SPARK Ventures

www.sparkventures.com

www.moshimonsters.com

www.notonthehighstreet.com

www.imimobile.com

www.kobaltmusic.com

www.dem-solutions.com

www.firebox.com

Half Year Report 2010

Six months to 30 September 2010

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. In August 2009 SPARK Ventures plc decided to change its strategy and will no longer make any new investments, but will aim to realise its portfolio over the next five years and return the proceeds to shareholders.

As part of this change in policy, SPARK outsourced the management of its portfolio to a company owned by its former executive management team, SPARK Venture Management Limited (SVML) in a management buy out in October 2009. As a consequence, SPARK no longer has any full-time employees but has a Board of six directors, being four independent non-executive directors and two representatives of its new manager.

The SVML team is very experienced has been investing in early-stage businesses for 12 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.

Key Highlights

Profit for the six month period of £1.4m increases underlying NAV to 13.1p prior to the distribution of 1p per share to shareholders.

Second distribution to shareholders with £4.1m of cash distributed in September 2010/October 2010 following the distribution of £8.2m made in previous year.

Strong performance from the largest portfolio company by value, IMImobile, led to increase in its valuation by £2m to £19.6m.

Strong trading performance from Kobalt and notonthehighstreet.com but no new valuation events in the period.

Sale of Complinet in the period for proceeds of £3.17m, making a 2.6x return above cost and generating an IRR of 35%.

Encouraging revenue performances from many portfolio companies.

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Chairman's Report

Dear Shareholder,

The company has made good progress in the six months to the end of September 2010 on all three fronts of our activity; the improvement in value of the portfolio, the advancement towards realisations and controlling our costs.

We made our second return of cash to shareholders of 1p per share at a cost of £4.1m, bringing the total over the last 18 months to £12.3m.

You will see from the Investment Manager's report that we have been able to make some important increases in valuations. Whilst evaluating an unquoted portfolio cannot ever be totally scientific, we work closely with our advisers to ensure both prudent reality and a consistency in the methods we use. We have BVCA guidelines to assist us, such as recent financing rounds or other external events and we analyse comparable companies, where possible, in both the publicly traded and private sectors. At the end of the day these considerations always involve some matters of judgement. I believe that the knowledge and experience of our Board leave us well placed to make appropriate decisions.

The continuing up-valuation of IMI gives us encouragement for its future realisation and the same can be said for almost all the companies in the portfolio (where only two small investments have been written down in the period). It is also worth noting that none of our investee companies have any material exposure to Government spending. We are confident that our medium term strategy to realise all the investments by 2014 is on track.

In terms of controlling costs, we are somewhat reliant on the number of tenants in 33 Glasshouse Street, on which SPARK took a 15 year lease in 1999. We work with our agents to try to maximise occupancy at all times. Rental income was £0.543m for the last six months compared with £0.693m a year ago.

I believe that our managers are well motivated and work hard to achieve the objectives we have set and I would like to thank all of them for their continued efforts on behalf of SPARK Ventures plc.

David Potter
Non-Executive Chairman

Investment Manager's Report

Introduction

We are pleased to report that the Group has made a profit for the period on continuing operations of £1.4m compared with a loss in the same period last year of £1.8m.

This profit is due to net unrealised investment valuation gains being more than sufficient to offset the effects of the Group's administrative expenses. NAV per share has fallen in the period from 12.8p to 12.1p but 1p of this fall is due to the shareholder return approved at the AGM on 22 September. After adjusting for this shareholder return, NAV per share has risen from 11.8p to 12.1p – a rise of 3% in the period and a rise of 14% over the year following completion of the externalisation of the investment management team in October 2009.

Portfolio valuation performance

In the six months to 30 September 2009 the Group has made net unrealised gains of £2.4m. £2m of this gain arose from an increase in the valuation of the Group's stake in IMImobile ('IMI'), £0.3m arose from an increase in the valuation of the Group's stake in Mindcandy and a net £0.1m arose from three other valuation changes. The only 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 at 31 March 2010 valuations hence there is no gain/loss in the period. Of the 18 portfolio companies existing at 31 March 2010, three have been valued upwards, two 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 two (IMI and Gambling Compliance) have received further funding whilst one (DEM Solutions) repaid some debt.

With the increase in value reported for IMI, coupled with further portfolio realisations, the Group's investments are becoming increasingly concentrated. Indeed at 30 September 2010, the top 3 investments (IMI, Kobalt and Notonthehighstreet.com) now represent 74% of the portfolio by value compared with 67% at 31 March 2010. It is increasingly clear that the ultimate success of the SPARK Group will be heavily influenced by the ultimate success of these three investments.

