

**SPARK Ventures plc**  
(“SPARK” or the “Company”)

**Proposed realisation of Existing Investments over the period to 31 March 2014**  
**Proposed Return of Cash to Shareholders equivalent to two pence per Existing Ordinary Share**  
**Proposed Management Buyout of Fund Management Business**  
**and**  
**Notice of General Meeting**

The Company announces today that, following a strategic review of its business to enhance Shareholder value, the Company intends to seek Shareholder approval to implement the following proposals (the "Proposals"):

- an alteration to the Company's investing policy for its on balance sheet investments so that no further direct investments into new businesses will be made and, instead, the Company will start a process of managed realisation with a view to all these investments (the "Existing Investments") being realised over the period to 31 March 2014;
- a policy that the resultant cash generated from realisations of Existing Investments be progressively returned to Shareholders over this period;
- an initial distribution to Shareholders of the equivalent of two pence per Existing Ordinary Share representing in aggregate £8.2 million (the "Return of Cash") in a manner that will allow Shareholders to elect whether to receive the Return of Cash as an income or capital return for tax purposes;
- the Company will retain approximately £6 million of cash reserves for possible follow on investment into Existing Investments;
- in order to maximise the value of the Existing Investments by ensuring the continued availability and motivation of the experienced management team, the management of the Company's Existing Investments to be externalised through the transfer of the existing management team and employees of the Company into a separate management group (the "Manager") which will also acquire the third party investment fund management arrangements held by the Company; and
- the entry into a new management arrangement with the Manager in order to manage the Existing Investments and the cancellation of certain existing executive incentive arrangements.

The Independent Non-Executive Directors believe that the Proposals will enable SPARK to:

- achieve substantially higher returns to Shareholders over time rather than the possible alternatives of realising the portfolio or seeking a sale of the Company now;
- over time, maximise the value of the Company's portfolio and, correspondingly, the amount of cash returned to Shareholders as and when those investments are sold;
- provide ongoing support for the Existing Investments by retaining approximately £6 million to maximise Shareholder value prior to realisation;

- retain the continued services of the Executive Directors, who have built up the portfolio of Existing Investments and who have held relationships of many years standing with management teams of the Existing Investments; and
- maintain the knowledge of, and relationships with, investee companies, which the Independent Non-Executive Directors believe will maximise the returns from these private investments.

The Proposals are conditional on Shareholders approving the Resolutions at the General Meeting. A circular will be despatched to Shareholders shortly (the "Circular"), which will provide Shareholders with more detail in relation to the Proposals, to explain why the Independent Non-Executive Directors consider all of the Proposals are in the best interests of the Company and Shareholders as a whole and the recommendation of the Independent Non-Executive Directors to vote in favour of the resolutions to be proposed at the General Meeting. Notice of the General Meeting, which is expected to be held on 7 August 2009, will be included in the Circular.

For further information, please contact:

|   |                                     |               |
|---|-------------------------------------|---------------|
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Collins Stewart Europe Limited ("Collins Stewart"), which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting exclusively for SPARK Ventures plc (the "Company") and is acting for no-one else in connection with the matters described in this announcement and will not be responsible to anyone other than the Company for providing the protections afforded to clients of Collins Stewart nor for providing advice in connection with the matters described in this announcement or any other matter referred to herein.

The definitions used in this announcement and the expected timetable are set out at the end of this announcement.

20 July 2009

## 1. Introduction

The Company announces today that, following a strategic review of its business to enhance Shareholder value, the Company intends to seek the approval of Shareholders to an alteration to the Company's investing strategy so that no more investments would be made into new businesses and that Existing Investments would be sold, when appropriate, with a view to all Existing Investments being realised over the period to 31 March 2014. It is intended that the resultant cash reserves of the Company (having regard to its ongoing working and investment capital requirements) should be progressively returned to Shareholders over this period, as it becomes available, in such manner as the Board may consider most appropriate at the relevant time.

SPARK will, for the time being, retain cash reserves of approximately £6 million for possible follow on investments into Existing Investments as required to preserve and maximise Shareholder value. SPARK is now seeking to provide Shareholders with the Return of Cash of an amount equivalent to two pence per Existing Ordinary Share (in aggregate £8.2 million). It is proposed that the Return of Cash will be effected by means of the issue to Shareholders of B Shares and/or C Shares, which are intended to give Shareholders, where eligible under their prevailing tax regime (such as the UK), the flexibility to treat the Return of Cash as either capital or income for tax purposes, or a combination of the two.

The Independent Non-Executive Directors are aware of the impact on the Company's executive management team of committing to an orderly realisation of the Existing Investments and the need on behalf of Shareholders to ensure the maximisation of the value of such assets by the continued availability of the management team. The Independent Non-Executive Directors consider that this is particularly important for the early stage unquoted Existing Investments where the Manager's background knowledge and experience would be hard to replicate and to allow investee companies to have an ongoing relationship with the Manager and access to follow-on funding that has the potential to enhance investee companies' value. With this in mind, the Independent Non-Executive Directors have reached agreement with the Executive Directors on the terms on which the management of the business of the Group will be ceded to a separate management company controlled by the Executive Directors by way of the Management Buyout. The Manager will be incentivised to realise value for Shareholders from the Existing Investments through new incentive arrangements in the form of the issue of D Shares by the Company. These incentive arrangements will only start after Distributions to Shareholders exceed the Initial Target of £45.2 million (subject to adjustment), which is equivalent to some 11 pence per Existing Ordinary Share (net of Existing Ordinary Shares held in treasury).

