Annual Report & Accounts

# 2003-2004

NewMedia SPARK

**Business and financial highlights:**

- €29.3m gross cash returned from Spuetz AG (Spuetz), SPARK's former German subsidiary, (including €15.7m received after the balance sheet date), improving liquidity despite reduction in reported Group cash reserves.
- Bulk of Group cash now under SPARK control in London whereas it had been previously under Spuetz control.
- Good underlying prospects in portfolio, including the remaining 37% stake in Spuetz.
- Several smaller investments sold at above book value during second half and two of our more substantial portfolio companies currently at a fairly advanced stage of negotiation for trade sales, also above book value.
- Office lease costs substantially mitigated by subletting of property.
- Group structure simplified – including executive directors, we currently employ just seven staff.
- Net assets stable at 11.4p per share on prudent valuations, suggesting that buy backs with cash returned from Germany would be beneficial to shareholders at current market price of 10.25p.
- Balance sheet reconstruction to be proposed to shareholders to permit share buy backs.

CHAIRMAN'S REPORT

# Several of our investee companies have finally turned the corner after being start up financed by us five years ago.

Thomas Teichman *Chairman*

**DEAR FELLOW SHAREHOLDERS,**
Things are feeling much better after over three years in the wilderness for us and our industry. We've got less headline cash than we had last year – due to the partial disposal of Spuetz– but actually we are in a much better position as more cash is in the UK which is under our control, rather than it being tied up under the control of Spuetz, our independent, Frankfurt listed, German investment subsidiary. Spuetz has paid a large dividend, subsequent to the year end, and we have also significantly reduced our stake. Spuetz's interesting new investment in German television and telecoms, mass response businesses could add significant value soon – their German partners are Deutsche Telekom. The portents are encouraging.

The portfolio feels a lot better too. Several of our investee companies have finally turned the corner after being start up financed by us five years ago. We always said it took this long. This is gratifying given the many casualties the market has seen in the early stage Venture Capital (VC) area over the last four years – particularly in software, internet and technology start ups.

A couple of our long-standing investments are subject of serious sales talks. We don't want to rush as we want a good price. We are still investing significant sums in our most valuable VC positions. We own 68% of Aspex. Based on market comparisons this is a company that could be very significant in relation to our overall portfolio as it gains market share and improves its world class chip products. Several of our businesses are doing very well, growing very fast, profitable and beginning to throw off cash. Potential acquirers have been sniffing around these but unless there is a good offer, we have decided to nurture rather than sell as we believe their value is improving and, as they improve further, it is in shareholders' interests to hold out for higher values.

Our increased liquidity in London has allowed us to back our winners with cash judiciously applied. It has also allowed us to look cautiously at the many new deals coming our way – start ups and, much more likely, developed situations, mainly in software and technology. The leanness of our team allows for quick decision-making and we are less burdened by the job of managing a big head office, which had become a strain on some of our most talented people. We are pleased by the way we have been able to sublet most of the space in our building, now that most incubatees have moved out.

As our stock looks good value at the moment, we plan to hand back some of our cash by making share buybacks, subject to obtaining shareholder approval, providing the costs of doing so are not excessive and the legal hurdles are cleared.

On all fronts, it's quite a good time to be in our business. Exits look more likely and I am encouraged and look forward to a nice year subject always of course to the effects of possible global macro disasters that seem to be on everyone's mind at the moment and which would affect the value of virtually everything and slow exits.

I would like to thank Joel Plasco, who has moved on to become joint Managing Director of Spuetz, for his significant contribution over the last five years. He was a founder of SPARK and has played an invaluable role in developing our business. I also welcome Jay Patel to our Board. Jay has been with us since SPARK was founded and has been a key member of our management team. His experience in investment banking and the media sector is valuable to us.

SPARK's stated net asset value at the 31 March 2004 financial year-end was 11.4p per share, broadly unchanged from the position at the interim stage. Following a decline in asset value during the first half of the financial year, in the second half our operating expenses were partially offset by a modest uplift in the carrying value of our investment portfolio.

