and fair view of the state of the Group's and the Parent Company's affairs as at 31 March 2011 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

PKF (UK) LLP

Nick Whitaker (Senior statutory auditor)
for and on behalf of PKF (UK) LLP, Statutory auditor
London, UK
12 August 2011

Group Statement of Comprehensive Income for the year ended 31 March 2011

	Note Ref.	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Continuing operations			
Gains on investments at fair value through profit or loss			
Realised gains and (losses)		**50**	(804)
Unrealised gains	9	**12,805**	6,271
		12,855	5,467
Revenue			
Bank interest receivable		**201**	144
Management fee income		**1,175**	634
Portfolio dividends and interest		**27**	17
Other income		**1,312**	1,103
		2,715	1,898
Administrative expenses			
Salaries and other staff costs	3	**(208)**	(301)
Depreciation of property, plant and equipment	8	**(90)**	(99)
Amortisation and impairment of intangible assets	11	**(360)**	(485)
Other costs	4	**(3,916)**	(3,912)
Total administrative expenses		**(4,574)**	(4,797)
Profit before taxation		**10,996**	2,568
Taxation	5	**–**	(47)
Profit for the financial year from continuing operations		**10,996**	2,521
Loss for the year from discontinued operations	17	**–**	(178)
Profit and total comprehensive income for the year		**10,996**	2,343
Attributable to:			
– Equity shareholders of the parent		**10,996**	2,343
Basic earnings per ordinary share from continuing operations	6	**2.68p**	0.62p
Diluted earnings per ordinary share from continuing operations	6	**2.68p**	0.62p
Basic and diluted earnings per ordinary share from continuing and discontinued operations	6	**2.68p**	0.57p

Group Statement of Financial Position as at 31 March 2011

Company number: 3813450

	Note Ref.	31 March 2011 £'000	31 March 2010 £'000
Non-current assets			
Property, plant and equipment	8	**262**	352
Investments at fair value through profit and loss	9	**51,875**	41,799
Deferred consideration	9	**–**	1,133
Intangible assets	11	**360**	720
Restricted cash	12	**2,035**	2,035
		54,532	46,039
Current assets			
Trade and other receivables	12	**773**	959
Deferred consideration	9	**351**	–
Cash at bank		**4,742**	6,725
		5,866	7,684
Total assets		**60,398**	53,723
Current liabilities			
Trade and other payables	13	**(1,020)**	(1,215)
Total liabilities		**(1,020)**	(1,215)
Net current assets		**4,846**	6,469
Net assets		**59,378**	52,508
Equity attributable to the shareholders of the parent			
Issued capital	16	**2,035**	6,857
Share premium		**9**	9
Revenue reserve		**47,716**	40,846
Capital redemption reserve		**9,793**	4,971
Own shares		**(175)**	(175)
Total equity		**59,378**	52,508
Net asset value per share		**14.49p**	12.81p

		Number '000	Number '000
Ordinary shares in issue	16	**450,000**	450,000
Shares held in Treasury		**(39,245)**	(39,245)
Shares held by Employee Benefit Trust	16	**(918)**	(918)
Shares in issue for net asset value per share calculation		**409,837**	409,837

These financial statements were approved and authorised for issue by the Board of Directors on 12 August 2011 and signed on its behalf by:

D.R.W. Potter
Chairman

Company Statement of Financial Position as at 31 March 2011

Company number: 3813450

	Note Ref.	**31 March 2011 £'000**	31 March 2010 £'000
Non-current assets			
Investments at fair value through profit and loss	9	**26,409**	22,733
Investments in subsidiary undertakings	10	**108,231**	108,231
Deferred consideration	9	**–**	326
Restricted cash	12	**2,035**	2,035
Deferred tax		**949**	940
		137,624	134,265
Current assets			
Trade and other receivables	12	**6,623**	7,045
Deferred consideration	9	**351**	–
Cash at bank		**3,623**	6,524
		10,597	13,569
Total assets		**148,221**	147,834
Current liabilities			
Trade and other payables	13	**(111,830)**	(111,663)
Total liabilities		**(111,830)**	(111,663)
Net current liabilities		**(101,233)**	(98,094)
Net assets		**36,391**	36,171
Equity			
Issued capital	16	**2,035**	6,857
Share premium		**9**	9
Revenue reserve		**24,554**	24,334
Capital Redemption Reserve		**9,793**	4,971
Total equity		**36,391**	36,171

These financial statements were approved and authorised for issue by the Board of Directors on 12 August 2011 and signed on its behalf by:

D.R.W. Potter
Chairman

Group Statement of Cash Flows for the year ended 31 March 2011

	Group Year ended 31 March 2011 £'000	Group Year ended 31 March 2010 £'000
Cash flows from operating activities		
Cash flow from operations	**(1,444)**	(2,230)
Net cash outflow from operating activities	**(1,444)**	(2,230)
Cash flows from investing activities		
Purchase of property, plant and equipment	**–**	(12)
Disposal of subsidiary	**–**	800
Purchase of financial investments	**(2,691)**	(1,125)
Sale of financial investments	**5,471**	1,901
Receipt of deferred consideration	**807**	–
Release of restricted cash	**–**	1,164
Net cash inflow from investing activities	**3,587**	2,728
Cash flows from financing activities		
Dividend paid (C shares)	**(2,273)**	(4,597)
Share buy-backs (B shares)	**(1,853)**	(3,618)
Issue of D shares	**–**	19
Net cash outflow from financing activities	**(4,126)**	(8,196)
Change in cash	**(1,983)**	(7,698)
Opening cash	**6,725**	14,423
Closing cash	**4,742**	6,725