The Management Buyout, which will be subject to the approval of Shareholders at the General Meeting, will involve the transfer of the existing management team and employees of the Company (except the Independent Non-Executive Directors) to a new group, the parent of which will be a company called SPARK Venture Management Holdings Limited (the "Manager"). The management team of the Manager will be able to offer the resources of an independent fund management business with the necessary scale to provide the Group with continuous and stable fund management services during the period of the realisation of the Existing Investments. The Manager will also become responsible for management of the Quester Funds and the Quester Venture Partnership.

As reported in the results for the year ended 31 March 2009, several of the Company's larger investments are growing rapidly and, in the opinion of the Directors, have the potential to increase significantly in value over the next few years. The Independent Non-Executive Directors therefore believe that the Proposals have the potential to give substantially higher returns to Shareholders over time rather than the possible alternatives of realising the portfolio or seeking a sale of the Company now.

Shareholders should refer to the Circular when it is posted for further details in relation to the Proposals. The purpose of the Circular is to explain and seek Shareholder approval for the Proposals and also to explain the choices available to Shareholders in relation to the Return of

Cash. The implementation of the Return of Cash is conditional on approval by Shareholders of Resolutions 1 and 2 to be proposed at the General Meeting. Implementation of the Management Buyout is conditional upon approval by Shareholders of all of the Resolutions to be proposed at the General Meeting.

## **2. Background to and reasons for the Proposals**

On 7 April 2009, the Board announced that it had concluded that the potential strategic investment into the Company by certain Asian investors was unlikely to complete in the near term. The Board also announced that, given the ongoing discount of the Company's share price to the net asset value per share, it was reviewing alternative methods of enhancing Shareholder value, including ways of returning surplus cash to Shareholders.

Having also sought the views of certain of its largest Shareholders, the Independent Non-Executive Directors have concluded that the maximisation of Shareholder value is best achieved by the implementation of the Proposals. The Independent Non-Executive Directors believe that the Management Buyout will enable SPARK to:

- maximise the value of the Company's Existing Investments and, correspondingly, the amount of cash returned to Shareholders as and when those investments are sold;
- retain the continued services of the Executive Directors, who have built up the portfolio of Existing Investments and who have held relationships of many years standing with management teams of the Existing Investments;
- minimise the costs of winding up the Company after the sale of the Existing Investments (including the potential redundancy costs of the employees of the Company at such time);
- maintain the knowledge of, and relationships with, investee companies; and
- maximise the value of the 20 per cent. shareholding in the Manager to be retained by the Company after completion of the Management Buyout.

Were the Company's existing structure to be maintained, upon successful realisation of the Existing Investments the Group's only business activity would be to hold the management contracts for the those Quester Funds remaining in existence at that time. The Independent Non-Executive Directors do not consider that such an arrangement would constitute a viable business model for the Company and therefore consider that the implementation of the Management Buyout will provide the Group with access to a motivated and incentivised management team over the course of the realisation period. In addition, the transfer of the Querist Group to the Manager will provide continuity for the limited partners in the Quester Funds together with the framework for the Manager to build a long term business of sufficient scale to maintain the service levels of a full investment management team.

## **3. Change to Investing Policy**

In accordance with Rule 8 of the AIM Rules, the Company will be required to seek the consent of Shareholders at the General Meeting to its proposed revised investing policy. SPARK proposes to:

- make no more investments into new businesses from its own balance sheet resources and will seek to realise its Existing Investments over the period to 31 March 2014. The Company will be restricted to making investments in assets or companies that are included in its Existing Investments;
- make further follow-on investments and sell its Existing Investments where to do so will enhance Shareholder value on a sale;

- seek to actively manage its Existing Investments where the Directors consider to do so will enhance Shareholder value on a sale. It is intended that the Existing Investments will be progressively sold up to the period ended 31 March 2014; and
- return surplus cash to Shareholders arising from its cash reserves and from the sale of Existing Investments on at least an annual basis (subject to the Company maintaining sufficient working capital). The Company intends to make progressive returns of cash to Shareholders up to 31 March 2014.

It is expected that Company's portfolio of assets will become more concentrated as Existing Investments are progressively sold.

The Board has no present intention to leverage any of the Existing Investments (although some investee companies may themselves be leveraged) and there are no cross holdings.

Further details of the proposed change to the Company's investing policy will be set out in the Circular.

#### **4. Return of Cash**

The Return of Cash proposed to be made is the equivalent of two pence per Existing Ordinary Share (representing in aggregate £8.2 million) and represents approximately:

- 28.6 per cent. of the Company's closing middle-market share price of 7.0 pence per Existing Ordinary Share on 17 July 2009; and
- 13.9 per cent. of the Group's net asset value as at 31 March 2009, being the last published net asset value of the Group.

It is proposed that the Return of Cash will be effected by means of the issue to Shareholders of B Shares and/or C Shares, which are intended to give Shareholders, where eligible under their prevailing tax regime (such as the UK), the flexibility to treat the Return of Cash as either capital or income for tax purposes, or a combination of the two.