During 2003/4 we have made considerable progress in resolving the two major structural issues that had been negatively impacting on SPARK, namely the fact that the bulk of our liquidity was blocked within Spuetz, and the on-going cost of our ten year property lease at Glasshouse Street.

With regard to Spuetz, we have been successful in returning substantial funds from Spuetz to the UK on terms that reflect the underlying asset and cash value attributable to SPARK with respect to its Spuetz shareholding. We now retain a 37% shareholding in the quoted Spuetz business which we believe has good potential for capital appreciation following Spuetz's decision to invest in the Twister Group. The Twister Group is a substantial, profitable and fast growing business which is a European leader in the provision of mass response services for television programming.

The partial sale of our Spuetz shareholding and dividend distribution from Spuetz will free up our management time and financial resources, and importantly will also simplify the presentation of our balance sheet and profit and loss account in future periods. During the last two years the requirement to consolidate Spuetz's accounts into SPARK's own accounts has considerably complicated the presentation of both our balance sheet and our profit and loss account.

Our consolidated accounts as at 31 March 2004 reflect the fact that we no longer consolidate Spuetz AG. This is due to the reduction in our holding in Spuetz from 68% to 37% in March 2004 immediately prior to the financial year end. It should be noted that our stated net cash position of £10.9m as at 31 March 2004 substantially understates our true underlying cash and liquid asset position due to the timing of receipts over the financial year end. Subsequently, we have received a gross dividend from Spuetz of €15.7m, and we retain a 37% shareholding in Spuetz which ex-dividend has a present quoted market value of approximately €10m. Our liquidity position therefore remains strong, and importantly we now have substantial cash balances available for use in the UK rather than tied up in a German subsidiary.

**CHIEF EXECUTIVE OFFICER'S REPORT**

# During 2003/4 we have made considerable progress in resolving the two major structural issues that had been negatively impacting on SPARK.

Michael Whitaker
*Chief Executive Officer*

Following the part-disposal of Spuetz, SPARK is now a much leaner, simpler organisation. Including executive directors, we currently employ just seven staff (two of whom are part time). Excluding property and one-off legal costs, we expect our annual operating expenses to be around £1.1m p.a.

With regard to property, during the year we entered into a joint venture with Corpnex to convert our surplus office space at Glasshouse Street into serviced offices. We are pleased to report that this venture is progressing well, with occupancy rates now over 75% and above budget. We therefore expect our net property costs, which had been running at approximately £1.3m p.a., to reduce substantially during the current year.

Taken together, the above developments have now freed us to devote more time and resource to maximising the value of our investment portfolio. Although not yet reflected to any substantial extent in the book valuation of our portfolio, underlying progress has been very encouraging in recent months. As we commented in our interim statement, our portfolio is now maturing and a significant number of our portfolio companies have now either reached profitability or have achieved leading positions within their market segments.

As shareholders will be aware, our valuation policies have historically been such that we do not re-value our holdings above cost unless there is a specific third party valuation event – in practice usually either a third party investment into the portfolio company at a higher level or a disposal of shares in that company. It is in the nature of some of our most successful investments that they are now self-financing and hence under such policies revaluation may not be triggered until either a flotation or trade sale of the business. We may review our accounting policies in future periods if we believe that the new BVCA guidelines (which allow upwards revaluation of investments on an earnings multiple basis) would present a fairer view of our asset values. Meanwhile, under our existing accounting policies there were in fact a small number of revaluation events during the second six months of the financial year, and this delivered a portfolio valuation uplift that partly covered our costs of operation during that period (approximately £1.1m, or 5%). We believe that there remains potential for substantial appreciation in the future.

During the year, several of our smaller investments (including ADVFN, Digital Animations and QSA) were disposed of for amounts above book value. More significantly, two of our more substantial portfolio companies are currently at a fairly advanced stage of negotiation for trade sale at valuations in excess of book value. There can be no guarantee that either sale will be concluded, but these negotiations support our view that the carrying value of our portfolio is conservative. In terms of flotations, we have continued to monitor the state of the new issue market closely, but to date have been wary of floating investee companies prematurely. At the time of writing the IPO market is showing signs of becoming more difficult, but nevertheless we will continue to monitor flotation opportunities closely.