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 six months to September 2010 by £4.5m from £15.1m to £19.6m. £2.5m of this uplift represents the secured loan provided by SPARK to IMI to help fund the acquisition of WIN plc. The remaining £2m of the increase in value is due to growth in IMI's earnings. Half year revenues to September 2010 are up by 24% and EBITDA is up by 54% compared with the same period in 2009. This earnings growth has then been applied to a PE ratio 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

Investment Manager's Report

(continued)

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%. As at 14 December, SPARK has received instalments totalling £0.7m leaving £1.8m 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 is headquartered in London but now has a substantial US presence and employs around 80 people worldwide.

Due to the lack of a valuation event, we have not changed the valuation of £7.3m in the period.

Kobalt reported revenues in the year to June 2010 of £47.5m, up 24% on the previous year and also reported Net Publisher Share 11% higher than the previous year. Client renewals remain very high at 98%. Despite a continued decline in sales of recorded music, the music publishing business has continued to grow revenues and Kobalt has been taking a larger share of this market. In the most recent music publishers market share statistics (Q3 2010) published by BillBoard, Kobalt had a 12.1% share of the US airplay chart (just behind one of the major publishers), an 8.4% share of the UK Combined Chart (singles & albums) publishers' share – just behind Warner Chappell at 8.5% and a 6.3% share of the German music publishing market.

Notonthehighstreet.com

Notonthehighstreet.com ('NOTHS') is an internet marketplace for over 1200 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 40 people.

As reported in the Annual Report for March 2010, on 28 July 2010 NOTHS secured £7.5m of funding from major venture capital investors – Index Ventures and Greylock. As a result of selling some existing shares to these new investors, SPARK's aggregate valuation fell in the period by £1m. This partial sale of the holding has resulted in SPARK recovering and making a profit on all of its initial investment with the remaining holding representing potentially significant additional gains to come.

NOTHS has maintained its impressive growth in 2010 with top-line sales for the nine months to September being 136% ahead of the same period of 2009 and looks likely to exceed its demanding budget for the year to December 2010. The business is on budget to be profitable but, as with many retailers, the Christmas trading period is crucial to the annual financial performance and whilst early indications are very encouraging, it is premature to report on this.

Firebox.com

Firebox is a retail website selling the latest gadgets, toys and games. Firebox is based in London and employs 58 staff.

We have held the valuation of SPARK's stake in Firebox at the level reported for March 2010 (£1.85m). This valuation was derived from an earnings based method with Firebox reporting sales of £12.7m and EBITDA of £1.1m for the year to January 2010. In 2010 performance has been ahead of budget but, again, the Christmas period is crucial to the annual performance so as with previous years, the valuation has been left unchanged until the results from the second half are known.

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 23 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 with revenues for the year to June 2010 being 24% ahead of the prior year. A loan made in June 2009 to bridge the company through to profitability has been substantially repaid at the time of writing as DEM has now achieved consistent profitability.

Gambling Compliance

Gambling Compliance provides critical regulatory, legal and market analysis to the gaming industry. It is based in London and employs 20 staff.

The valuation has increased in the period to September 2010 as a result of the cash invested in the period. The business is valued on a sales multiple and sales for the six months to September 2010 are 8.5% ahead of the same period last year with further growth expected in the company's second half. The business is expected to be profitable in its year to March 2011.

OpenX

OpenX is a business based on an open source ad-serving platform. It is headquartered in California and employs over 60 staff. The investment in OpenX was originally acquired when the business was spun out of Unanimis in late 2007.

The business valuation of £1.3m for SPARK's stake has been held at the level of the most recent external funding round (May 09). Since this event the company's trading performance has significantly improved and the business now generates substantial revenues (more than $2m per month) although is not yet profitable.

Aspex

Aspex is a UK based (High Wycombe) fabless semiconductor chip company and employs 18 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 and progress has continued since then but some milestones have been delayed by third parties, but not to the extent that the contract has been breached. The delivery of a working device is now likely to be in the second quarter of 2011 making this the most likely trigger point for the customer to exercise its option to buy the business. SPARK's valuation of £1m 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 £1m.

Investment Manager's Report

(continued)

Mindcandy

Mindcandy 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. Mindcandy is headquartered in London and has over 30 staff.

At 31 March 2010 Mindcandy was valued by SPARK according to a sales multiple. Since then revenue has continued its fast growth so SPARK has increased its valuation from £0.7m to £1.0m accordingly.

Moshimonsters has become a world top 3 children's game online and has over 28m registered users. The business is profitable and has many exciting initiatives launching soon that we expect will help continue their fast growth.