The implementation of the Return of Cash involves a number of steps, which are all subject to the approval of Shareholders at the General Meeting:

- each Existing Ordinary Share in issue on the Share Split Record Date will be sub-divided into one ordinary share of 0.5 pence (the "New Ordinary Shares") together with either four C Shares of 0.5 pence each or (at the election of the Shareholders of such Existing Ordinary Shares) four B Shares of 0.5 pence each. The B Shares will entitle their holders to receive the Capital Repayment of 0.5 pence per B Share (equivalent, for every four B Shares, to two pence per Existing Ordinary Share held) and the C Shares will entitle their holders to receive the Special Dividend of 0.5 pence per C Share (equivalent, for every four C Shares, to two pence per Existing Ordinary Share held);
- Shareholders will automatically receive C Shares unless they elect for B Shares;
- Shareholders (except for Non-United Kingdom Shareholders who will be deemed to have elected for C Shares) who elect to receive a Capital Repayment will have their B Shares bought back by the Company at 0.5 pence per B Share;
- Shareholders (including Non-United Kingdom Shareholders who will be deemed to have elected for C Shares) who elect to receive a Special Dividend will be paid a Special Dividend of 0.5 pence per C Share held and, following such payment, each C Share shall automatically convert into Deferred Shares; and
- the New Ordinary Shares will be traded on AIM in the same way as Existing Ordinary Shares and will be equivalent in all other respects to the Existing Ordinary Shares, with the exception

of the difference in nominal value and subject to the rights of the B Shares, C Shares, D Shares and Deferred Shares (as applicable).

If the Return of Cash is approved by Shareholders, it is expected that CREST accounts will be credited, or cheques despatched, in respect of the Capital Repayment on the B Shares and the Special Dividend on the C Shares on 24 August 2009.

Further details of the steps required to implement the Return of Cash will be set out in the Circular, together with details of the Dividend Alternative and the Capital Alternative.

## **5. Management Buyout**

### ***Sale of certain assets***

The Company has entered into the Sale Agreement with the Manager under which it has conditionally agreed to transfer to the Manager:

- the entire issued share capital of Querist (a wholly-owned subsidiary of the Company), the parent company of the Querist Group; and
- all intellectual property rights owned or used by the Company.

Completion of the Sale Agreement is conditional on, amongst other things, (i) the passing of all of the Resolutions at the General Meeting; (ii) the approval by the FSA to the proposed change of control of the existing FSA regulated companies within the Querist Group; (iii) completion of the transfer of the entire issued share capital of Quester GP to the Company; (iv) completion of the transfer of the entire issued share capital of both SPARK Investors Limited and NewMedia SPARK Directors Limited to the Manager; and (v) the QVP Variation Agreement being entered into.

The consideration payable by the Manager for the assets being transferred by the Company will be the sum of £1 million payable in cash on Completion, of which £200,000 will be reinvested in the Manager for a 20 per cent. shareholding in the issued share capital of the Manager. The consideration payable by the Manager is subject to a post completion adjustment mechanism to the extent that the net asset value of the Querist Group being acquired is greater, or less than, £42,000. Such adjustments are subject to an upward cap of £500,000 payable by the Manager, or a reduction in consideration by £42,000.

On Completion, the Manager will be the parent company of the Querist Group, which operates as the manager of and will hold the various management agreements for the Quester Funds which, as at 31 March 2009, had an aggregate net asset value of £138 million. Prior to Completion, the entire issued share capital of Quester GP will be transferred to the Company and will remain with the Group. The Independent Non-Executive Directors have agreed with the Executive Directors that Quester GP will retain 25 per cent. of the fee received by Quester GP from the Quester Venture Partnership (which will not be part of the Querist Group), with the balance to be paid to the Manager under the terms of the QVP Management Agreement (as varied).

Assuming that the Quester Venture Partnership does not sell or write off substantial investments prior to 2011, it is expected that the value of this income to the Company will equate to a total of approximately £0.9 million for the period to 30 June 2012.

On Completion, the Manager will also enter into the Property Licence with the Company in relation to the Manager's occupation of the Company's premises. The Manager will pay a monthly rent of £12,708 plus VAT for a term expiring two years after Completion.

The Company, the Manager and the Executive Directors have entered into the Investment Protection Agreement that incorporates certain rights for the Company as the holder of 20 per cent. of the issued share capital of the Manager following Completion. The Investment Protection Agreement also sets out the terms of a put-option in favour of the Company that may be

exercised between 31 March 2014 and 31 July 2014 which, if exercised, will require the Executive Directors to purchase all of the Company's shareholding in the Manager for a purchase price equal to the Company's proportionate shareholding of the multiple of four times the average profit of the Manager after tax for the two full financial years ending on 31 March 2013 and 31 March 2014.

### ***Management agreement***

The Manager and the Company will enter into the Management Agreement pursuant to which the Manager has conditionally agreed subject to Completion to be responsible, subject to the overall supervision of the Company, for managing the Existing Investments. In consideration for its services under the Management Agreement, the Company shall pay a Management Fee equal to 1.75 per cent. of the Investments' Value. The Management Fee will be reduced by the sum of £187,500 per annum for the initial two year period from the date of Completion. As at 31 March 2009, the Investments' Value was approximately £38 million.

In addition, the Company will pay the Manager an annual fee of £100,000 (together with any applicable VAT) for the provision of certain administrative and secretarial services to the Company.

Unless terminated earlier in accordance with its terms, the Management Agreement shall continue for a fixed period ending on 31 March 2014. The Company will be entitled to terminate the Management Agreement on 31 March 2012 by the service of not less than 6 months' notice. In the event that such notice is served, the Company will be obliged to undertake a tender process for the ongoing provision of management services, in which the Manager will be entitled to participate. The Management Agreement may also be terminated by either party in the event that certain specified events occur (such as a material breach of agreement).