In general, we have made only limited further investments into our investee companies during the past year. This has reflected our wish to conserve cash levels until we can demonstrate proven success in realising profit from existing portfolio companies, and also reflects the reduced cash requirements of the portfolio as it has matured. The major exception to this rule has been Aspex, where we have continued to fund the business to a significant extent (£5.0m during the year). Our total cash investment in Aspex is now over £10.8m, making it our largest single unquoted investment, and on conversion of loan stock holdings our effective economic interest in Aspex would be 68%. We believe that our investment in Aspex has the most substantial upside potential of all our portfolio companies.

Other investee companies, such as Pricerunner, Footfall, Mergermarket, and Firebox are at a more mature, profitable stage and have continued to make good progress. Overall, excluding our continuing investment in Spuetz (£13.2m) and own shares held in the Employee Benefit Trust (£0.6m), the book value of our investment portfolio as at 31 March 2004 was £28.5m.

We remain confident that the portfolio is conservatively valued and has the potential for significant uplifts in the future. Having returned liquidity from Germany to the UK, we are now in a position to make further investments should suitable opportunities emerge and are monitoring such opportunities carefully – though we would prefer to demonstrate profitable exits from existing portfolio companies before committing too much money to new investments.

Meanwhile, given our view of the potential worth of our portfolio, it seems to us that one of the best uses of surplus funds would be to re-purchase our own shares at the right price. For this reason with our forthcoming notice of AGM we hope to send shareholders documentation to approve a reconstruction of our balance sheet to eliminate accumulated losses and create distributable reserves. Such reconstructions are complex and require Court approval, but if it proves possible without excessive cost then we view it as desirable as it would give SPARK the ability to utilise surplus funds to implement share buy backs. The timing, extent and price of any such buy backs will depend on market conditions at the time, and also on our view of the potential value of our investment portfolio relative to SPARK's share price. However for guidance our current view would be that the present 10.25p market price of SPARK shares would represent an attractive buying opportunity.

PORTFOLIO REVIEW

## Highlights

- Partial sale of Spuetz and its inclusion into the portfolio as an investment rather than a subsidiary.
- Investment of £5m into Aspex Semiconductor following substantial progress in the business.
- Positive developments in the rest of the 'top 10' investments.
- Two larger investments currently under negotiation for sale at values above carrying value.
- Six smaller investments sold in the year for £2.9m, previously carried on the balance sheet at a combined value of £1.3m.
- Modest further cash invested apart from Aspex Semiconductor of £1.2m in the year.
- Valuation decline in first half of the year of £1.1m reversed with an increase of £1.2m in the second half.

Andrew Carruthers *Managing Director*

### Trends

As SPARK reports on its fourth full year of portfolio development, it is with some satisfaction that one can see an end to the period in the fund cycle during which the predominant activity is closing down unsuccessful investments, and the beginning of the process of selling some, or concentrating more resources (including further investment) on other of the larger assets.

The evidence for this comes from the successful sale of six smaller investments in the period under review, most of which had had their values written down in previous years (to £1.3m), but were sold during the current year for more than those written down values (by £1.6m). More significantly, we are currently negotiating sales on two larger assets also at levels above carrying value in the books, although these are still at an early stage and therefore uncertain. In addition, with the exception of Aspex Semiconductor (which is discussed below), the modest level of further investment required in the existing investments (£1.2m in the year) demonstrates a maturing portfolio.

Whilst it is normal for there to be quite a long period in the case of early-stage investing between the initial investment and the realisation of the 'success stories', it is nonetheless encouraging when better visibility emerges on where those success stories may lie. This visibility will always be difficult to interpret in value terms until an exit is achieved, but the sections below will attempt to qualify in some measure the progress achieved. I remain confident that the valuation policy SPARK adopts accelerates the recognition of the bad news whilst delaying the recognition of the good in value terms – at least for the private equity holdings. Despite this tendency in our valuations, we have seen a reversal in the declines that were still occurring in the first half of the year (£1.1m) with an increase in the second half that more than compensates for this (£1.2m). The possible exception to this tendency is in the case of quoted investments, most notably for us, our investment in Spuetz, where market sentiment can reflect value changes very quickly.