Reconciliation of operating loss to net cash outflow from operations

	£'000	£'000
Interest received	**201**	144
Dividends received	**27**	17
Other revenue	**2,487**	1,737
Total revenue	**2,715**	1,898
Administrative expenses	**(4,574)**	(4,797)
Operating loss	**(1,859)**	(2,899)
Operating profit on discontinued operations	**–**	622
	(1,859)	(2,277)
Decrease in trade and other receivables	**160**	1,152
Decrease in trade and other payables	**(195)**	(1,444)
Depreciation of property, plant and equipment	**90**	99
Amortisation and impairment of other intangible assets	**360**	810
Share-based payment	**–**	(570)
Net cash outflow from operations	**(1,444)**	(2,230)

Company Statement of Cash Flows for the year ended 31 March 2011

	Company Year ended 31 March 2011 £'000	Company Year ended 31 March 2010 £'000
Cash flows from operating activities		
Cash flow from operations	**(1,555)**	(1,448)
Net cash outflow from operating activities	**(1,555)**	(1,448)
Cash flows from investing activities		
Disposal of subsidiary	**–**	800
Purchase of financial investments	**(2,691)**	(1,125)
Sale of financial investments	**5,471**	1,901
Release of restricted cash	**–**	1,164
Net cash inflow from investing activities	**2,780**	2,740
Cash flows from financing activities		
Dividend paid (C shares)	**(2,273)**	(4,597)
Share buy-backs (B shares)	**(1,853)**	(3,618)
Issue of D shares	**–**	19
Net cash outflow from financing activities	**(4,126)**	(8,196)
Change in cash	**(2,901)**	(6,904)
Opening cash	**6,524**	13,428
Closing cash	**3,623**	6,524

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

	£'000	£'000
Interest received	**201**	143
Other revenue	**27**	3,665
Total revenue	**228**	3,808
Administrative expenses	**(2,373)**	(1,056)
Operating (loss)/profit	**(2,145)**	2,752
Decrease/(increase) in trade and other receivables	**423**	(2,994)
Increase/(decrease) in trade and other payables	**167**	(636)
Share-based payment	**–**	(570)
Net cash outflow from operations	**(1,555)**	(1,448)

Group Statement of Changes in Equity

	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 31 March 2009	–	–	–	11,250	26,486	20,802	568	(175)	58,931
Profit for the year	–	–	–	–	–	2,343	–	–	2,343
Share-based payments		–	–	–	–	(570)	–	–	(570)
Share split into B and C shares	–	4,597	3,618	(9,000)	–	–	785	–	–
Share buy-backs	–	–	(3,618)	–	–	–	–	–	(3,618)
Transfer to capital redemption reserve	–	–	–	–	–	(3,618)	3,618	–	–
Dividend	–	–	–	–	–	(4,597)	–	–	(4,597)
Reduction of share premium	–	–	–	–	(26,486)	26,486	–	–	–
Issue of D shares	10	–	–	–	9	–	–	–	19
Balance at 31 March 2010	10	4,597	–	2,250	9	40,846	4,971	(175)	52,508
Profit for the year	–	–	–	–	–	10,996	–	–	10,996
New B and C shares issued – 2010	–	133	92	(225)	–	–	–	–	–
Share buy-backs – 2010 B Shares	–	–	(92)	–	–	(1,853)	92	–	(1,853)
Dividend – 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

SPARK Ventures plc holds 39,245,220 shares in treasury. The cost of purchasing these shares (£5.076m) has been offset against the revenue reserve. No shares have been purchased for treasury in either the current or prior years.

Company Statement of Changes in Equity

	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	Total equity £'000
Balance at 31 March 2009	–	–	–	11,250	26,486	2,434	568	40,738
Profit for the year	–	–	–	–	–	4,199	–	4,199
Share-based payments	–	–	–	–	–	(570)	–	(570)
Share split into B and C shares	–	4,597	3,618	(9,000)	–	–	785	–
Share buy-backs	–	–	(3,618)	–	–	–	–	(3,618)
Transfer to capital redemption reserve	–	–	–	–	–	(3,618)	3,618	–
Dividend	–	–	–	–	–	(4,597)	–	(4,597)
Reduction of share premium	–	–	–	–	(26,486)	26,486	–	–
Issue of D shares	10	–	–	–	9	–	–	19
Balance at 31 March 2010	10	4,597	–	2,250	9	24,334	4,971	36,171
Profit for the year	–	–	–	–	–	4,346	–	4,346
New B and C shares issued – 2010	–	133	92	(225)	–	–	–	–
Share buy-backs – 2010 B Shares	–		(92)	–	–	(1,853)	92	(1,853)
Dividend – 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	24,554	9,793	36,391

SPARK Ventures plc holds 39,245,220 shares in treasury. The cost of purchasing these shares (£5.076m) has been offset against the revenue reserve. No shares have been purchased for treasury in either the current or prior years.

Notes to the Consolidated Financial Statements

1 Basis of preparation and significant accounting policies

SPARK Ventures plc ("the Company") is a Company incorporated in the United Kingdom and registered in England and Wales. The consolidated financial statements for the year ended 31 March 2011 include the financial statements of the Company and its subsidiaries (together "the Group"). Separate financial statements of the Company are also presented. The same accounting policies were applied in preparing the financial statements of the Company. The accounting policies applied are consistent with the prior year.

Basis of preparation

The consolidated financial statements for the year ended 31 March 2011 have 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 2006 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. Standards and interpretations applied for the first time have had no material impact on these financial statements.

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 (Amended) 'First time adoption of IFRS'*	01-Jul-10
IFRS 7 (Amended) 'Financial instruments disclosure'	01-Jul-11
IFRS 9 (New) 'Financial instruments: Recognition and measurement'	01-Jan-13
IAS 24 (Amended) 'Related party disclosures'	01-Jan-11
IFRIC 14 & 19*	01-Jan-11

*Not Applicable to the 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. None of these standards have been adopted early.

"Improvements to IFRSs" was issued in May 2008 and amended in May 2010 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 2011. This comprises a number of amendments to IFRSs, which resulted from the IASB's annual improvements project.

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 show that the Group is able to operate within its available working capital.

After making enquiries and reviewing cash flow forecasts of the Group, 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).