Subject to the approval of Shareholders at the General Meeting, the Company intends to allot and issue up to 2,000,000 D Shares to the Executive Directors and certain employees of the Manager in order to provide them with an appropriate incentive scheme to maximise the return of value to Shareholders as part of the proposed realisation of Existing Investments for the period to 31 March 2014. These incentive arrangements will only commence after Distributions to Shareholders exceed the Initial Target of £45.2 million (subject to adjustment), which is equivalent to 11 pence per Existing Ordinary Share (net of Existing Ordinary Shares held in treasury). Under the terms of the D Share Subscription Agreements, the subscribers shall, on Completion, subscribe in aggregate initially for 200,000 D Shares at a price of 5 pence per D Share following which the Company shall grant to the relevant subscribers the option to subscribe for up to 1,800,000 additional D Shares in aggregate at a subscription price of 0.5 pence per D Share (the "Option"). The Option shall be exercisable in whole (and not in part only) at any time between the date of Completion and 31 March 2011 but will lapse if it has not been exercised during that period or if the Management Agreement has been terminated.

Each D Share shall be entitled to a D Share Distribution on the following basis:

- in the event that Distributions exceed the Initial Target, an amount equal to 15 per cent. of the Distributions in excess of the Initial Target; and
- in the event that Distributions exceed the Second Target, an additional amount equal to 5 per cent. of the Distributions in excess of the Second Target,

in each case divided by 2,000,000 (being the number of authorised D Shares), less the aggregate per D Share of D Share Distributions (if any) paid in respect of previous financial years.

The Initial Target will be achieved where the Company has made a level of Distributions equal to £45,200,000, subject to adjustment downward by £820,000 for each £4,100,000 of Distributions made before 31 March 2012. The Initial Target may be increased at any time with the written approval of (i) the Board and (ii) a majority in number of holders of D Shares. The Second Target will be met once the

Company has made a level of Distributions equal to £57.5 million. The unaudited net assets of the Group as at 31 March 2009 were £58.9 million.

Under the terms of the Management Buyout, three of the Executive Directors (Andrew Carruthers, Andrew Betton and Jayesh Patel) have agreed to cancel their unvested portion of options existing under the 2005 Plan and accept a 2 pence reduction in the exercise price in relation to the vested portion. All other incentive schemes, the benefits of which have not already vested, will be cancelled and no further payments made.

Further details on the rights attaching to the D Shares and the Executive Directors' entitlement to the D Share Distribution will be set out in the Circular.

The executive management team of the Manager will comprise the Executive Directors, who have worked together for the last 10 years managing the Company's portfolio of investments. On Completion, Thomas Teichman, currently the chairman of SPARK, will become the Chairman of the Manager, and Andrew Carruthers and Jayesh Patel will become the Manager's controlling shareholders. Andrew Betton will be appointed as the Chief Financial Officer of the Manager. It is currently intended that each of the Executive Directors will retain their board positions in relation to the Existing Investments until such investments are realised so as to enhance the return of cash to Shareholders.

Each of the Independent Non-Executive Directors has extensive experience in both making investments of the type comprising the Existing Investments and also managing the SPARK portfolio. Each of the Independent Non-Executive Directors will remain as directors of the Company following Completion.

Upon Completion of the Management Buyout, the value of the intangible assets held on SPARK's balance sheet will reduce from £3.3 million to approximately £1.0 million. Additionally SPARK will receive proceeds of £1.0m for those assets being sold resulting in an income statement charge (and corresponding reduction in balance sheet value) of £1.3 million in the year to 31 March 2010 being the difference between the £3.3 million intangible assets at 31 March 2009 and the resulting residual values post Completion of £2 million. The proforma annualised earnings before interest, tax, depreciation and amortisation (EBITDA) in the first year attributable to the assets and contracts which are subject to the Management Buyout are estimated to be approximately £0.4 million.

The Independent Non-Executive Directors believe the benefit to the Company in the first two years in terms of the consideration and management fee sharing arrangements to be approximately £2 million.

Further details of the terms of the Management Buyout will be set out in the Circular.

## **6. The Board**

Upon Completion, Thomas Teichman and Andrew Betton will resign as directors of the Company and David Potter will take up the role of non-executive Chairman of the Company.

The Board will then comprise five non-executive directors, being the three Independent Non-Executive Directors and two further directors, Andrew Carruthers and Jayesh Patel, who will be the two appointed representatives of the Manager.

## **7. SPARK Share Option Schemes**

Participants in the SPARK Share Option Schemes are not, by virtue of the options they hold, entitled to participate in the Return of Cash. However, the schemes contain provision for adjusting the terms of options where there is a variation of capital. The Return of Cash constitutes such a variation of capital.

### **2001 Plan**

In accordance with the rules of the 2001 Plan, the Board must adjust options in such a manner as the Board thinks fit in the event of a variation of capital. All options outstanding under the 2001 Plan are currently exercisable with an exercise price per share of 2.5 pence. In the light of the fact that all optionholders therefore have the opportunity to exercise their options and participate in the Return of Cash, the Board has determined that no adjustment to options under the 2001 Plan should be made. The intention is that any exercise of options will be satisfied by the transfer of shares currently held by the trustees of The NewMedia SPARK plc 2001 Employee Benefit Trust (the "EBT"). To the extent that shares held in the EBT are not transferred in this way prior to the Record Time, the trustees of the EBT will be treated in the same way as other holders of Existing Ordinary Shares.

### **2005 Plan**

Options are outstanding under the 2005 Plan over a total of 20,227,273 ordinary shares, all with an exercise price of 11 pence per share, of which options over a total of 8,090,909 shares are currently vested. It has been agreed between the Remuneration Committee and the holders of outstanding options (three out of four of whom are the Executive Directors), that (conditional upon the Return of Cash coming into effect), the unvested options will be cancelled and that the rules of the 2005 Plan relating to variations of capital will be amended, in accordance with the current rules, to allow the vested options to be adjusted by a reduction in the exercise price to 9 pence per share (reflecting the expected reduction in the share price as a result of the Return of Cash), with no adjustment to the number of shares under option. Furthermore, it has been agreed that the adjustment to options made in respect of any subsequent returns of cash will be on the same basis (subject to the overriding requirement that the exercise price per share may not be reduced below the nominal value of a share).