## Spuetz

The cost of acquiring a 70% holding in Spuetz during the course of 2001 and 2002 was £22.1m. During 2001 – 2003 the trading operations of Spuetz were sold or closed down and the two major assets, which were holdings in Deutsche Börse Group and Tullet & Tokyo, were sold for €35m and £22m respectively. Throughout this period the Company was plagued by spurious litigation and minority shareholder suits incurring very heavy defence costs and consuming substantial management time. Despite this, during the year SPARK was able to sell 33% of its holding through a combination of a tender offer to Spuetz and a sale of 29% to a third party. Additionally, in April 2004 a dividend of €23.2m (of which €15.7m was attributable to SPARK) was declared and paid by Spuetz. These proceeds, when combined with the valuation at the end of the financial year of SPARK's remaining 37% at market prices, gave an uplift over cost of £5m over the life of the investment. Whilst the valuation of our remaining holding will fluctuate with the performance of the Spuetz stock price, this result was a substantial achievement in very contested circumstances. In the meantime, Spuetz has invested in Twister, which operates Germany's leading interactive mass response service provider (Digame) in conjunction with Deutsche Telecom for programmes such as the Eurovision song contest, Big Brother, Pop Stars etc. This is a rapidly growing market in which Digame has a dominant position in Europe's largest economy. Based on these facts we have a positive view on the fundamentals underpinning the Spuetz share price however this may fluctuate in the short-term.

## Aspex Semiconductor

Aspex is the single largest unquoted investment in SPARK's portfolio. The Company is a leading edge fabless semiconductor company specialising in high performance software programmable processors. SPARK has invested £10.8m in the Company since early 2000, of which £5m has been invested or committed during the financial year to fund the Company for a two year period. Aspex's Linedancer chip is the result of over 450 man-years of research and development. Its ASProCore architecture allows scalable processing power with software defined applications, delivering ultra high performance yet remaining simple to implement. The practical benefits of this solution for customers is a reduction in their component costs (of up to 80%), the ability to accelerate product development cycles (thereby increasing return on investment) with scalable processing power and the flexibility of being software programmable to accommodate product evolution without the need to replace the chip.

Since the last Annual Report in which a manufacturing and marketing relationship was announced with Philips, the Company has successfully commenced production, sold system development kits to 12 major customers and started shipping volume orders of semiconductors. Over the same period both the principal market sectors for Aspex's semiconductors – telecommunications and digital image processing – have experienced rapid growth and major industry players such as Motorola, Siemens and Intel have begun looking for solutions similar to those offered by Aspex. SPARK decided to take up its rights to invest further in Aspex despite interest from new third party investors to ensure that it retained a substantial holding in a company which offers the prospect of significant value growth over the next couple of years. During the course of the year, Wolfson Microelectronics demonstrated the value that can be achieved for growing semiconductor companies when its initial public offering priced the Company at £214m with revenues of £41m ($75m).

## Developments in other top ten investments

Pricerunner has achieved a third consecutive year of 100% revenue growth with net pre-tax profits in the region of 20%. As the leading internet search companies such as Google and Yahoo have proved, all forms of e-commerce are experiencing dramatic growth and the price comparison sites are rapidly gaining prominence alongside search as the gateways between consumers, retailers and advertisers. Europe's largest price comparison company, Kelkoo, was bought by Yahoo in March for €475m and Shopping.com has announced its IPO through Goldman Sachs on Nasdaq for $420m. Both companies are substantially larger than Pricerunner, however these transactions provide evidence of the increasing level of activity and interest in the sector – all of which benefit Pricerunner. Whilst a number of strategies for Pricerunner have been under consideration for some months (including an IPO), since the Company continues to be highly cash generative and the market appetite for IPO's appears to be slowing, the prospect of supporting the continuing rapid organic growth becomes more attractive as the preferred strategy.

SPARK holds 41% of Pricerunner and a series of secondary stock transactions in the Company have provided third party valuation events that allow us to increase the book value of this holding by £2.4m from £1.1m to £3.5m. As the latest of these transactions occurred in November 2003, since which time Pricerunner has continued to grow rapidly, we believe that the £3.5m carrying value remains a prudent valuation.

