SPARK Ventures

Half Year Report 2013

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 five directors, being three independent non-executive directors and two representatives of its manager.

The SVML team is very experienced, has been investing in early-stage businesses for 14 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').

Highlights

- Sale of Notonthehighstreet after the period end for £11.0m. SPARK's best ever IRR return (65%) and an 18x multiple on cost.
- Receipts from Aspex and partial disposal of Kobalt in period bring in £11.7m cash which formed the basis of the cash return to shareholders.
- A further £8.2m returned to shareholders following approval at AGM on 30 September bringing total returns to shareholders since 2009 change of strategy to £35m (8.5p per share).
- Portfolio value has more than doubled since October 2009, resulting in an IRR on the portfolio of 20%.
- IMI continues to trade well. However, valuation was reduced by £1.4m to £14.8m due to reductions in EBITDA multiples.
- NAV per ordinary share reduces to 11.4p as a result of shareholder return (£8.2m), unrealised valuation reductions (£5.7m) and operating losses. (£1.0m).
- Cash balance at period end of £4.7m (31 March 2013: £1.9m). Recently boosted by £11.0m receipt from sale of Notonthehighstreet.

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Chairman's Report

Dear Shareholder,

During the first half of our financial year and in the period up to the date of this report, your Board has continued to realise the Company's investments, has returned £8.2m to shareholders and has continued to monitor the remaining investments with the aim of maximising shareholder value in line with the Company's corporate strategy.

During the period a substantial part of the Company's stake in Kobalt Music was sold for £10.0m and in November 2013, the Company sold its stake in Notonthehighstreet.com for £11.0m. This represented SPARK's highest multiple of investment return (18x on original cost) since the Mergermarket exit in 2006 when a 24x multiple was recorded. In both cases SPARK was the original investor in the first round of funding.

Additionally, following the Annual General Meeting on 30 September 2013, the Company returned £8.2m (2p per share) to shareholders. Since the change of strategy implemented in August 2009 (and it is worth noting that the share price was 5p on 31 March 2009), approximately £35m has been returned to shareholders, equivalent to 8.5 pence per share. At the time of writing the share price is at 10.5p and the Net Asset Value reported in these accounts is 11.4p per share. The total return to shareholders from a share price of 5p on 31 March 2009 to 11.5p today, after receiving 8.5p along the way (making a total return of 19p), represents an IRR of 50.5%. On an NAV basis, and adding back the cash returned to the current NAV, the comparison is between 14.6p at 31 March 2009 and 19.9p today – an increase of 36%.

Both of these results justify the Board's decision to reject the opportunistic bid received in early 2009 and to change the Company's strategy at that time.

As described more fully in the Investment Manager's Report, some valuations have been reduced in the period as a result of factors such as sale processes not looking likely to complete, changes in the likely method of exit or a change in the performance of the portfolio company. These valuation reductions, and significant returns to shareholders made and approved in the period, have led to the NAV of the company falling to 11.4p.

As you are aware, at the time of the MBO in October 2009 the Board undertook to harvest the entire portfolio of SPARK within 5 years. A target date of 31 March 2014 was set, together with a final six-month period thereafter in which to complete a possible sale of the Company and thereby take maximum advantage of the company's tax losses, and to seek companies interested in recognising the value of the quoted cash shell that it was anticipated that SPARK would have become. The "D" incentive shares were structured with this timetable in mind. Whilst good and valuable progress has been made towards this aim, and having eschewed a fire sale of assets, it now seems likely that not all of SPARK's current investments will have been sold, or be in agreed sale processes, by 31 March 2014.

The Board cannot therefore be certain that the Company will be a clean cash shell by 30 September 2014 and as mentioned in the 2013 annual report, the Board has been and continues to consider options for the Company as the portfolio disposal process continues. As part of this process we are intending in the coming period to consult with key stakeholders as to those options, ranging from cessation of business and disposal of a cash shell through to a reinvestment programme. We are very aware that shareholders may have differing interests to be accommodated. Further announcements will therefore be made following our discussions with shareholders.