## **8. Proposed amendments to the Articles of Association**

A number of amendments to the Articles of Association are required to implement the Proposals and these amendments require approval at the General Meeting by the passing of a special resolution. The proposed amendments relate to the rights and restrictions attaching to the B Shares, C Shares, D Shares and Deferred Shares and certain consequential amendments to the Articles of Association. The changes will be summarised in the Circular.

If Shareholders approve the Return of Cash but do not approve the Management Buyout at the General Meeting, the proposed amendments to the Articles of Association will relate to the rights and restrictions attaching to the B Shares, C Shares and Deferred Shares (together with certain consequential amendments to the Articles of Association), but will not include amendments for the rights and restrictions attaching to the D Shares.

## **9. General Meeting**

The General Meeting is to be convened at the offices of Nabarro LLP, Lacon House, 84 Theobald's Road, London WC1X 8RW at 11.00 a.m. on 7 August 2009 in order to consider and vote on each of the Resolutions.

Resolutions 1 and 5 will be proposed as special resolutions and will be passed if at least 75 per cent. of the votes cast (whether in person or by proxy) are in favour. Resolutions 2, 3 and 4 will be proposed as ordinary resolutions and will be passed if a simple majority of the votes cast (whether in person or by proxy) are in favour.

### **Resolution 1**

Resolution 1 will seek approval for the Return of Cash and sets out the formal mechanics for its implementation.

### ***Resolution 2***

Resolution 2 will seek approval for the changes to SPARK's investing policy resulting from the Return of Cash for the purposes of Rule 8 of the AIM Rules. Rule 8 of the AIM Rules provides that an investing company must seek the prior consent of its shareholders in a general meeting for any material change to its investing policy. The Directors consider that the implementation of the Return of Cash would constitute a material change to the Company's investing policy and as such will seek approval of Shareholders for the new proposed investing policy.

Resolution 2 will be conditional upon and subject to Resolution 1 being passed at the General Meeting.

### ***Resolution 3***

Resolution 3 will seek approval for the Related Party Transactions to be entered into for the purposes of section 190 of the 2006 Act.

Resolution 3 will be conditional upon and subject to Resolutions 1, 2, 4 and 5 being passed at the General Meeting.

### ***Resolution 4***

Resolution 4 will seek approval to create the D Shares by redesignation of the authorised but not issued ordinary shares in the capital of the Company and grant authority for the Directors to allot those D Shares for the purposes of satisfying the Company's obligations under the D Share Subscription Agreements. Resolution 4 will also seek approval of Shareholders for the Company to make purchases of D Shares.

Resolution 4 will be conditional upon and subject to the passing of Resolutions 1, 2, 3 and 5 being passed at the General Meeting.

### ***Resolution 5***

Resolution 5 will seek approval for the adoption of new articles of association of the Company in substitution for those adopted under Resolution 1 which incorporate the rights attaching to the B Shares, C Shares, Deferred Shares and the D Shares.

The adoption of the new articles of association under Resolution 5 is conditional upon and subject to Resolutions 1 to 4 being passed at the General Meeting and the Management Buyout being implemented.

The full text of the Resolutions will be set out in the Notice of Meeting contained in the Circular.

## **10. Action to be taken**

Form(s) of Proxy for use in connection with the General Meeting will be posted to Shareholders with the Circular.

An Election Form for use by Shareholders (with the exception of Shareholders who hold their Existing Ordinary Shares in CREST) in connection with the Capital Alternative will also be enclosed with the Circular.

Shareholders who hold their Existing Ordinary Shares in CREST will not be sent Election Forms and may only elect for the Capital Alternative through CREST. Further information will be contained in the Circular in this regard.

## **11. Related party transactions**

As the Manager is principally owned and controlled by the Executive Directors, the entry by the Company into the Related Party Transactions constitutes related party transactions for the purposes of Rule 13 of the AIM Rules.

The Independent Non-Executive Directors, having been advised by the Company's nominated adviser, Collins Stewart, believe that the Related Party Transactions are fair and reasonable, insofar as Shareholders are concerned. In giving advice to the Board, Collins Stewart has taken into account the Board's commercial assessments of the Proposals and Related Party Transactions.

The Related Party Transactions will also require the approval of Shareholders at the General Meeting for the purposes of the Companies Act 2006 as they constitute an arrangement for the transfer of substantial non-cash assets of the Company to the Manager, which is a company connected to the Executive Directors.

## **12. Recommendation**

The Directors consider the Return of Cash and the change to SPARK's investing policy to be fair and reasonable insofar as Shareholders are concerned. Accordingly, the Directors unanimously recommend that Shareholders vote in favour of Resolutions 1 and 2 at the General Meeting.

The Independent Non-Executive Directors consider the Related Party Transactions required to give effect to the Management Buyout to be fair and reasonable insofar as Shareholders are concerned. Accordingly, the Independent Non-Executive Directors unanimously recommend that Shareholders vote in favour of Resolutions 3 to 5 at the General Meeting.

The Directors intend to vote in favour of all Resolutions at the General Meeting in respect of their own beneficial holdings, amounting in aggregate to 41,348,091 Existing Ordinary Shares (representing approximately 10.1 per cent of the current issued share capital of SPARK).