FootFall and Mergermarket have both enjoyed very rapid growth in revenues and cash flows, with both of them reaching profitability over the last year. In the case of Mergermarket, significant investments have been made both in new products and a launch in the US. With these initiatives demonstrating success, we expect the year ahead for Mergermarket to demonstrate another cycle of rapid value creation. In the case of FootFall, revenues have grown by over 80% and profitability has been achieved despite a business model that involves selling 3-5 year contracts, some of which only reach breakeven in their second year. The benefit of these long-term contracts is that the Company has started its current financial year with contracted revenues already sufficient to cover over 80% of its UK cost base. When combined with another profitable year from the more mature Synaptics business, the exceptional growth of Pricerunner and the continuing growth and profitability of Firebox (the online retailer of gadgets), these two businesses provide a solid underpinning of profitable and maturing investments in our portfolio.

Another profitable, but smaller, business coming into the top ten this year is Intelligent Apps. The Company provides desktop and web reporting and analysis tools for Business Intelligence systems using Microsoft's Excel as a simple and well-known interface. The principle benefit is to eliminate the need for expensive proprietary business intelligence software products. Intelligent Apps has seen core sales growth of 220% and has concluded a distribution agreement with SAGE to sell its products alongside Line 200 and Line 500.

SPARK's investments in two businesses focussed on the music industry, DX3 and Kobalt, have finally seen the vindication of their business models in the year under review. Both DX3 and Kobalt are not currently consistently profitable, but both are approaching profitability and demonstrate the prospects of substantial growth. DX3 has been seeking to provide management systems for the administration and distribution of music rights since 1999 in anticipation of the growth of secure and legal digital music sales. During 2003 Apple's launch of iTunes in the US, the rapid growth in sales of iPods and other personal digital music devices and a few high-profile legal actions against illegal music file sharing together have heralded the arrival of secure, paid for, digital music sales. The effect has been a dramatic increase in activity amongst retailers and music labels preparing to launch multiple new services in both the US and in Europe.

At the time of writing both Napster and iTunes have launched their European services. In reflection of these industry trends DX3 has been able to conclude a strategic partnership with EUK, who are part of the Woolworth group and the single largest distributor of entertainment products in the UK, and start delivering rights management services to a number of other leading entertainment brands for whom this is a key platform to enable the monetisation of digital media sales.

In the case of Kobalt, who provide administration services for the collection of publishing rights of writers, publishers and artists such as James Brown, Sanctuary Music and Badly Drawn Boy, the period has seen a rapid growth in the number of rights that they administer. This is largely because both the industry and the community of writers have begun to recognise the huge benefits and efficiencies of a transparent collection system that increases visibility on revenue flows, speeds the time to revenue and efficiently identifies errors in the reporting of collection societies around the world.

PORTFOLIO REVIEW

continued

## FINANCIAL REVIEW

Andrew Betton
*Company Secretary and Finance Director*
(SPARK Investors Ltd and SPARK Services Ltd)

On a consolidated basis, the Group closed the year with cash balances of £10.9m (2003, £52.0m), an investment portfolio valued at £41.7m (2003, £23.8m), and shareholders' funds of £53.6m (2003, £58.5m). The loss before tax amounted to £6.6m (2003, £9.1m).

During the year, the Group reduced its effective ownership of Spuetz AG (after adjusting for the own shares held by Spuetz) from 70% to 37%. Consequently, SPARK is no longer permitted to consolidate Spuetz but treats it instead as a portfolio investment. The part disposal of Spuetz gave rise to a loss on disposal of £1.2m. SPARK's residual investment in Spuetz is included within investments and valued at £13.2m at the year end. In addition, the dividend payable on the shares that SPARK sold in March 2004 is included within debtors as accrued income of £4.7m.

The financial effects of the part-disposal of Spuetz are explained in greater detail in note 2 to the accounts.

As referred to in the Chief Executive Officer's Report, good progress has been made with the serviced office arrangement with Corpnex. Occupancy rates are now in excess of 75% and are above budget. Accordingly, £1.0m of the vacant space provision made in the 2003 accounts has been utilised.