We have come to an agreement with the landlord to bring the Company's leases, and serviced office arrangements, to an early end thereby significantly reducing the on-going operational losses of the Company. As a consequence the Investment Manager will be moving office in the New Year and SPARK's registered office will change.

At 30 September 2013 the Company's unrestricted cash amounted to £4.7m. In addition to the funds received in November 2013 from the sale of Notonthehighstreet.com, (£11.0m) further significant cash inflows are expected during Q1 2014 from other disposals of investments and from the expected completion of the Aspex liquidation. By February 2014 the Board expects to have clarity on the potential size of the next distribution to shareholders and its relationship to other transactions that may emerge. As shareholders will recall, the practice of making distributions in the most tax-advantageous way is less expensive when payments are combined. Consequently the Board proposes to make a single larger shareholder return in the first half of 2014.

You will also have seen the announcement that Michael Whitaker, one of the co-founders of SPARK, has left the Board. This is connected with potential claims asserted by Mr Whitaker with regard to a carried interest scheme which was established in 2003 for the benefit of the then executives. The Board will vigorously refute any formal claims if they arise. As yet the company has not been notified of any formal claim.

We can look back on a year of solid achievement and I would like to extend season's greetings to all our shareholders, investee companies, suppliers and the hard working team of our Investment Manager, SPARK Venture Management Ltd.

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

Yours faithfully

David Potter
Chairman
20 December 2013

Investment Manager's Report

Introduction

We are now in the final few months of the managed realisation period which began in August 2009 and, as demonstrated in the table below, a good performance has been achieved to date. In the last six months, very good sale proceeds have been received for some or all of the stakes in Kobalt and Notonthehighstreet, bringing in cash receipts of £21m. However there remains significant work to do in order to realise the rest of the portfolio and we are working hard to achieve this.

The table below sets out the book values of the material investments as at 30 September 2009 and the current value or sales proceeds achieved from these investments.

Investment	Value at 30 Sep 2009 £m	Proceeds (net of any additional investment) £m	Current book value (30 Sep 13) £m	Total £m	Gain/(loss) £m
IMImobile	13.0	0.0	14.8	14.8	1.8
Kobalt Music	6.8	12.9	5.5	18.4	11.6
DEM Solutions	1.9	0.2	1.3	1.5	(0.4)
Notonthehighstreet	1.6	1.8	11.0	12.8	11.2
Complinet	1.5	3.2	0.0	3.2	1.7
MyDeco	1.5	(0.1)	0.1	0.0	(1.5)
OpenX	1.2	0.0	2.5	2.5	1.3
Aspex	1.0	6.9	2.2	9.1	8.1
Skinkers	1.0	0.0	0.0	0.0	(1.0)
Gambling Compliance	1.0	(0.1)	1.5	1.4	0.4
Firebox	0.7	0.0	0.0	0.0	(0.7)
Academia	0.7	0.0	0.9	0.9	0.2
Mind Candy	0.7	3.1	1.6	4.7	4.0
Others	1.2	0.2	0.4	0.6	(0.6)
Totals	**33.8**	**28.1**	**41.8**	**69.9**	**36.1**

The value of the portfolio has more than doubled in this period and is equivalent to an IRR of approximately 20%. Furthermore, when the recent sale of Notonthehighstreet is included, the cash proceeds are approximately £39.1m, a number which we hope will increase due to other realisations before the year end.

It is now clear that for some companies there may not be a change of control of the whole company and to achieve exits we may sell our minority stakes rather than have a sale of the whole company. Accordingly, we have reflected some marketability discounts in our current investment valuations.

As a consequence NAV per share has fallen in the period from 15.1p to 11.4p, as a result of the shareholder cash return (£8.2m or 2p per share); some valuation reductions (£5.7m or 1.4p per share) and operating losses in the period of £1.0m (0.3p per share). At this stage it is not certain whether a profit or loss will be recorded for the full year, this being dependent on whether we are able to realise the Company's stake in IMI for more than the value at the start of the current financial period.