## **EXPECTED TIMETABLE OF PRINCIPAL EVENTS**

|   |                             |
|---|-----------------------------|
| Latest time and date for receipt of the Form of Proxy or CREST Proxy Instruction for the General Meeting  | 11.00 a.m. on 5 August 2009 |
| General Meeting   | 11.00 a.m. on 7 August 2009 |
| Latest time and date for receipt of Forms of Election and USE Instructions in respect of the Alternatives   | 3.00 p.m. on 7 August 2009  |
| Latest time and date for dealings in Existing Ordinary Shares, Existing Ordinary Shares disabled in CREST and Existing Ordinary Share register closed | 5.00 p.m. on 7 August 2009  |
| Share Split Record Date   | 5.00 p.m. on 7 August 2009  |
| Record Time (for determining entitlement to the Capital Repayment on the B Shares and the Special Dividend on the C Shares)                           | 6.00 p.m. on 7 August 2009  |
| Cancellation of trading of Existing Ordinary Shares   | 8.00 a.m. on 10 August 2009 |
| New Ordinary Shares admitted to trading on AIM and dealings in the New Ordinary Shares commence and enablement in CREST                               | 8.00 a.m. on 10 August 2009 |
| Credit CREST accounts with, or despatch cheques in respect of, the Capital Repayment on the B Shares and the Special Dividend on the C Shares         | By 24 August 2009           |
| Completion of Management Buyout (estimated)   | By 30 September 2009        |

### Notes:

1. References to times in this announcement are to London times. If any of the above times or dates should change, the revised times and/or dates will be notified to Shareholders by an announcement on a Regulatory Information Service.
2. All events in the above timetable following the holding of the General Meeting are conditional upon, inter alia, the passing of all of the Resolutions at the General Meeting.

## DEFINITIONS

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|---|---|
| "1985 Act"                              | the Companies Act 1985, as amended  |
| "2006 Act"                              | the Companies Act 2006, as amended  |
| "2001 Plan"                             | the NewMedia SPARK 2001 Unapproved Share Option Plan  |
| "2005 Plan"                             | the NewMedia SPARK 2005 Executive Share Option Scheme   |
| "Admission"                             | admission of the New Ordinary Shares to trading on AIM becoming effective in accordance with the AIM Rules  |
| "Admission Date"                        | 10 August 2009 (or such later date as the Directors may determine, being not later than 21 August 2009)   |
| "AIM"                                   | a market operated by the London Stock Exchange  |
| "AIM Rules"                             | the AIM rules for companies and the AIM rules for investing companies issued by the London Stock Exchange, as amended from time to time                                   |
| "Alternatives"                          | the Dividend Alternative and the Capital Alternative, or either of them as the context may require  |
| "Articles" or "Articles of Association" | the articles of association of the Company from time to time  |
| "B Shares"                              | the non-cumulative preference shares of 0.5 pence each in the capital of the Company carrying the rights and restrictions set out in Article 167 of the Articles          |
| "Board" or "Directors"                  | the board of Directors present at a duly convened and quorate meeting of Directors or a duly authorised committee of the Directors as the context requires                |
| "Business Day"                          | a day other than a Saturday, Sunday or a day on which banks are authorised to close in London   |
| "C Shares"                              | the non-cumulative preference shares of 0.5 pence each in the capital of the Company carrying the rights and restrictions set out in Article 168 of the Articles          |
| "Capital Alternative"                   | the election for B Shares to be repurchased by the Company and conferring a right to the Capital Repayment as to be more fully described in Parts 1 and 4 of the Circular |
| "Capital Repayment"                     | the proposed repayment of 0.5 pence per B Share   |
| "Capita Registrars"                     | a trading name of Capita Registrars Limited (incorporated   |

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|  | in England and Wales with registered number 2605568)   |
| <b>"certificated" or "certificated form"</b> | a share which is not in uncertificated form (that is, not in CREST)  |
| <b>"Collins Stewart"</b>                     | Collins Stewart Europe Limited, the Company's nominated adviser and broker, a member of the London Stock Exchange and which is authorised and regulated by the FSA   |
| <b>"Companies Acts"</b>                      | the 1985 Act and the 2006 Act  |
| <b>"Company" or "SPARK"</b>                  | SPARK Ventures plc (incorporated in England and Wales with company number 03813450)  |
| <b>"Completion"</b>                          | completion of the Management Buyout  |
| <b>"CREST"</b>                               | the relevant system (as defined in the Uncertificated Securities Regulations 2001) in respect of which Euroclear is the Operator (as defined in such regulations)  |
| <b>"CREST Proxy Instruction"</b>             | a properly authenticated CREST message appointing and instructing a proxy to attend and vote in place of a Shareholder at the General Meeting and containing the information required to be contained in the manual published by Euroclear   |
| <b>"D Share Subscription Agreements"</b>     | the subscription agreements to be entered into on Completion between (1) the Company (2) the Manager and (3) each Executive Director respectively setting out the terms and conditions of subscription for the D Shares, the terms of which are set out in paragraph 4 of Part 2 of the Circular   |
| <b>"D Shares"</b>                            | the unlisted preference shares of 0.5 pence each in the share capital of the Company carrying the rights and restrictions set out in Article 169 of the Articles   |
| <b>"D Share Distribution"</b>                | any dividend payable or paid to the holders of the D Shares  |
| <b>"Distributions"</b>                       | means, in relation to any financial year of the Company, the aggregate of (i) Excess Cash and (ii) any distributions or returns of capital by the Company made to its shareholders in respect of ordinary shares (including, without limitation, by way of dividends or share buy backs) after the date of the General Meeting and prior to the end of that financial year |
| <b>"Dividend Alternative"</b>                | the election (or deemed election) for C Shares and conferring a right to the Special Dividend as more fully described in Parts 1 and 4 of the Circular   |
| <b>"EBITDA"</b>                              | earnings before interest, tax, depreciation and amortisation   |
| <b>"Election Deadline"</b>                   | 3.00 p.m. on 7 August 2009 (or such later time and/or date as the Directors in their absolute discretion may determine, being not later than 21 August 2009)   |