Included within salary costs from continuing operations of £1.6m are costs of £0.4m for former directors and employees of the Group.

In the year to 31 March 2004, Group operating losses from continuing operations, before goodwill amortisation, amounted to £2.6m (2003, £8.2m) while discontinued operations gave rise to operating losses before goodwill amortisation of £3.5m (2003, £10.0m). These discontinued operations represent the operations of Spuetz AG, which was partially disposed of in the year and those of SPARK Gmbh which ceased to trade in the year.

## DIRECTORS

**Thomas Teichman** (56)
Chairman
Tom was previously Chairman of NewMedia Investors Ltd, which he founded in 1996. Tom has 30 years of venture capital and investment banking experience with firms including Bankers Trust and CSFB. He has raised over £5bn in debt, equity and convertibles and has backed many successful early stage businesses all the way to flotation. These include Argonaut, ARC and lastminute.com. He has extensive venture capital experience ranging from on-line information, telecoms, video games and chip design to travel and software for healthcare and retailing. Appointed to the Board on 20 October 1999.

**Michael Whitaker** (49)
Chief Executive Officer
Michael was formerly co-founder and CEO of Collins Stewart, the investment bank. He has been instrumental in advising and funding a substantial number of high technology companies, both private and quoted and has extensive corporate finance and stockbroking experience. Prior to Collins Stewart, Michael was a leading technology analyst with the stockbroking firm Simon & Coates. Appointed to the Board on 27 September 1999.

**Andrew Carruthers** (37)
Managing Director
Andrew was previously a Director of NewMedia Investors responsible for investment and capital raising for a number of software, internet and digital media companies. Prior to that he was involved in the management of technology and finance as a Director or Founder of online information, TV and digital distribution companies in the US and UK. He qualified as an accountant with KPMG. Appointed to the Board on 27 September 1999.

**Jayesh Patel** (34)
Executive Director
Jay was previously a Director of NewMedia Investors and has held Corporate Finance and Business Development roles at UBS Warburg and BSkyB. He qualified as a Chartered Accountant with KPMG and holds degrees from INSEAD and the London School of Economics. Appointed to the Board on 30 January 2004.

**Tony Sarin** (42)
Non-Executive Director
Tony is currently CEO of Hamilton Bradshaw, a private equity fund. Prior to this Tony founded, and was CEO, of Numerica Group plc, where he is currently a non-executive director; previously he was founder and CEO of Softtechnet.com plc, which was acquired by SPARK. Prior to Softtechnet, he was a senior partner at Morley & Scott Chartered Accountants. He sits on various committees including one of the Bank of England's Small Business Panels, the Council of the London Chamber of Commerce and Industry and is also Chairman of the Asian Business Organisation. Appointed to the Board on 21 July 2000.

**John Maples** (61)
Non-Executive Director
John Maples MP, is currently Member of Parliament for Stratford-on-Avon. He is also a Member of the Foreign Affairs Select Committee and former Council Member of the Royal Institute of International Affairs (Chatham House). He holds a number of other directorships including non-executive Chairman of Advanced Visual Technology Ltd and non-executive director of Value Retail plc, Bank Machine Holdings Ltd and Agatha Christie Ltd. John is a qualified barrister. He was appointed to the Board on 30 January 2002.

**David Potter** (60)
Non-Executive Director
David is the former Deputy Chairman of Investec Bank UK following their purchase of Guinness Mahon Holdings of which he was Group Chief Executive.

Previously he was Managing Director of Midland Global Corporate Banking and of Samuel Montagu. Prior to that he was a Managing Director at CSFB. He is currently a non-executive director of Noble Group, InfoCandy (Chairman), Numerica plc and Solar Integrated Technologies Inc (Chairman). He also serves as a member of the Council of The Centre for the Study of Financial Innovation and is Hon. Treasurer of Kings College London. Appointed to the Board on 20 March 2002.

**Andrew Betton** (33)
Company Secretary
Andy was the Group Financial Controller of SPARK from December 2000 to August 2003 when he became the Company Secretary. Prior to joining SPARK he gained six years extensive audit, accountancy and taxation experience in an accountancy practice followed by two years commercial experience in a quoted shipbroking firm. Andy qualified as a Chartered Accountant in 1996 and holds an economics degree from the University of Cambridge.