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 invoice value when the asset or liability is obtained. 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
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.

Investments are included at valuation on the following bases:

(a) Listed investments are valued at the closing bid 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.

Gains and losses on the realisation of financial investments are dealt with through the statement of comprehensive income, 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 statement of comprehensive income, and taken to the revenue reserve.

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

Revenue
Sales of services represent the invoiced value of services supplied net of value added tax and other sales related taxes. The sale is recognised upon delivery of the services to the customer provided that all obligations to the customer relating to that delivery of 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 services have been satisfied. Dividends receivable on unquoted equity shares are brought into account when the Company's right to receive payment is established and there is no reasonable doubt that payment will be received. Interest receivable is included on an effective interest rate basis. Amounts invoiced to tenants for occupying space in 33 Glasshouse Street is recorded within other income. Management fee income represents amounts invoiced by Quester Venture GP Ltd to Quester Venture GP Partnership which in turn takes a management fee in the form of a priority profit share from Quester Venture Partnership.

Notes to the Consolidated Financial Statements (continued)

1 Basis of preparation and significant accounting policies (continued)

Taxation
The tax expense included in the statement of comprehensive income 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 substantially enacted by the reporting 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 statement of financial position 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 reporting 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 statement of comprehensive income, 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 statement of comprehensive income 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 reporting date are retranslated at the rates ruling at that date. These translation differences are dealt with in the statement of comprehensive income.

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. 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. Upon completion of the MBO on 9 October, all unvested share options were cancelled and the exercise price of the options that have vested was reduced to 9p as a result of the capital distribution by the Company made on 24 August 2009. Following the capital distribution made in October 2010, the exercise price of these options was further reduced to 8p. All share-based payments are equity settled. There has been no charge or credit to the statement of comprehensive income in the current year. In the prior year a credit of £570k was included in the statement of comprehensive income to reverse out the over charging relating to share options in prior years, which were cancelled.

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 (£51,875,000), which are valued on the basis noted above.

Additionally, the valuation of deferred consideration (£351,000) from investments that have been disposed of requires accounting judgement. Deferred consideration is based on the Directors' best estimate of amounts held in escrow net of future obligations that may fall due. The fair value of the consideration is obtained by discounting to present value the amounts expected to be payable in the future.

Segmental analysis
Segmental analysis is not applicable as there is only one operating segment of the business – investment activities. The performance measure of investment activities is considered by the Board to be profitability and is disclosed on the face of the statement of comprehensive income.

2 Company statement of comprehensive income

The Group has taken advantage of the exemption conferred by s408 CA 2006 to not disclose a full statement of comprehensive income for the Company. The Company's profit for the year was £4,346,000 (2010: £4,199,000).

The Company has recognised realised and unrealised investment gains/losses through the statement of comprehensive income of £6.455m.

3 Information regarding Directors and employees

	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Director's remuneration summary		
Fees	**169**	188
Basic salaries	**–**	350
Other emoluments	**39**	44
Pension contributions	**–**	42
	208	624

	Emoluments £'000	Bonus accrual £'000	Pension £'000	Year ended 31 March 2011 Total £'000	Emoluments £'000	Bonus accrual £'000	Pension £'000	Year ended 31 March 2010 Total £'000
Director's remuneration analysed								
C. Berry	**36**	**1**	**–**	**37**	60	2	–	62
D. Potter	**55**	**–**	**–**	**55**	70	–	–	70
H. Sinclair	**39**	**–**	**–**	**39**	8	–	–	8
M. Whitaker	**39**	**–**	**–**	**39**	50	–	–	50
A. Betton (resigned 9 October 2009)	**–**	**–**	**–**	**–**	61	1	9	71
A. Carruthers	**–**	**10**	**–**	**10**	96	16	14	126
J. Patel	**–**	**9**	**–**	**9**	88	13	13	114
T. Teichman (resigned 9 October 2009)	**–**	**–**	**–**	**–**	105	12	6	123
Increase in bonus accrual for previous directors	**–**	**19**	**–**	**19**	–	–	–	–
	169	**39**	**–**	**208**	538	44	42	624

Details of Directors' share options can be found within the 'Directors and their interests' section of the Directors' report on page 8.

	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Staff costs (including directors)		
Wages and salaries	**130**	1,097
Social security costs	**18**	121
Share-based payment reversal	**–**	(570)
Pension costs	**–**	91
Other personnel costs	**60**	136
	208	875
Staff costs		
From continuing operations	**208**	301
From discontinued operations	**–**	574
	208	875

Notes to the Consolidated Financial Statements (continued)

3 Information regarding Directors and employees (continued)

The Company has no other employees other than the directors listed above.

	Year ended 31 March 2011 No.	Year ended 31 March 2010 No.
Average number of persons employed (including directors)		
Investment and related administration	**4**	12
	4	12

4 Profit for the year

Profit for the year has been derived after taken the following items into account:

	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Depreciation of property, plant and equipment – owned assets	**90**	99
Amortisation and impairment of intangible assets – continuing activities	**360**	485
Operating lease rentals		
Land and buildings	**713**	703
Auditor's remuneration		
Fees payable to the current auditor for the audit of the Company's annual accounts	**23**	23
Fees payable to the current auditor for the review of the Company's interim accounts	**5**	–
Fees payable to the Company's current auditor and its associates for other services:		
The audit of the Company's subsidiaries, pursuant to legislation	**15**	15
Other services relating to taxation	**13**	13
Fees payable to the previous auditor for the review of the Company's interim accounts	**–**	11
Fees payable to the previous auditor for overruns on the previous year	**–**	25
Analysis of other costs:		
Property costs	**1,679**	1,772
Professional fees	**391**	436
Professional fees in connection with MBO, return of capital and corporate finance advice	**–**	535
Management fee of Quester Venture Partnership	**881**	456
Management and secretarial fee of SPARK Ventures plc	**725**	258
Other general overheads	**240**	455
	3,916	3,912