The total shareholder return made since August 2009 now stands at 8.5p per share, or £34.9m and there remains net asset value of 11.4p per share.

The loss for the period to 30 September 2013 is £6.7m compared with a profit of £1.0m in the prior period to 30 September 2012. This decrease is due to some portfolio valuation reductions which are detailed in the following narrative and summarised in note 5 to the Interim Report.

Portfolio valuation performance

In the half year to 30 September 2013 the Group has made net unrealised losses of £5.7m. This is essentially due to three significant valuation reductions – OpenX (£2.5m reduction), IMImobile (£1.4m reduction) and Mind Candy (£1.6m reduction), one valuation increase relating to notonthehighstreet (£0.8m increase) together with net valuation reductions on six other investments amounting to £1.0m. Of the significant investments, only Kobalt has not had its valuation changed and is still valued at the same price per share as at 31 March 2013 – albeit on far fewer shares held having sold £10m of Kobalt shares in the period. This latter disposal was covered fully in the 2013 Annual Report. Additionally, £1.6m was received from the liquidator of Aspex when it became clear that a provision made for taxation was no longer required. The only business to receive further funding in the period from SPARK was Gambling Compliance which received £70k as part of a modest funding round.

Notonthehighstreet.com sale

SPARK was the first institutional investor in notonthehighstreet.com ("noths") back in early 2007 at a time when the business was in the early stages of generating revenues, which were at that time running at £10k per month. With the help of SPARK's backing, and, most importantly, excellent execution by the founders Holly Tucker and Sophie Cornish, noths has grown to become a household name and expects to report Total Transaction Value considerably in excess of the £47m achieved for the year to December 2012.

SPARK ultimately invested a total of £0.7m in noths and has had returns of £12.8m in total, with £11.0m of this recently received in November 2013. This exit represents a money multiple of 18x (SPARK's second best ever, after Mergermarket) and an IRR of 65% – which is SPARK's highest ever for a major investment. (the mergermarket IRR was 63% by comparison).

Investment Manager's Report continued

Such an exit performance demonstrates the substantial gains that early stage investors can make.

Progress made in the most significant portfolio companies that remain was as follows:

IMImobile

IMImobile ('IMI') provides the core technology infrastructure for value-added mobile data, voice and video services and customer life cycle management to over 100 mobile operators, media companies and enterprises in Europe, India, the Middle East, Africa and Latin America. IMI's DaVinci Platform™ powers a wide range of services created, delivered and managed by the group which generate additional revenues for its clients and helps them engage with their customers using the latest mobile technologies. The IMI group has over 650 employees worldwide, the majority in India, with major offices in Hyderabad, London, and Dubai.

SPARK was the first institutional investor in the company.

SPARK's total valuation of its stake in IMI has reduced in the six months by £1.4m from £16.2m to £14.8m. This is due to an increase in the earnings of the company being applied to a lower EBITDA multiple. The first half results for IMI showed strong growth and were slightly ahead of budget due to continued strong performance in the Middle East and Africa and also in Europe. Performance in India has continued to disappoint as a result of regulatory difficulties increasing the churn on operator services and slower new domestic sales. The significant fall in the value of the rupee has boosted the performance of the business in this currency, but much of this is lost when the Enterprise Value is translated back into sterling.

In recent years, IMI has become much more of a global business than simply an Indian one. This is reflected in the geographical breakdown of turnover and gross profit with 79% and 77% respectively being attributable to international operations in the six months ended 30 September 2013 compared with 73% and 66% for the equivalent period in the prior year.

Kobalt Music

Kobalt Music ('Kobalt') is the world's leading independent music publisher offering full services to copyright owners (collection, Sync and creative). Recently it has moved into Label Services for artists and into Neighbouring Rights, again enhancing its position in the industry.

Kobalt uses an advanced, internally developed technology which significantly boosts royalty collection, timing and payout amounts received by rights owners. It has a substantial US presence and is now headquartered in New York with its operational and development base in London. It employs over 200 people worldwide and also has offices in Los Angeles and Nashville, Stockholm, Berlin and Sydney.