# OFFICERS AND PROFESSIONAL ADVISERS

**Directors**
A.B. Carruthers
B.D.G. Delacave resigned 31 July 2003
J.C. Maples
J.R. Patel appointed 30 January 2004
J.D. Plasco resigned 29 January 2004
D.R.W. Potter
T.D. Sarin
T.A. Teichman
M.K. Whitaker

**Secretary**
S.E.G. Freeman resigned 27 August 2003
A.D.N. Betton appointed 27 August 2003

**Registered Office**
Lacon House
Theobald's Road
London WC1X 8RW

**Bankers**
The Royal Bank of Scotland plc
Abbey Gardens
4 Abbey Street
Reading
Berkshire RG1 3BA

**Solicitors**
Nabarro Nathanson
Lacon House
Theobald's Road
London WC1X 8RW

**Auditors**
Deloitte & Touche LLP
London

## DIRECTORS' REPORT

The Directors present their Annual Report and audited financial statements for the year ended 31 March 2004.

### Activity

The principal activity of NewMedia SPARK Plc is the making of investments in early stage companies in the financial services, technology, media and telecommunications sectors primarily in the UK and Europe.

### Review of developments

In the year ended 31 March 2004, NewMedia SPARK Holdings Gmbh (a wholly owned subsidiary of NewMedia SPARK Plc) sold 362,151 shares in Spuetz into their tender offer to buy-back their own shares. NewMedia SPARK Holdings Gmbh also sold 1,524,390 shares to a third party for consideration of €10m. The effect of these two transactions was to reduce the SPARK group's effective ownership in Spuetz from 70% to 37%.

SPARK also implemented a commercial venture with Corpnex plc to sublet and manage its surplus space within 33 Glasshouse Street. At the time of writing, occupancy rates are in excess of 75% which is above budget and compares very favourably to the 30% occupancy level prior to the commencement of this venture.

Significant events in the SPARK portfolio are discussed within the portfolio review.

### Dividends

The Directors do not propose a dividend for the year ended 31 March 2004 (2003, £nil).

### Future prospects

NewMedia SPARK Plc will focus on growing value for shareholders by reducing expenditure, growing cash reserves, and developing and extracting value from our portfolio of investments.

### Share price

The average share price of NewMedia SPARK Plc quoted ordinary shares in the year ended 31 March 2004 was 9.25p. In the year the share price reached a maximum of 13.5p and a minimum of 7.25p. The closing share price on 31 March 2004 was 11.5p.

### Directors and their interests

The directors serving during the year ended 31 March 2004 had the following interests in the share capital of the Company:

| | Beneficial holdings | | Founder warrants[1] | | Options[2] | |
|---|---|---|---|---|---|---|
| | 2004 Number | 2003 Number | 2004 % share capital attributable to warrants | 2003 % share capital attributable to warrants | 2004 Number | 2003 Number |
| T.A. Teichman[3] | 24,330,954 | 24,330,954 | 1.42 | 1.42 | 840,000 | 840,000 |
| M.K. Whitaker[4] | 18,880,551 | 18,880,551 | 2.40 | 2.40 | 840,000 | 840,000 |
| A.B. Carruthers[5] | 2,800,000 | 2,800,000 | 0.75 | 0.75 | 840,000 | 840,000 |
| B.D.G. Delacave | 50,000 | 50,000 | 0.25 | 0.25 | 2,340,000 | 2,340,000 |
| J.R. Patel | 400,000 | 400,000 | 0.28 | 0.28 | 839,194 | 839,194 |
| J.D. Plasco | 18,578 | 18,578 | 1.00 | 1.00 | 840,000 | 840,000 |
| T.D. Sarin | 270,000 | 720,000 | – | – | 250,000 | 250,000 |
| J.C. Maples | – | – | – | – | 250,000 | 250,000 |
| D.R.W. Potter | 230,000 | 125,000 | – | – | 250,000 | 250,000 |

The figures for the previous year given above for J.R. Patel are at the date of his appointment to the Board. The figures for the current year for B.D.G. Delacave and J.D. Plasco are at the date of their resignations from the Board.