Capital return and cash balances

During the six months to September, 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. This return gave shareholders the choice of receiving income or capital. The Capital return of £1.85m had been made before the balance sheet date but the dividend on the C shares of £2.27m was made after the balance sheet date and so was included in cash balances at the period end. The process chosen to return cash has been welcomed by shareholders but it does incur certain considerable professional fees so it is not likely that this process will be carried out more than once in any one calendar year.

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 at 30 September 2010, £3.5m of this £6m had been utilised although as the IMI loan is repaid, the unutilised reserve for future investments of £2.5m is expected to grow. 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

Operating losses of £1.0m have increased over that reported for the period to September 2009 (£0.9m). This is mainly due to a loss in income from higher vacancy rates in the serviced office operation caused by the largest tenant leaving the building in October 2009. Occupancy has recovered and we expect the second half performance to improve.

Conclusion

We remain confident that there is significant value to be gained from holding the portfolio to maturity and returning the proceeds to shareholders in due course in accordance with the agreed strategy. Recent developments within the three largest portfolio companies in particular should assist in the securing of attractive exits in future periods.

SPARK Venture Management Ltd
14 December 2010

Independent Review Report

To SPARK Ventures plc

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2010 which comprises the group statement of comprehensive income, group statement of financial position, group statement of changes in equity, group statement of cash flows and related notes 1 to 7. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with the terms of our engagement. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

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

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

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2010 is not prepared, in all material respects, in accordance with the AIM Rules of the London Stock Exchange.

PKF (UK) LLP
London, UK
14 December 2010

Group Statement of Comprehensive Income (condensed)

Six months to 30 September 2010

	Six months to 30 September 2010 £'000 Unaudited	Six months to 30 September 2009 £'000 Unaudited	Year to 31 March 2010 £'000 Audited
Continuing operations			
Gains and losses on investments at fair value through profit or loss			
Realised gains and (losses)	**–**	7	(804)
Unrealised gains and (losses)	**2,373**	(938)	6,271
	2,373	(931)	5,467
Revenue			
Bank interest receivable	**105**	94	144
Fund management revenue	**595**	632	634
Portfolio dividends and interest	**27**	–	17
Other income	**549**	759	1,103
	1,276	1,485	1,898
Administrative expenses			
Salaries and other staff costs	**(83)**	(105)	(301)
Investment management fees	**(352)**	–	(258)
Fund management costs	**(446)**	(474)	(456)
Depreciation and amortisation	**(224)**	(237)	(584)
Property costs	**(862)**	(797)	(1,772)
Other costs	**(316)**	(806)	(1,426)
Total administrative expenses	**(2,283)**	(2,419)	(4,797)
Profit/(loss) before taxation	**1,366**	(1,865)	2,568
Taxation	**–**	24	(47)
Profit/(loss) for the financial period from continuing operations	**1,366**	(1,841)	2,521
Discontinued operations			
(Loss) for the period from discontinued operations	**–**	(1,204)	(178)
Profit/(loss) for the financial period	**1,366**	(3,045)	2,343
Attributable to:			
– Equity shareholders funds of the parent	**1,366**	(3,045)	2,343

Group Statement of Financial Position (condensed)

At 30 September 2010

	30 September 2010 £'000 Unaudited	30 September 2009 £'000 Unaudited	31 March 2010 £'000 Audited
Non-current assets			
Property, plant and equipment	**306**	383	352
Investments at fair value through profit and loss	**42,509**	33,820	41,799
Deferred consideration	**1,133**	1,951	1,133
Intangible assets	**540**	900	720
Restricted cash	**2,035**	2,699	2,035
	46,523	39,753	46,039
Current assets			
Trade and other receivables	**911**	685	959
Cash and cash equivalents	**6,192**	7,643	6,725
	7,103	8,328	7,684
Current and non-current assets classified as held for sale	**–**	1,618	–
Current liabilities			
Trade and other payables	**(1,605)**	(1,308)	(1,215)
Dividend declared on 2010 C shares	**(2,273)**	–	–
	(3,878)	(1,308)	(1,215)
Liabilities directly associated with non-current assets classified as held for sale	**–**	(720)	–
Net current assets	**3,225**	7,020	6,469
Net assets	**49,748**	47,671	52,508
Equity attributable to the shareholders of the parent			
Issued capital – ordinary shares	**2,025**	2,250	2,250
Issued capital – B shares	**92**	–	–
Issued capital – C shares	**4,730**	4,597	4,597
Issued capital – D shares	**10**	–	10
Share premium	**9**	26,486	9
Revenue reserve	**38,086**	9,542	40,846
Capital redemption reserve	**4,971**	4,971	4,971
Own shares	**(175)**	(175)	(175)
Total equity	**49,748**	47,671	52,508