SPARK was a founding investor in Kobalt in 2001 together with management.

We have reduced the valuation of the Group's stake in Kobalt by £10.0m to £5.5m following the sale in July 2013 of 65% of SPARK's previously held stake to a new group of private investors. The remaining stake has been held at the same Enterprise Value. This represents a 75% increase on the book value reported 12 months ago.

Kobalt has continued to grow revenues and Net Publisher Share impressively. Revenues grew 27% in the year to June 12 and grew at an even more impressive 35% in the year to June 2013, clearing £100m for the first time. NPS also grew at a similar rate as revenue in the year to June 2013.

Mind Candy

Mind Candy, through its Moshimonsters product range, 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 via its unique children's social network. Mind Candy is headquartered in London and has around 150 staff including freelancers.

SPARK was a founder investor and led the founding round of investment. To date SPARK has received cash proceeds of £3.1m from an initial investment of £0.4m, and has a residual stake which we have reduced in value in the period from £3.1m to £1.6m.

This reduction is on the basis of lower sales in 2013 compared with a stretching budget and compared with its performance in the hugely successful 2012 when Mind Candy launched several merchandising spin-offs such as a top selling magazine and a chart-topping Nintendo DS game. The company's revenues for the year to December 2012 were £47m, up 62% on the prior year. New improved games are being developed and being launched currently, including some for the booming tablet and mobile games markets but it is too early to form a view on the likely success of these.

OpenX

OpenX is a business based on an open source ad-serving platform. It is headquartered in California and employs over 250 staff. The investment in OpenX was originally acquired when the business was spun out of Unanimis in late 2007.

We have reduced the valuation of SPARK's stake in OpenX from £5.0m to £2.5m based on what SPARK could sell its individual stake for as we do not expect an IPO or change of control for the whole company within the foreseeable future.

The company itself has continued to grow revenues but at a lower rate than in previous years largely as a result of a deliberate policy to weed out advertising inventory that did not meet the company's quality requirements. Revenues for the trailing 12 months to October 13 are approximately 30% up year on year and are now considerably in excess of $150m.

DEM Solutions

DEM Solutions ('DEM') is a leading provider of particle simulation software (using discrete element modelling) for simulating and analysing industrial processes. DEM is based in Scotland and employs 25 staff.

We have reduced our valuation of SPARK's stake in the business by 25% from £1.7m to £1.3m to reflect the increasing likelihood that we may sell our minority stake rather than be part of a bigger corporate transaction and to reflect the fact that financial performance in the last twelve months has been disappointing. This is illustrated by the fact that the business made EBITDA of £0.4m on £2.7m of sales for the year to June 12, but made an EBITDA loss on reduced turnover of £2.5m for the year to June 13.

Gambling Compliance

Gambling Compliance provides critical regulatory, legal and market analysis to the gaming industry. It has a worldwide client base of more than 800 top gaming executives and regulatory bodies and is a subscription based information service. It is based in London and employs 30 staff.

We have reduced the valuation of SPARK's share in the business from £1.6m at 31 March 2013 to £1.5m at 30 September 2013. The company raised a modest amount of funding in the period with £70k of this being from SPARK. Sales have continued to grow steadily with 12% sales growth recorded for the 10 months to October 2013 compared with the equivalent period in the

Investment Manager's Report continued

previous year. However we now think it less likely that a transaction will take place for the whole company and have therefore reduced SPARK's valuation to reflect that achievable from selling our minority stake.

The company does not expect to raise any more cash, and if sold at its current book value, this would still represent a doubling of the £0.7m cost.

Academia

Academia is a social networking site for the academic research community. It targets academics and scientists in the research and development (R&D) community and enables them to create their own research webpages, network with their peers and discover new research and conferences.

SPARK was the founding investor in Academia.