5 Tax on profit on ordinary activities

	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
UK corporation tax		
Corporation tax liability at 28%	**–**	–
Total current tax	**–**	–
Deferred tax	**–**	(47)
Tax on profit on ordinary activities	**–**	(47)

Factors affecting the tax charge for the current period

The tax assessed for the year is different than that resulting from applying the standard rate of corporation tax in the UK: 28% (2010: 28%). The differences are explained below:

	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Current tax reconciliation		
Profit before taxation	**10,996**	2,568
Current tax charge at 28% (2010: 28%)	**(3,079)**	(719)
Effects of:		
Permanent differences, including goodwill impairments	**(61)**	(291)
Capital allowances in excess of depreciation	**(41)**	(15)
Non-taxable income	**23**	–
Movement in short-term timing differences	**329**	170
Transfer pricing adjustment	**(42)**	–
Non-taxable overseas investment revaluation	**1,792**	588
Utilisation of capital losses on investment revaluations	**1,794**	931
Unutilised losses carried forward	**(715)**	(664)
Offset of deferred tax assets previously unrecognised	**–**	(47)
Tax for the year	**–**	(47)

Deferred tax

The deferred tax charge in the prior year reflects the offset of a proportion of the group's previously unrecognised deferred tax asset against deferred tax liabilities arising in Quester Venture GP Limited. There remains an unrecognised deferred tax asset in respect of tax losses and other temporary differences. The unrecognised deferred tax asset is £44.1m (2010: £48.5m), for the Group and £43.8m (2010: £48.5m) for the Parent Company. The reduction in the balances for unrecognised deferred tax is due to the planned reduction in future corporate tax rates. The assessed loss on which no deferred tax has been recognised amounts to £109m (2010: £174m).

Company deferred tax (asset)	
Balance at 1 April 2010	940
Movement in the year	9
Balance at 31 March 2011	**949**
Balance at 1 April 2009	624
Movement in the year	316
Balance at 31 March 2010	940

The movement in the year all went through the statement of comprehensive income.

The deferred tax asset within the Company arises to offset a deferred tax liability within another Group company, Quester Venture GP Limited. The deferred tax liability recognised by Quester Venture GP Limited represents interest free limited recourse loans paid in lieu of the Company's entitlement to priority profit share from underlying limited partnerships.

Notes to the Consolidated Financial Statements (continued)

6 Earnings per share

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

	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Earnings		
Net profit for the year	**10,996**	2,343
Loss for the year from discontinued operations	**–**	(178)
Earnings from continuing operations	**10,996**	2,521
Number of shares		
Weighted average number of ordinary shares in issue for basic EPS	**409,837**	408,194
Effect of dilutive options in issue	**–**	–
Weighted average number of ordinary shares in issue for dilutive EPS	**409,837**	408,194
Earnings per share		
Basic EPS from continuing operations	**2.68p**	0.62p
Basic EPS from continuing and discontinued operations	**2.68p**	0.57p
Diluted EPS from continuing operations	**2.68p**	0.62p
Diluted EPS from continuing and discontinued operations	**2.68p**	0.57p
Basic and diluted EPS from discontinued operations	**–**	(0.05p)

7 Dividends

	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Dividend paid on C shares in respect of year to 31 March 2011: 1.0p per share paid 1 October 2010	**2,273**	–
Dividend paid on C shares in respect of year to 31 March 2010: 2.0p per share paid 24 August 2009	**–**	4,597

In the forthcoming AGM planned for 28 September 2011, the directors are proposing to return 1p per ordinary share to shareholders by means of a share split and then giving the shareholders the choice of receiving a dividend on the new share or having it bought back by the Company. The total amount expected to be returned to shareholders is £4.1m.

8 Property, plant and equipment

Group

	Leasehold improvements £'000	Furniture, fixtures and equipment £'000	Office equipment and software £'000	Total £'000
Cost:				
Balance at 1 April 2010	1,264	617	58	1,939
Acquisitions	–	–	–	–
Disposals	–	–	–	–
Balance at 31 March 2011	1,264	617	58	1,939
Depreciation:				
Balance at 1 April 2010	922	607	58	1,587
Depreciation charge for the year	87	3	–	90
Disposals	–	–	–	–
Balance at 31 March 2011	1,009	610	58	1,677
Carrying amount at 31 March 2011	255	7	–	262
Cost:				
Balance at 1 April 2009	1,253	617	134	2,004
Acquisitions	11	–	1	12
Disposals	–	–	(77)	(77)
Balance at 31 March 2010	1,264	617	58	1,939
Depreciation:				
Balance at 1 April 2009	833	602	87	1,522
Depreciation charge for the year	89	5	5	99
Disposals	–	–	(34)	(34)
Balance at 31 March 2010	922	607	58	1,587
Carrying amount at 31 March 2010	342	10	–	352
Carrying amount at 31 March 2009	420	15	47	482

Notes to the Consolidated Financial Statements (continued)

9 Investments at fair value through profit and loss

Group

Portfolio Company Name	Note Ref.	Country of incorp.	% equity 31 March 2011 (7)	Value at 31 March 2010 £'000	Year ended 31 March 2011 Additions £'000	Disposals £'000	Revaluations £'000	Value at 31 March 2011 £'000
IMImobile	(2)	India	27%	15,100	2,500	(1,111)	6,400	22,889
Kobalt Music	(3)	UK	23%	7,306	–	–	–	7,306
Notonthehighstreet	(3)	UK	19%	5,600	–	(1,000)	143	4,743
DEM Solutions	(4)	UK	24%	1,860	–	(138)	–	1,722
Firebox	(2)	UK	24%	1,850	–	–	(50)	1,800
Gambling Compliance	(2)	UK	28%	1,250	84	–	83	1,417
OpenX	(3)	USA	3%	1,300	–	–	1,200	2,500
Aspex	(5)	UK	49%	1,000	–	–	–	1,000
Mind Candy	(6)	USA	5%	720	–	–	5,280	6,000
Academia	(3)	UK	10%	666	–	–	–	666
Mblox	(3)	USA	1%	250	–	–	250	500
				36,902	2,584	(2,249)	13,306	50,543
Other investments (no single investment value greater than £500,000)	(1)			1,725	108	–	(501)	1,332
Investments sold during the year								
Complinet				3,172	–	(3,172)	–	–
Total of Investments sold during the year				3,172	–	(3,172)	–	–
Total investments at fair value through profit and loss				41,799	2,692	(5,421)	12,805	51,875