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| <b>"Election Form"</b>            | the election form to be sent to Shareholders who hold their Existing Ordinary Shares in certificated form  |
| <b>"Election Period"</b>          | the period from the date of posting the Circular until the Election Deadline during which time Shareholders may make elections for one or more of the Alternatives   |
| <b>"ESA Message"</b>              | a message through CREST to Capita Registrars in its capacity as escrow agent requesting a withdrawal of Existing Ordinary Shares from the escrow balance   |
| <b>"Euroclear"</b>                | Euroclear UK & Ireland Limited, the operator of CREST (formerly known as CRESTCo Limited)  |
| <b>"Excess Cash"</b>              | <p>the amount of cash held by the Company on 31 March in each year (in respect of each financial year from the date of the General Meeting up to and including the financial year ending on 31 March 2014) less:</p> <ul style="list-style-type: none"> <li>(a) the Investment Reserves (to the extent not utilised for Further Investments); and</li> <li>(b) an amount deemed necessary by the Board to meet the Company's working capital requirements including, without limitation, such amount required to meet all fees and expenses payable by the Company pursuant to the Management Agreement</li> </ul> |
| <b>"Executive Directors"</b>      | Thomas Teichman, Andrew Carruthers, Andrew Betton and Jayesh Patel   |
| <b>"Existing Investments"</b>     | the investments held by the Company in investee companies as at the date of the Circular (including unlisted securities or equivalent received in relation to any disposal of such existing investment(s) but excluding either (i) cash or (ii) securities which are listed on a recognised investment exchange)   |
| <b>"Existing Ordinary Shares"</b> | the existing ordinary shares of 2.5 pence each in the capital of the Company   |
| <b>"Finance Act"</b>              | the Finance Act 1996   |
| <b>"Form of Proxy"</b>            | the form of proxy enclosed for use by Shareholders in connection with the General Meeting  |
| <b>"Further Investments"</b>      | any follow-on investments made by any member of the Group following the date of the General Meeting into any Existing Investments  |
| <b>"FSA"</b>                      | Financial Services Authority   |
| <b>"FSMA"</b>                     | Financial Services and Markets Act 2000, as amended  |

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| <b>"General Meeting"</b>                     | the general meeting of the Company (or any adjournment thereof) to be held at the offices of Nabarro LLP, Lacon House, 84 Theobald's Road, London WC1X 8RW at 11.00 a.m. on 7 August 2009   |
| <b>"Group"</b>                               | the Company and any company which is a Subsidiary Undertaking of the Company from time to time  |
| <b>"HM Revenue and Customs"</b>              | Her Majesty's Revenue and Customs   |
| <b>"Independent Non-Executive Directors"</b> | David Potter, Charles Berry and Michael Whitaker  |
| <b>"Initial Target"</b>                      | <p>in respect of any financial year, means a level of Distributions equal to 'C', to be calculated in accordance with the following formula:</p> $C = A - (B \times \text{£}820,000)$ <p>where:</p> <p>'A' = £45,200,000;</p> <p>'B' = (i) the level of Distributions to 31 March 2012 divided by (ii) £4,100,000, rounded down to the nearest whole number,</p> <p>provided that the Initial Target may be increased to such number in excess of 'C' with the written approval of (i) the Board and (ii) a majority in number of the holders of D Shares</p> |
| <b>"Investment Protection Agreement"</b>     | the investment protection agreement to be entered into on Completion between the (1) Company (2) the Manager and (3) the Executive Directors setting out the terms of the Company's subscription for shares in the Manager and the operation of the business of the Manager, the terms of which are set out in paragraph 3 of Part 2 of the Circular  |
| <b>"Investment Reserves"</b>                 | the sum of £6 million (less an amount equal to any further investments made or committed by any member of the Group in the period from 1 April 2009 to the date of the General Meeting and any follow-on investment requested but withheld by the Company) which may be used by the Company to make Further Investments   |
| <b>"Investments' Value"</b>                  | the aggregate investment value of the Existing Investments in the books of account of the Company based upon valuations being undertaken on a semi-annual basis on 31 March and 30 September in each year (including, for the avoidance of doubt, any amounts attributable to deferred consideration or sums held in escrow (whether or not any warranty claims have been made against such sums) and held in the books of the Company as investments or debtors provided that such amounts are reflected in the audited accounts of the Company)             |