We have held the valuation of SPARK's stake in Academia at £0.9m. In the last 6 months. Academia raised $11m of funding from new and existing investors at a significant premium (>50%) to the last round on which our previous valuation was based, thereby giving it funding for the foreseeable future. Academia's revenues remain low as the company has been focussing on user growth. Its user base has been growing impressively and now has in excess of five million user profiles and over 11m monthly unique visitors making it the world's largest in its field.

Cash balances and operations

Unrestricted cash balances have risen in the period from £1.9m to £4.7m as a result of investment proceeds of £11.7m (Kobalt £10.0m, Aspex £1.6m and £0.1m from selling Symbrio AB) being greater than the company's operational costs net of restricted cash recovery (£0.6m) and the shareholder return plus associated costs (£8.3m).

Since the period end a further £11.0m has been received from the sale of Notonthehighstreet, taking current cash balances to more than £15m, and further proceeds are expected in early Q1 2014 from the Aspex liquidator and from other sales processes.

Since the change in strategy that was implemented in August 2009, the Company has now returned £35m (8.5p per ordinary share) to its shareholders and has cash on the balance sheet to return substantially more. However the process of returning cash in the method followed is expensive and it therefore makes sense to make single larger payments than many smaller ones. It is expected that the Board will make a further announcement in due course on future cash returns.

As mentioned in the Annual Report, the Company reached an agreement with the landlord of 33 Glasshouse Street for the early surrender of the leases and payment of £0.5m to the landlord which brings to an end the loss-making serviced office business and ensures there will be no unexpected liabilities that otherwise could have arisen at the end of the original 15 year lease term. This settlement also has the added benefit of freeing up more of the restricted cash which was set aside for the protection of the landlord many years ago.

Operating losses of £1.0m have increased slightly from £0.9m in the corresponding period in the previous year. Whilst a tight control of costs has been maintained, property income has declined as the office closure approaches and higher legal fees were incurred in getting to the settlement position with the landlord. Investment Management fees have also been higher than for the equivalent period last year due to the increase in value of the portfolio. These costs will be considerably lower going forwards as the portfolio value has recently reduced following investment sales.

Conclusion

As highlighted at the start of the report, the performance as a whole has been very positive and has given shareholders a much better outcome than other options available in 2009. Irrespective of the starting point chosen in 2009, shareholders have already received cash back that has more than covered the share price in the first half of 2009, with over 11p of NAV remaining on the balance sheet at the period end, of which £15.0m (3.7p per share) is already held as cash, following the receipt of sales proceeds after the balance sheet date.

More than doubling the value of a portfolio of start up and early stage venture capital investments in a very tough economic period is a testament to the quality of the entrepreneurs and management teams we have backed over the years and demonstrates that venture capital investing can generate substantial returns.

Nevertheless we recognise that the task is not yet complete and hope and expect to report further disposals before the year end.

SPARK Venture Management Limited
20 December 2013

Independent Review Report To SPARK Ventures plc

Introduction

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 2013 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.

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.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the rules of the London Stock Exchange for companies trading securities on AIM which require that the half-yearly report be presented and prepared in a form consistent with that which will be adopted in the company's annual accounts having regard to the accounting standards applicable to such annual accounts.

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.

Our report has been prepared in accordance with the terms of our engagement to assist the company in meeting the requirements of the rules of the London Stock Exchange for companies trading securities on AIM and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

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 consider that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2013 is not prepared, in all material respects, in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

BDO LLP

Chartered Accountants and Registered Auditors
London, United Kingdom
20 December 2013

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Group Statement of Comprehensive Income (condensed)