(1) Other investments include MyDeco, Skinkers, Crocus, Isango!, Market Clusters, Freesourcing, SVMH and a share in Quester Venture Partnership.
(2) IMImobile, Firebox and Gambling Compliance have been valued according to a director's valuation based on appropriate earnings/sales multiples applied to the most recent results.
(3) Kobalt Music, Notonthehighstreet, OpenX, Academia and Mblox have been valued on the basis of recent third party funding events.
(4) DEM Solutions has been valued at cost with cost being considered to be its fair value.
(5) Aspex is at directors' valuation, being impaired cost that is considered to be reflective of its fair value.
(6) Mind Candy has been valued at the price a new investor paid for shares in June 2011, in relation to ongoing negotiations at the reporting date which subsequently completed.
(7) % equity represents fully diluted holding in investee companies.

Company

	31 March 2011 £'000	31 March 2010 £'000
Balance at 1 April	**22,733**	20,172
Acquisitions	**2,692**	1,520
Unrealised and realised valuations	**6,405**	4,180
Disposals	**(5,421)**	(3,139)
Balance at 31 March	**26,409**	22,733

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

Group

	31 March 2011 £'000	31 March 2010 £'000
IMI engineering	**–**	807
Unanimis	**351**	326
	351	1,133

Company

	31 March 2011 £'000	31 March 2010 £'000
Unanimis	**351**	326
	351	326

10 Investments in subsidiary undertakings
Company

	31 March 2011 £'000	31 March 2010 £'000
Cost:		
Balance at 1 April	**120,824**	136,067
Additions	**–**	25
Disposal	**–**	(15,268)
Balance at 31 March	**120,824**	120,824
Impairment:		
Balance at 1 April	**12,593**	24,561
Disposal	**–**	(11,968)
Balance at 31 March	**12,593**	12,593
Net book value at 31 March	**108,231**	108,231

The disposal in the year ending 31 March 2010 relates to the deconsolidation of Querist (cost of £5.598m) as part of the MBO and also to the disposal of SPARK Investors Limited (cost of £9.670m) which was transferred from SPARK Ventures plc to Querist Limited prior to the MBO completing.

Notes to the Consolidated Financial Statements (continued)

10 Investments in subsidiary undertakings (continued)

The Company's principal subsidiary undertakings are included in the consolidation at 31 March 2011, 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 Services Ltd	UK	Business services	Ordinary	100%
SPARK India Ltd	Mauritius	Investment in India	Ordinary	100%
NewMedia SPARK Limited	UK	Investment (dormant)	Ordinary	100%
Internet Indirect Ltd	UK	Investment (dormant)	Ordinary	100%
GlobalNet Financial.com Inc	USA	Finance (dormant)	Ordinary	100%
NewMedia SPARK Holdings GmbH	Germany	Holding company (dormant)	Ordinary	100%
NewMedia SPARK BV	Holland	Holding company	Ordinary	100%
Quester Venture GP Ltd	UK	General partner of limited partnership	A Ordinary and Preference	100%

Aspex Semiconductor Holdings Limited is not included in the consolidation as it is not considered material.

11 Intangible assets

	Total £'000
Cost	
At 31 March 2010 and 31 March 2011	1,900
Cumulative Amounts charged	
At 31 March 2010	1,180
Charge for the year	360
Impairment	–
At 31 March 2011	1,540
Net book value at 31 March 2011	360
Cost	
At 31 March 2009	5,250
Disposal	(3,350)
At 31 March 2010	1,900
Cumulative Amounts charged	
At 31 March 2009	1,920
Charge for the year	690
Impairment	120
Disposal	(1,550)
At 31 March 2010	1,180
Net book value at 31 March 2010	720

The intangible asset represents the deemed price paid for the fund management contract of Quester Venture Partnership. This fund management contract provides the expectation of an income stream in the future. The life of the Quester Venture Partnership fund was expected to be 2.5 years at time of the MBO, accordingly this intangible asset is amortised over 30 months, with 12 months remaining at the reporting date. This charge is included within administrative expenses in the statement of comprehensive income.

12 Trade and other receivables

	Group 31 March 2011 £'000	Group 31 March 2010 £'000	Company 31 March 2011 £'000	Company 31 March 2010 £'000
Trade debtors	**187**	217	**42**	102
Amounts owed by subsidiary undertakings (see Note 18)	**–**	–	**6,063**	6,357
Social security and other taxes	**40**	200	**40**	109
Other debtors	**6**	67	**1**	52
Prepayments and accrued income	**540**	475	**302**	250
Amounts due from EBT	**–**	–	**175**	175
	773	959	**6,623**	7,045
Restricted cash	**2,035**	2,035	**2,035**	2,035

The restricted cash represents £1.622m (2010: £1.622m) 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 (2010: £0.413m) security for property leases which is recoverable in 2014.

13 Trade and other payables

	Group 31 March 2011 £'000	Group 31 March 2010 £'000	Company 31 March 2011 £'000	Company 31 March 2010 £'000
Trade creditors	**152**	154	**66**	62
Amounts owed to group subsidiary undertakings (see Note 18)	**–**	–	**111,063**	110,752
Social security and other taxes	**6**	96	**5**	117
Other creditors	**362**	390	**201**	244
Accruals and deferred income	**500**	575	**495**	488
	1,020	1,215	**111,830**	111,663

14 Operating leases

At 31 March 2011 the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	31 March 2011 £'000	31 March 2010 £'000
Non-cancellable operating lease rentals are payables as follows:		
Land and buildings:		
Less than one year	**711**	703
Between one and five years	**1,600**	2,285
More than five years	**–**	–
	2,311	2,988

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 three and a quarter years is expected to be approximately £2.3m. The lease payments do not include contingent rentals.