Group Statement of Financial Position (condensed)

At 30 September 2010 (continued)

Net assets per share

	Number 30 September 2010 '000 Unaudited	Number 30 September 2009 '000 Unaudited	Number 31 March 2010 '000 Audited
Ordinary shares in issue	**450,000**	450,000	450,000
Shares held in Treasury	**(39,245)**	(39,245)	(39,245)
Shares held by Employee Benefit Trust	**(918)**	(915)	(918)
Shares in issue for net asset per share calculation	**409,837**	409,840	409,837
NAV per share (pence)	**12.14**	11.63	12.81

Group Statement of Cash Flows (condensed)

Six months to 30 September 2010

	Six months to 30 September 2010 £'000 Unaudited	Six months to 30 September 2009 £'000 Unaudited	Year to 31 March 2010 £'000 Audited
Cash flows from operating activities			
Cash flow from operations	**(342)**	110	(2,230)
Net cash (outflow)/inflow from operating activities	**(342)**	110	(2,230)
Cash flows from investing activities			
Purchase of property, plant and equipment	**–**	(1)	(12)
Disposal of subsidiary	**–**	–	800
Purchase of financial investments	**(2,585)**	(557)	(1,125)
Sale of financial investments	**4,247**	1,883	1,901
Release of restricted cash	**–**	–	1,164
Net cash inflow from investing activities	**1,662**	1,325	2,728
Cash flows from financing activities			
Dividends paid (C shares)	**–**	(4,597)	(4,597)
Share buy backs (B shares)	**(1,853)**	(3,618)	(3,618)
Issue/Purchase of D shares	**–**	–	19
Net cash outflow from financing activities	**(1,853)**	(8,215)	(8,196)
Change in cash and cash equivalents	**(533)**	(6,780)	(7,698)
Opening cash and cash equivalents	**6,725**	14,423	14,423
Closing cash and cash equivalents	**6,192**	7,643	6,725

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

Revenue	**1,276**	1,485	1,898
Administrative expenses	**(2,283)**	(2,419)	(4,797)
Operating loss	**(1,007)**	(934)	(2,899)
Operating (loss)/profit on discontinued operations	**–**	(1,180)	622
Decrease in trade and other receivables	**51**	1,404	1,152
Increase/(decrease) in trade and other payables	**390**	(534)	(1,444)
Depreciation and amortisation	**224**	1,354	909
Share-based payment	**–**	–	(570)
Net cash flow from operations	**(342)**	110	(2,230)

Group Statement of Changes in Equity

For the six months ending 30 September 2010

	D shares £'000	C Shares/ Deferred shares £'000	B shares £'000	Ordinary share capital £'000	Share Premium £'000	Revenue Reserve £'000	Capital Rede-mption reserve £'000	Own shares £'000	Total equity £'000
Balance at 1 April 2009	–	–	–	11,250	26,486	20,802	568	(175)	58,931
Loss for the financial period						(3,045)			(3,045)
Share based payments									–
Share split into 2009 B & C shares		4,597	3,618	(9,000)			785		–
Share buy-backs of 2009 B shares			(3,618)						(3,618)
Transfer to capital redemption reserve					(3,618)	3,618			–
Dividend on 2009 C shares						(4,597)			(4,597)
Balance at 30 September 2009	–	4,597	–	2,250	26,486	9,542	4,971	(175)	47,671
Balance at 1 April 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 2009 B & C shares		4,597	3,618	(9,000)			785		–
Share buy-backs of 2009 B shares			(3,618)						(3,618)
Transfer to capital redemption reserve					(3,618)	3,618			–
Dividend on 2009 C shares						(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 financial period						1,366			1,366
New share split into 2010 B & C shares		133	92	(225)					–
Share buy-backs of 2010 B shares						(1,853)			(1,853)
Dividend proposed on 2010 C Shares						(2,273)			(2,273)
Balance at 30 September 2010	**10**	**4,730**	**92**	**2,025**	**9**	**38,086**	**4,971**	**(175)**	**49,748**

At the EGM in August 2009, the Company split its ordinary share capital of 2.5p ordinary shares into 1 ordinary share of 0.5p each together with either 4 B shares of 0.5p each or 4 C shares of 0.5p each. Shareholders were given the choice of receiving B or C Shares. The B shares were subsequently bought back by the Group at 0.5p each and cancelled. The C Shares received a dividend of 0.5p per share after which they became deferred. The whole class of deferred shares were bought back by the Company at the AGM on 22 September 2010 for one penny and cancelled on 6 October 2010.