Six months to 30 September 2013

	Six months to 30 Sep 2013 £'000 Unaudited	Six months to 30 Sep 2012 £'000 Unaudited	Year to 31 Mar 2013 £'000 Audited
Continuing operations			
Gains and losses on investments at fair value through profit or loss			
Realised (losses)/gains	**(20)**	37	98
Unrealised (losses)/gains	**(5,658)**	1,835	8,953
	(5,678)	1,872	9,051
Revenue			
Bank interest receivable	**7**	33	72
Fund management revenue	**188**	380	605
Portfolio dividends and interest	**173**	58	167
Other income	**661**	794	1,560
	1,029	1,265	2,404
Administrative expenses			
Salaries and other staff costs	**(84)**	(84)	(90)
Investment management fees	**(515)**	(497)	(1,089)
Fund management costs	**(188)**	(313)	(538)
Depreciation and amortisation	**(35)**	(41)	(78)
Property costs	**(1,034)**	(991)	(1,971)
Other costs	**(184)**	(201)	(1,041)
Total Administrative expenses	**(2,040)**	(2,127)	(4,807)
(Loss)/Profit before taxation	**(6,689)**	1,010	6,648
Taxation	**–**	–	–
(Loss)/Profit and total comprehensive income for the financial period	**(6,689)**	**1,010**	**6,648**
Attributable to:			
– Equity shareholders' funds of the parent	**(6,689)**	1,010	6,648

Group Statement of Financial Position (condensed)

At 30 September 2013

	30 Sep 2013 £'000 Unaudited	30 Sep 2012 £'000 Unaudited	31 Mar 2013 £'000 Audited
Non-current assets			
Property, plant and equipment	**64**	136	99
Investments at fair value through profit and loss	**41,809**	54,667	59,123
Restricted cash	**–**	1,821	–
	41,873	56,624	59,222
Current assets			
Trade and other receivables	**997**	513	996
Restricted cash	**1,153**	–	1,581
Restricted cash for shareholder return	**8,285**	–	–
Cash and cash equivalents	**4,746**	10,039	1,900
	15,181	10,552	4,477
Current liabilities			
Trade and other payables	**(1,560)**	(802)	(1,516)
Approved shareholder return	**(8,285)**	–	–
	(9,845)	(802)	(1,516)
Net current assets	**5,336**	**9,750**	**2,961**
Provision for liabilities – onerous lease provision	**(340)**	–	(340)
Net assets	**46,869**	**66,374**	**61,843**
Equity attributable to the shareholders of the parent			
Issued capital – ordinary shares	**1,575**	1,800	1,575
Issued capital – D shares	**10**	10	10
Share premium	**9**	9	9
Revenue reserve	**35,032**	54,712	50,006
Capital redemption reserve	**10,243**	10,018	10,243
Own shares	**–**	(175)	–
Total Equity	**46,869**	**66,374**	**61,843**

Net assets per share

	Number '000 Unaudited	Number '000 Unaudited	Number '000 Audited
Ordinary shares in issue	**450,000**	450,000	450,000
Shares held in Treasury	**(39,245)**	(39,245)	(39,245)
Shares held by Employee Benefit Trust	**–**	(918)	–
Shares in issue for net asset per share calculation	**410,755**	**409,837**	**410,755**
NAV per ordinary share (pence)	**11.41**	**16.20**	**15.06**
Adjusted NAV per ordinary share (pence) – see note 4	**9.78**	**14.48**	**13.09**

Group Statement of Changes in Equity (condensed)

For the six months ending 30 September 2013

	D shares £'000	C Shares/ Deferred shares £'000	B shares £'000	Ordinary share capital £'000	Share premium £'000	Revenue reserve £'000	Capital redemption reserve £'000	Own shares £'000	Total equity £'000
Balance at 1 April 2012	10	–	–	1,800	9	53,702	10,018	(175)	65,364
Profit and total comprehensive income for the financial period	–	–	–	–	–	1,010	–	–	1,010
Balance at 30 September 2012	**10**	**–**	**–**	**1,800**	**9**	**54,712**	**10,018**	**(175)**	**66,374**
Balance at 1 April 2012	**10**	**–**	**–**	**1,800**	**9**	**53,702**	**10,018**	**(175)**	**65,364**
Profit and total comprehensive income for the year	–	–	–	–	–	6,648	–	–	6,648
Release of own share reserve following closure of EBT	–	–	–	–	–	–	–	175	175
New 2013 B & C shares issued	–	75	150	(225)	–	–	–	–	–
Share buy-backs of 2013 B shares	–	–	(150)	–	–	(7,573)	150	–	(7,573)
Dividend on 2013 C shares	–	–	–	–	–	(2,771)	–	–	(2,771)
Cancellation of deferred C shares	–	(75)	–	–	–	–	75	–	–
Balance at 31 March 2013	**10**	**–**	**–**	**1,575**	**9**	**50,006**	**10,243**	**–**	**61,843**
Loss and total comprehensive income for the financial period	–	–	–	–	–	(6,689)	–	–	(6,689)
Approved shareholder return (see note below)	–	–	–	–	–	(8,285)	–	–	(8,285)
Balance at 30 September 2013	**10**	**–**	**–**	**1,575**	**9**	**35,032**	**10,243**	**–**	**46,869**