Notes to the Consolidated Financial Statements (continued)

15 Financial instruments and financial risk management

As a venture capital investor the Group invests in unquoted companies in accordance with the investment policy. 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. £51.9m of the Group's net assets were invested in venture capital investments and £4.7m in liquid balances (31 March 2010: £41.8m in investments and £6.7m 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.

The main risks arising from the Group's financial instruments are due to fluctuations in market prices (market price risk), currency risk and cash flow interest rate risk, although credit risk and liquidity risk is also discussed below. The Board regularly reviews and agrees policies for managing each of these risks and they are summarised below. These have been in place throughout the current and preceding years.

All financial assets with the exception of investments, which are held at fair value through profit and loss, are categorised as loans and receivables and all financial liabilities are categorised as amortised cost.

Market risk

Market price risk arises from uncertainty about the future valuations of financial instruments held in accordance with the Group's investment objectives. These future valuations are determined by many factors but include the operational and financial performance of the underlying investee companies, as well as market perceptions of the future of the economy and its impact upon the economic environment in which these companies operate. This risk represents the potential loss that the Group might suffer through holding its investment portfolio in the face of market movements, which was a maximum of £51.9m (2010: £41.8m).

The investments in equity and fixed interest stocks of unquoted companies that the Group holds are not traded and as such the prices are more uncertain than those of more widely traded securities. As, in a number of cases, the unquoted investments are valued by reference to sales multiples and price earnings ratios prevailing in quoted comparable companies and sectors, their valuations are exposed to changes in the multiples/ratios that exist in quoted markets.

The Board's strategy in managing the market price risk is determined by the requirement to meet the Group's investment objective. Risk is mitigated to a certain extent by the fact that the Group holds investments in several companies – 31 March 2011, the Group held interests in 19 companies (31 March 2010: 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.

Market price risk sensitivity

The Board considers that the value of investments in equity and loan stock instruments are ultimately sensitive to changes in quoted share prices, insofar as such changes eventually affect the enterprise value of unquoted companies. The table below shows the impact on the return and net assets if there were to be a 20% (2010: 20%) movement in overall share prices.

	31 March 2011 £'000s Profit and net assets	31 March 2010 £'000s Profit and net assets
Decrease if overall share prices fell by 20% (2010: 20%), with all other variables held constant	**(10,375)**	(8,360)
Decrease in earnings, and net asset value per Ordinary share (in pence)	**(2.53)p**	(2.04)p
Increase if overall share prices rose by 20% (2010: 20%), with all other variables held constant	**10,375**	8,360
Increase in earnings, and net asset value per Ordinary share (in pence)	**2.53p**	2.04p

The impact of a change of 20% (2010: 20%) has been selected as this is considered reasonable given the current level of volatility observed both on a historical basis and market expectations for future movement.

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 2011 £'000	31 March 2010 £'000
IMImobile	**22,889**	15,100
	22,889	15,100

Currency risk sensitivity
A sensitivity analysis on movements in the exchange rate has been conducted, showing the effect in value of investments denominated in foreign currency and the change in earnings per Ordinary share. A change of 20% (2010: 20%) has been selected as this is considered reasonable based on last years movement in Indian Rupees to Sterling.

	31 March 2011 £'000	31 March 2010 £'000
If the Sterling exchange rate fell by 20% (2010: 20%) against Rupee:	**(4,578)**	(3,020)
Decrease in earnings and net asset value per share	**(1.12)p**	(0.74)p
If the Sterling exchange rate increased by 20% (2010: 20%) against Rupee:	**4,578**	3,020
Increase in earnings and net asset value per share	**1.12p**	0.74p

Cash flow 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. The loan stock investments referred to below are at fixed interest rates.

Credit risk
Credit risk is the risk that a counterparty will fail to discharge an obligation or commitment that it has entered into with the Group.

The Group's maximum exposure to credit risk is:

	31 March 2011 £'000	31 March 2010 £'000
Loan stock investments	**2,389**	2,474
Cash at bank	**4,742**	6,725
Restricted cash balances	**2,035**	2,035
Deferred consideration	**351**	1,133
Trade and other debtors	**233**	284
Accrued income	**–**	18
	9,750	12,669

Credit risk relating to loan stock investments in unquoted companies is considered to be part of market risk. The loan provided to IMImobile (£1,389k) is being paid back in monthly instalments. The loan provided to Aspex is secured, however it is the success or otherwise of the current project that will determine whether the loan stock is recovered.

The Group's cash balances are maintained by major UK clearing banks and the list of acceptable counterparties where cash deposits can be placed is regularly reviewed. The deferred consideration balance is held in a lawyer's Escrow account and will be released upon expiry if no claims have been received against warranties provided.

The collection of trade debtor balances owed by occupiers of 33 Glasshouse Street is managed by an experienced serviced office provider and deposits are held to cover any risk of non-payment.

Notes to the Consolidated Financial Statements (continued)

15 Financial instruments and financial risk management (continued)

Liquidity risk

The Directors consider that there is no significant liquidity risk faced by the Group. The Group maintains sufficient investments in cash to pay accounts payable and accrued expenses as they fall due and the Board reviews cash flow receipts and expenditure forecasts when it considers proposing shareholder returns. In particular, the receipt of £3.1m in June 2011 from selling part of Mind Candy and further IMI loan repayments after the reporting date, provided sufficient comfort that the operating costs of the business can be afforded for the foreseeable future.

Fair values of financial assets and financial liabilities

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

For investments not traded on an open market, the Directors consider that their book values are equal to fair values.

All investments fall into the category ‘Level 3’ under the IFRS7 fair value hierarchy. A reconciliation of fair value measurements in Level 3 is set out in Note 9 to the accounts.