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

Notes

To the Unaudited Half Year Report

Note 1 – General information

SPARK Ventures plc is a company incorporated in the UK. The information set out in this unaudited Half Yearly Financial Report for the periods ended 30 September 2010 and 30 September 2009 does not constitute statutory accounts as defined in section 435 of Companies Act 2006. Comparative figures for 31 March 2010 are derived from the financial statements for that year. The financial statements for the year ended 31 March 2010 have been delivered to the Registrar of Companies and contain an unqualified audit report, did not contain a statement under matter of emphasis and no statements under section 498(2) or (3) of the Companies Act 2006. The Group has not adopted IAS 34: 'Interim Financial Reporting' as the AIM rules do not require this.

Note 2 – Basis of accounting

The Annual Group financial statements are prepared under International Financial Reporting Standards (IFRS) as adopted by the European Union. The financial information set out in this Half Yearly Financial Report has been prepared using accounting policies, methods of computation and presentation consistent with those applied in the preparation of the accounts for the Group for the year ended 31 March 2010. This report does not itself contain sufficient information to comply with IFRS. These condensed consolidated interim financial statements have been prepared on the basis of IFRSs in issue that are effective at the Group's annual reporting date as at 31 March 2011.

Note 3 – Going concern

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

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

Note 4 – Investments at fair value through profit and loss

Portfolio Company Name	Note Ref	Value at 31 March 2010 £'000	Additions £'000	Disposals £'000	Revaluations £'000	Value at 30 Sep 2010 £'000	Value at 30 Sep 2009 £'000
IMImobile		15,100	2,500	–	2,000	19,600	13,000
Kobalt Music		7,306	–	–	–	7,306	6,818
Notonthehighstreet.com		5,600	–	(1,000)	–	4,600	1,590
Firebox		1,850	–	–	–	1,850	730
DEM Solutions		1,860	–	(75)	–	1,785	1,873
Gambling Compliance		1,250	84	–	–	1,334	959
OpenX		1,300	–	–	–	1,300	1,200
Aspex		1,000	–	–	–	1,000	1,000
Mindcandy		720	–	–	255	975	654
Academia		666	–	–	–	666	666
Mblox		250	–	–	250	500	250
		36,902	2,584	(1,075)	2,505	40,916	28,740
Other investments	(1)	1,725	–	–	(132)	1,593	3,560
Investments sold in the period							
Complinet		3,172	–	(3,172)	–	–	1,520
		3,172	–	(3,172)	–	–	1,520
TOTAL portfolio		**41,799**	**2,584**	**(4,247)**	**2,373**	**42,509**	**33,820**

(1) Other investments include Crocus, Freesourcing, iSango!, Market Clusters, MyDeco, Quester Venture Partnership, Skinkers and SPARK Venture Management Holdings Limited.

Notes

To the Unaudited Half Year Report (continued)

Note 5 – Deferred consideration

	30 September 2010 £'000 Unaudited	30 September 2009 £'000 Unaudited	31 March 2010 £'000 Audited
IMI Engineering	807	700	807
Unanimis	326	1,251	326
	1,133	1,951	1,133

The deferred consideration for IMI Engineering is held in escrow to cover warranties that are not currently expected to be payable.

The deferred consideration in relation to Unanimis includes an amount held in escrow pending expiry of warranty.

Note 6 – Re-classification of comparative for six months ended 30 September 2009

To be consistent with the analysis presented in the annual report for the year ended 31 March 2010, some of the comparatives for the six months ended 30 September 2009 have been reclassified. In particular:

- a £380k credit within administrative expenses due to continuing activities has been removed with a corresponding decrease in administrative expenses due to discontinued activities.
- £474k has been added to fund management revenue and fund management costs so that the full income received by Quester Venture GP Limited from QVP is recorded in the group accounts. Previously the fund management costs had been netted off against the revenue.
- The treatment of the 2009 B and C shares has been adjusted to be shown consistent with the presentation in the annual report.

None of these re-classifications have affected the overall loss reported for 30 September 2009 or the net asset value, however there have been some consequential amendments to the reconciliation of operating profit and net cash flow from operating activities.

Note 7 – Post balance sheet events

On 1 October 2010, the Company paid a 1p per share dividend on the 2010 C shares then in issue. This amounted to £2.273m. All B shares and C shares (2009 and 2010) were subsequently cancelled on 6 October 2010.

On 29 October 2010, IMI mobile repaid £555k of the £2.5m loan provided to them in June 2010 and repaid a further £139k on 6 December 2010.

Officers and Professional Advisers

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

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