At the AGM held on 30 September 2013, the Company received shareholder approval to split its share capital. For each existing ordinary share held of 0.35p each, a shareholder received one new ordinary share of 0.30p together with 1 B share or 1 C share depending on what the shareholder elected to receive. The B shares and C shares were not issued until after the period end. The new B shares were bought back by the Company for 2p per share subsequent to the Balance Sheet date and cancelled. The new C shares were paid a dividend of 2p per share subsequent to the Balance Sheet date after which the shares were deferred and subsequently bought back for one penny for the whole class and cancelled. In total 269,681,992 B Shares were issued and 180,318,008 C Shares were issued. The total cost to the Company resulting from the above amounted to £8.3m, including stamp duty.

Group Statement of Cash Flows (condensed)

Six months to 30 September 2013

	Six months to 30 Sep 2013 £'000 Unaudited	Six months to 30 Sep 2012 £'000 Unaudited	Year to 31 Mar 2013 £'000 Audited
Cash flows from operating activities			
Cash flow from operations	**(933)**	(1,154)	(1,912)
Net cash outflow from operating activities	**(933)**	**(1,154)**	**(1,912)**
Cash flows from investing activities			
Purchase of financial investments	**(70)**	(100)	(100)
Sale of financial investments	**11,706**	6,050	8,773
Receipt of deferred consideration	**–**	37	37
Net cash inflow from investing activities	**11,636**	**5,987**	**8,710**
Cash flows from financing activities			
Dividends paid (C shares)	**–**	–	(2,771)
Share buy backs (B shares)	**–**	–	(7,573)
Decrease in restricted cash	**428**	214	454
Net cash outflow from financing activities	**428**	**214**	**(9,890)**
Change in cash and cash equivalents	**11,131**	5,047	(3,092)
Opening cash and cash equivalents	**1,900**	4,992	4,992
Closing cash and cash equivalents	**13,031**	**10,039**	**1,900**

Reconciliation of operating income to net cash outflow from operating activities

Revenue	**1,029**	1,265	2,404
Administrative expenses	**(2,040)**	(2,127)	(4,807)
Operating loss	**(1,011)**	(862)	(2,403)
Increase in trade and other receivables	**(1)**	(22)	(505)
Increase/(decrease) in trade and other payables	**44**	(311)	743
Depreciation and amortisation	**35**	41	253
Net cash flow from operations	**(933)**	**(1,154)**	**(1,912)**

Notes to the Half Year Report

Note 1 – General information

SPARK Ventures plc is a company incorporated in the UK. The information set out in this unaudited Half Year Report for the periods ended 30 September 2013 and 30 September 2012 does not constitute statutory accounts as defined in section 435 of Companies Act 2006. Comparative figures for 31 March 2013 are derived from the financial statements for that year. The financial statements for the year ended 31 March 2013 have been delivered to the Registrar of Companies and contain an unqualified audit report, did not contain a statement under matter of emphasis and no statements under section 498(2) or (3) of the Companies Act 2006. This Half Year Report has been prepared in accordance with the AIM rules.

Note 2 – Basis of accounting

The Annual Group financial statements are prepared under International Financial Reporting Standards (IFRS) as adopted by the European Union. The financial information set out in this Half Year Report has been prepared using accounting policies, methods of computation and presentation consistent with those applied in the preparation of the accounts for the Group for the year ended 31 March 2013. 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 2014.