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| <b>"ITA 2007"</b>                       | the Income Tax Act 2007  |
| <b>"London Stock Exchange"</b>          | London Stock Exchange plc  |
| <b>"Management Agreement"</b>           | the conditional management agreement entered into on 17 July 2009 between (1) the Company and (2) the Manager pursuant to which the Manager will provide certain management and administrative services, the terms of which are set out in paragraph 4 of Part 2 of the Circular                                   |
| <b>"Management Buyout"</b>              | the proposed externalisation of the existing management team and acquisition of certain assets by the Manager, to be effected in accordance with the terms of the Sale Agreement, the Investment Protection Agreement and the Management Agreement   |
| <b>"Management Fee"</b>                 | the fee payable to the Manager pursuant to the terms of the Management Agreement, further details of which are set out in paragraph 4 of Part 2 of the Circular  |
| <b>"Manager"</b>                        | SPARK Venture Management Holdings Limited (incorporated in England and Wales with registered company number 06906082)  |
| <b>"New Ordinary Shares"</b>            | following the Share Split, the new ordinary shares of 0.5 pence each in the capital of the Company   |
| <b>"Non-United Kingdom Shareholder"</b> | a Shareholder who is not resident in the United Kingdom or who is a citizen, resident or national of a country other than the United Kingdom. For the avoidance of doubt, a Shareholder who is not resident in the United Kingdom includes a Shareholder who is resident in the Channel Islands or the Isle of Man |
| <b>"Property Licence"</b>               | the property licence to be entered into on Completion between (1) the Company and (2) the Manager pursuant to which the Manager will occupy the Company's premises at 33 Glasshouse Street, London W1B 5DG   |
| <b>"Proposals"</b>                      | the Share Split, Return of Cash, the Management Buyout and the change to SPARK's investing policy  |
| <b>"Querist"</b>                        | Querist Limited (registered in England and Wales with company number 02944008)   |

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| <b>"Quester Funds"</b>                  | the funds managed by various members of the Querist Group including, without limitation, SPARK VCT plc (registered in England and Wales with company number 03139019), SPARK VCT2 plc (registered in England and Wales with company number 04063505), the Lachesis Seed Fund Limited Partnership (registered in England and Wales with number LP008365), The Isis College Fund No. 1 Limited Partnership (registered in England and Wales with number LP006582) and The Isis College Fund No. 2 Limited Partnership (registered in England and Wales with number LP006583) |
| <b>"Querist Group"</b>                  | Querist, its subsidiaries and its subsidiary undertakings  |
| <b>"Quester GP"</b>                     | Quester Venture GP Limited (registered in Scotland with company number 220736)   |
| <b>"Quester GP Sale Agreement"</b>      | the agreement to be entered into on Completion between (1) the Company and (2) the QVP Manager for the purchase by the Company of the entire issued share capital of Quester GP  |
| <b>"Quester Venture Partnership"</b>    | the limited partnership registered in England and Wales under number LP007736 having its principal place of business at 33 Glasshouse Street, London W1B 5DG   |
| <b>"QVP Management Agreement"</b>       | the management agreement dated 1 August 2001 between (1) the Quester Venture Partnership and (2) Quester Capital Management Limited (subsequently re-named SPARK Venture Managers Limited)   |
| <b>"QVP Manager "</b>                   | SPARK Venture Managers Limited (registered in England and Wales with company number 02454345)  |
| <b>"QVP Variation Agreement"</b>        | the agreement to be entered into on Completion between (1) Quester Venture Partnership and (2) the QVP Manager varying the terms of the QVP Management Agreement   |
| <b>"Record Time"</b>                    | 5.00 p.m. on 7 August 2009 (or such later time and/or date as the Directors in their absolute discretion may determine, being not later than 21 August 2009)   |
| <b>"Regulatory Information Service"</b> | a Regulatory Information Service on the list of Regulatory Information Services maintained by the FSA  |
| <b>"Related Party Transactions"</b>     | the entry into the Sale Agreement, the Management Agreement, the Investment Protection Agreement, the Property Licence and the D Share Subscription Agreements   |
| <b>"Resolutions"</b>                    | the resolutions set out in the notice of General Meeting to be contained in Part 9 of the Circular   |

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| <b>"Return of Cash"</b>             | the transaction comprising the Share Split and the Alternatives   |
| <b>"Sale"</b>                       | means the transfer or other disposal (whether through a single transaction or a series of transactions) of the legal and/or beneficial interest or title to a majority or more of the Ordinary Shares in issue taken together to a person (and/or any Connected Person or the acceptance of an offer as a result of which the offeror (and/or any Connected Person) becomes entitled or bound to acquire the remainder of such shares |
| <b>"Sale Agreement"</b>             | the conditional agreement entered into on 17 July 2009 between (1) the Company and (2) the Manager for the sale of certain assets of the Company, the terms of which are set out in paragraph 2 of Part 2 of the Circular   |
| <b>"Share Entitlement"</b>          | the entitlement of each Shareholder to be allotted four B Shares or four C Shares for each Existing Ordinary Share held at the Record Time  |
| <b>"Shareholders"</b>               | holders of Existing Ordinary Shares, New Ordinary Shares, B Shares, C Shares, D Shares or Deferred Shares, as the context may require   |
| <b>"SPARK Share Option Schemes"</b> | the 2001 Plan and the 2005 Plan   |
| <b>"Share Split"</b>                | the proposed sub-division of each Existing Ordinary Share in issue at the Share Split Record Date into one ordinary share of 0.5 pence each and either four C Shares of 0.5 pence each or (at the discretion of Shareholders) four B Shares of 0.5 pence each   |
| <b>"Share Split Record Date"</b>    | 5.00 p.m. on 7 August 2009 (or such other time and/or date as the Directors in their absolute discretion may determine, being not later than 21 August 2009)  |
| <b>"Special Dividend"</b>           | a special dividend of 0.5 pence per C Share to be declared and paid in accordance with the Dividend Alternative   |
| <b>"United Kingdom" or "UK"</b>     | the United Kingdom of Great Britain and Northern Ireland  |
| <b>"United States" or "US"</b>      | the United States of America, its territories, possessions, any State of the United States of America and the District of Columbia  |
| <b>"USE Instruction"</b>            | Unmatched Stock Event instruction   |
| <b>"US Securities Act"</b>          | the United States Securities Act of 1933 (as amended) and the rules and regulations promulgated thereunder  |