Level 3 unquoted equity and loan stock investments are valued in accordance with International Private Equity and Venture Capital Guidelines as follows:

	31 March 2011 £‘000	31 March 2010 £‘000
Cost (reviewed for impairment)	**3,775**	4,485
Recent investment price	**18,715**	14,872
Industry valuation benchmark (earnings or sales multiples)	**26,385**	19,270
Actual sales proceeds (applied to entire stake)	**3,000**	3,172
	51,875	41,799

The unquoted equity and loan stock investments had the following movements between valuation methodologies between 31 March 2010 and 31 March 2011:

Change in investment methodology	Carrying value as at 31 March 2011 £‘000s	Explanatory note
Industry valuation benchmark to recent investment price	3,000	More appropriate basis
Industry valuation benchmark to actual sales proceeds	3,000	More appropriate basis

The investment in Mind Candy was revalued from £720k to £6.0m in the year. Half of this £6.0m was received in cash in June 2011 with the balance continuing to be held as a portfolio investment.

IFRS7 requires disclosure if the effect of changing one or more inputs to reasonably possible alternative assumptions would result in a significant change to fair value measurement. The portfolio has been reviewed and both downside and upside reasonable possible alternative assumptions have been identified and applied to the valuation of each of the unquoted investments. The downside alternatives would value the unquoted investments £961k lower and the upside £961k higher. In arriving at these figures a 5% change in earnings multiples was applied.

Capital disclosures

The Group’s objective is to realise its portfolio over the next three years and return the proceeds to shareholders.

The capital subscribed to the Group has been managed in accordance with the Group’s objectives. The available capital at 31 March 2011 is £59.4m (31 March 2010: £52.5m) as shown in the statement of financial position, 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 2011 £'000	Group 31 March 2010 £'000	Company 31 March 2011 £'000	Company 31 March 2010 £'000
Called up, allotted and fully paid:				
450,000,000 (2010: 450,000,000) ordinary shares of 0.45p (2010: 0.5p)	**2,025**	2,250	**2,025**	2,250
Deferred Shares of 0.5p	**–**	4,597	**–**	4,597
2,000,000 D shares of 0.5p	**10**	10	**10**	10
	2,035	6,857	**2,035**	6,857

During the year the ordinary shares of 0.5p per share were re-classified as ordinary shares of 0.45p per share. At the same time the shareholders were issued with either 1 B share or 1 C share depending on the shareholder preference in an election. If a shareholder did not make an election, they received C shares by default. Each B share was re-purchased by the Company's brokers on 29 September 2010 at 1.0p per share and then sold on to the Company and cancelled on 6 October 2010. Each C share received a dividend of 1.0p per share on 1 October 2010, after which each share became a deferred share. The deferred shares from the 2009 and 2010 dividends were cancelled on 6 October 2010. The total amount returned to shareholders holding B or C shares amounted to £4.1m.

The deferred shares of 0.5p each carried no rights to dividends, had no rights to a return of capital on a winding up and had no rights to attend, speak at or vote at a General Meeting of the Company.

During the year there were no purchases or cancellations of Treasury shares.

Under the Group's 2001 Unapproved Share Option Scheme, 15,841,000 options had been granted to employees, with an exercise price of 2.5 pence, to be exercised in accordance with the Share Option Scheme rules before 31 December 2011. As at 31 March 2011 and 31 March 2010, 14,922,608 of these options have been exercised, leaving 918,392 shares still held by the NewMedia SPARK Employee Benefit Trust. These shares are held to cover 915,000 share options held by former employees which are exercisable at the reporting date.

Under the Group's 2005 Executive Share Option Scheme, 20,227,273 options had been granted to employees, with an exercise price of 11.0 pence, to be exercised in accordance with the Share Option Scheme rules before 30 September 2015. The options vest over five years subject to achieving growth in net assets per share in excess of required targets. None of these options had been exercised by 31 March 2011. As at 31 March 2011 (and 31 March 2010), 40% of these options had vested with the remainder cancelled following the completion of the management buy-out on 9 October 2009. The repayment to shareholders of 2p per share in August 2009 and 1p per share in September/October 2010 have reduced the exercise price of these options to 8.0 pence per share. All these 8,090,909 options are exercisable at the reporting date.

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 2011 was 6.92 pence. In the year the share price reached a maximum of 8.25 pence and a minimum of 5.75 pence. The closing share price on 31 March 2011 was 7.25 pence.

Following the passing of a special resolution at the General Meeting of the Company on 2 October 2009, a new class of shares were created, being D shares. D shares are entitled to receive the D share distribution, which is triggered once payments to ordinary shareholders from 7 August 2009 have exceeded £49.3m. Above this hurdle (which can be reduced by £820k for each £4.1m returned to shareholders before 31 March 2012), D shareholders receive 15% of distributions to shareholders above the £49.3m hurdle up to £57.5m and 20% above £57.5m. In accordance with the terms of the Management Buy Out, 200,000 D shares were issued at a price of 5p per share on 2 December 2009 and 1,800,000 D shares were issued on 26 March 2010 at par. The par value of each D share is 0.5p.

The holders of D shares are not entitled in their capacity as holders of such shares to attend, speak at or vote at a General Meeting of the Company. The D shares have no conversion rights into other classes of share. The D shareholders have no rights to distributions other than D share distributions and only have rights to D share distributions once the initial target has been reached (£49.3m). The D shareholders only accrue value up to and including the year ending 31 March 2014 after which they accrue no further value except that this deadline is extended to 30 September 2014 if the entire Company is sold by this latter date.

Notes to the Consolidated Financial Statements (continued)

16 Called up share capital (continued)

As at 30 June 2011, 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	51,690,877	12.58%
River & Mercantile Asset Management	21,956,568	5.35%
Ennismore Fund Management	19,765,000	4.81%
Peter Lobbenberg	16,350,000	3.98%
Henderson Global Investors	16,312,500	3.97%
Ingot Capital Management	15,250,000	3.71%

The percentage holdings shown above are based on the total number of issued shares, less those shares held in Treasury at 30 June 2011 (39,245,220). The number of shares held in Treasury at 31 March 2011 and 31 March 2010 were the same as at 30 June 2011.