Note 3 – Going concern

The directors have considered the use of the going concern basis for the preparation of these financial statements within the context of the company's original strategy from 2009 of realising its remaining portfolio over the period to 31 March 2014, now less than 4 months away.

Although one possible scenario is the piecemeal disposal of the portfolio and the company then ceasing to trade, essentially becoming a cash shell, other alternative ways forward are under consideration which do not involve the cessation of trade. The Board has made no decision in this regard but will consult with key shareholders to seek the most beneficial route to enhance shareholder value. Accordingly the directors remain of the view that the going concern basis of preparation is appropriate.

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

Note 4 – D Shares and Adjusted NAV per share

The Company's D shares were created in 2009 to incentivise the manager to maximise the value of the portfolio in cash and make this cash available to shareholders.

The D shares of SPARK receive no returns until the lower hurdle of returns due to ordinary shareholders has been reached. This hurdle was originally set at £49.3m but could be reduced by amounts made available for distribution to shareholders prior to 31 March 2012. We have estimated that this lower hurdle is £45.1m. Once the lower hurdle has been reached D shareholders receive 15% of further distributions to shareholders up to the upper hurdle. The upper hurdle was fixed in 2009 at £57.5m. Once total amounts made available to be returned to shareholders have exceeded the upper hurdle, the D shareholders receive 20% of distributions above this upper hurdle.

As at 30 September 2013, 31 March 2013 and 30 September 2012, the total amount already returned to shareholders stands at £34.9, £26.7 and £16.4m respectively. For these purposes we have assumed that the shareholder return approved on 30 Sep 2013 was returned before the period end. To this number we have added the net assets of the company at each balance sheet date to calculate the maximum potential payment due to the D shareholders if all assets are realised at their current values and returned to shareholders. Using this method, the resulting potential payments have been estimated at £6.7m, £8.1m and £6.9m respectively. These potential payments have then been deducted from the net assets at each respective balance sheet date to arrive at adjusted net assets attributable to the ordinary shareholders of £40.2m, £53.8m and £59.5m. Dividing these latter numbers by the number of ordinary shares in issue gives the adjusted NAV per share to ordinary shareholders.

As payments to D shareholders are conditional upon returns to ordinary shareholders they are accounted for as equity and not accrued for on the balance sheet as a liability. As at the date of this report, the estimated payment to the D shareholders based on what has been sold to date is £1.1m. The ultimate payments to D shareholders could be anywhere from £1.1m up to an amount greater than the potential payments referred to above if total realisation proceeds before 31 March 2014 exceed the net assets reported in these accounts.

Note 5 – Investments at Fair Value Through Profit and Loss

Portfolio Company Name	Value at 31 Mar 2013 £'000	Additions £'000	Disposals £'000	Revaluations £'000	Value at 30 Sep 2013 £'000	Value at 30 Sep 2012 £'000
IMImobile	**16,200**	–	–	(1,400)	14,800	15,500
Kobalt Music	**15,463**	–	(10,000)	–	5,463	8,836
Notonthehighstreet.com	**10,200**	–	–	800	11,000	10,200
Mind Candy	**3,153**	–	–	(1,576)	1,577	3,153
Aspex	**3,600**	–	(1,566)	216	2,250	5,750
OpenX	**5,000**	–	–	(2,500)	2,500	5,000
DEM Solutions	**1,722**	–	–	(431)	1,291	1,723
Gambling Compliance	**1,645**	70	–	(257)	1,458	1,986
Academia	**924**	–	–	–	924	924
	57,907	70	(11,566)	(5,148)	41,263	53,072
Other investments (1)	**1,216**	–	(160)	(510)	546	1,595
TOTAL portfolio	**59,123**	**70**	**(11,726)**	**(5,658)**	**41,809**	**54,667**

(1) Other investments include Firebox, myDeco, mBlox, Crocus, Symbrio AB, Market Clusters and Quester Venture Partnership.

Notes

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