17 Discontinued operations – Group

Discontinued operations in the year to 31 March 2010 represents the results of the fund management division of SPARK prior to this division being sold to SPARK's former management team in October 2009.

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

	31 March 2011 £'000	31 March 2010 £'000
Revenue	–	1,572
Expenses	–	(950)
Profit before taxation	–	622
Taxation	–	–
Profit for the period	–	622
Loss on disposal of discontinued operation	–	800
Net profit attributable to discontinued operation	–	(178)
Cashflows:		
Operating	–	377

18 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 3.

Details of related party transactions between the Company and its subsidiaries and of non-salary related transactions involving directors are detailed below:

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

The remuneration policy of the Company allows investment by Company directors and investment managers in companies in which SPARK holds investments subject to guidelines and approval by the remuneration committee.

In the year ended 31 March 2011, SPARK Ventures plc paid management fees of £625k and secretarial fees of £100k to SPARK Venture Management Ltd (SVML) for the management of its portfolio and paid £881k for the management of Quester Venture Partnership. Quester Venture GP Ltd is the general partner of Quester Venture GP Partnership which is the General Partner of Quester Venture Partnership. SVML is wholly owned by Querist Limited which in turn is wholly owned by SPARK Venture Management Holdings Limited (SVMH) – a company owned and controlled by the MBO team (Andrew Carruthers, Jayesh Patel, Thomas Teichman and Andrew Betton). Additionally SPARK Ventures plc owns 30% of SVMH. Also, SPARK Investors Limited (a subsidiary of Querist Ltd) paid £202k to SPARK Services Ltd for office space and related services on short-term leases which expire in October 2011. All these transactions were negotiated at arms length. At 31 March 2011, SPARK Ventures plc had a balance of £30k owing to SPARK Venture Management Limited for secretarial fees.

Jay Patel represents SPARK on the Board of IMImobile and is a director and shareholder in that Company holding 3.0% of its issued share capital along with persons connected to Jay. In June 2010, SPARK made a £2.5m loan facility to IMImobile to provide finance for a proposed acquisition. This facility was negotiated at arms length. In the period from June 2010 to 31 March 2011, IMImobile repaid £1.1m of this loan, representing eight monthly instalments. Additionally, interest on this loan of £0.15m was paid in the period. After the balance sheet date, a further four instalments have been paid to date, leaving the balance owing by IMImobile at 31 July of £0.8m. Following the acquisition of Win plc, and at the request of IMImobile, Jay Patel has assumed certain operating and executive responsibilities within IMImobile to assist in integrating the acquisition. SPARK Investors Ltd (a company controlled by SVMH) was due £60k (plus VAT) for these services for the period from 1 October 2010 to 31 March 2011. At the reporting date, the entire amount due for the period of £60k (plus VAT) had neither been billed or paid. Additionally, since October 2010, IMImobile have been subletting one of the offices in 33 Glasshouse Street leased by SPARK Investors Ltd. This is at a rate of £170k per annum. This arrangement is due to expire in October 2011. The rental negotiation with SPARK Investors Ltd was negotiated at arms length. At 31 March 2011, IMImobile owed £34k under this arrangement to SPARK Investors Ltd.

Tom Teichman, the Chairman of SVMH (the parent Company of SPARK's Manager) represents SPARK Ventures plc on the Board of Kobalt Music and is the chairman of that company. As an alternative to cash directors' fees, Kobalt Music Group Ltd has previously 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. These options are limited to a maximum value of £6 per share. Additionally, Tom bought 21,666 BA ordinary shares in Kobalt in the year for a total consideration of £108. These BA ordinary shares only have value at share prices in excess of £6. In the year to 31 March 2011, SPARK's loan to Kobalt from the prior year converted into equity at £5.93 per share being the last funding round price. In the year to 31 March 2011, Kobalt paid cash directors fees of £10k to Tom.

Thomas Teichman also represents SPARK on the Board of Mind Candy and is a shareholder holding approximately 1% of the ordinary share capital. On 22 June 2011, Tom Teichman sold 189,390 shares in Mind Candy at the same price as SPARK Ventures plc and received proceeds of £639k.

Transactions during the year between the Group and Company and its investee companies are disclosed in Note 9.

Notes to the Consolidated Financial Statements (continued)

18 Related party transactions (continued)

The balances owed by subsidiary undertakings to the Company are as follows:

	2011 £'000	2010 £'000
SPARK India Ltd. (Mauritius)	**3,182**	3,152
New Media SPARK BV	**2,405**	2,405
SPARK Services Ltd	**476**	800
Amounts owed by group subsidiary undertakings	**6,063**	6,357

The balances owed to subsidiary undertakings by the Company are as follows:

	2011 £'000	2010 £'000
Internet Indirect Ltd	**79,315**	79,315
NewMedia SPARK Ltd (formerly Softtechnet.com Ltd)	**26,608**	26,608
Globalnet Financial.com Inc	**2,987**	2,987
NewMedia SPARK Holdings Gmbh	**682**	682
Quester Venture GP Ltd	**1,471**	1,160
Amounts owed to group subsidiary undertakings	**111,063**	110,752

During the year the Company has been charged £2.959m from SPARK Services as a contribution to prior year losses and additionally provided SPARK Services with funds of £720k in the year to enable the company to meet its debts as they fell due.

The balance owed to Quester Venture GP Ltd has increased largely due to the passing up of profits made via the intercompany account rather than through dividends.

During the year the Company reversed its £2.0m impairment on the balance owed by SPARK Services Ltd.

There are no other related party transactions of which we are aware in the year ended 31 March 2011.

19 Subsequent events

On 22 June 2011, the Company sold half its stake in Mind Candy Inc for £3.1m.

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