## DIRECTORS' REPORT CONTINUED

1 Founder warrants entitle the holder to subscribe for ordinary shares at a price of 10p per share. They may be exercised at any time between 20 October 2000 and 20 October 2004.

2 Options were granted under the SPARK Unapproved Share Option Schemes through the SPARK Employee Benefit Trust with an exercise price of 2.5p per option. No directors exercised options during the year. These options expire on 31 December 2011.

3 T.A. Teichman is interested in 21,450,954 ordinary shares and 0.92% of the relevant share capital held in each case by Glasshouse Associates Ltd, a company of which he is the controlling shareholder; and is also interested in 2,880,000 ordinary shares and 0.5% of the relevant share capital held in each case by the trustees of The Montana Trust of which he is a beneficiary.

4 Grey Holdings sprl, in which M.K. Whitaker is beneficially interested, owns 13,133,320 ordinary shares and 1.65% of the relevant share capital; and Sun Life Pension Management a/c 380, in which M.K. Whitaker is beneficially interested, owns 5,747,231 ordinary shares.

5 These ordinary shares and warrants are held by the trustees of the Carruthers Retirement Annuity Trust of which A.B. Carruthers is a beneficiary.

### Suppliers

The Group agrees payment terms and conditions with individual suppliers which vary according to the commercial relationship and the terms of the agreements reached. It is the policy of the Group that, whenever possible, payments to suppliers are made in accordance with the terms agreed. The average time taken to pay purchase invoices by the Company is 35 days (2003, 28 days).

### Auditors

A resolution to re-appoint Deloitte & Touche LLP as the Company's auditor will be proposed at the forthcoming Annual General Meeting.

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

**A.D.N. Betton**
Company Secretary
28 July 2004

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss of the Group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group, and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NEWMEDIA SPARK PLC

We have audited the financial statements of NewMedia SPARK Plc for the year ended 31 March 2004 which comprise the consolidated statement of total recognised gains and losses, the reconciliation of movement in consolidated shareholders' funds, the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement, the notes to the consolidated cash flow statement, and the related notes 1 to 23. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report or for the opinions we have formed.

## Respective responsibilities of Directors and auditors

As described in the statement of Directors' responsibilities, the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the Directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the Company and other members of the Group is not disclosed.

We read the Directors' report and the other information contained in the Annual Report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

## Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

## Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 March 2004 and of the loss of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London
28 July 2004

Notes: An audit does not provide assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular on whether any changes may have occurred to the financial statements since first published. These matters are the responsibility of the Directors but no control procedures can provide absolute assurance in this area.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions.

## CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

**year ended 31 March 2004**

| | Note | Year ended 31 March 2004 £'000 | Year ended 31 March 2003 £'000 |
|---|---|---|---|
| Loss for the year | | (6,066) | (9,030) |
| Unrealised gain/(loss) on investments | 19 | 201 | (4,560) |
| Previously unrealised losses now deemed permanent | 19 | 2,425 | 7,704 |
| Movement in relation to own shares of subsidiary | | (601) | – |
| Reserve transfer on lapse of warrants | 19 | 8,391 | – |
| Foreign currency translation | | (907) | 2,850 |
| Total recognised gains and losses for the year | | 3,443 | (3,036) |

## RECONCILIATION OF MOVEMENTS IN CONSOLIDATED SHAREHOLDERS' FUNDS

**year ended 31 March 2004**

| | Note | Year ended 31 March 2004 £'000 | Year ended 31 March 2003 £'000 |
|---|---|---|---|
| Loss for the year | | (6,066) | (9,030) |
| Other recognised gains for the year | | 9,509 | 5,994 |
| Reduction in capital reserve on lapse of warrants | 19 | (8,391) | – |
| Proceeds of issues of shares | 18 | 6 | – |
| Net reduction to shareholders' funds | | (4,942) | (3,036) |
| Opening shareholders' funds | | 58,545 | 61,581 |
| Closing shareholders' funds | | 53,603 | 58,545 |

# CONSOLIDATED PROFIT AND LOSS ACCOUNT

**year ended 31 March 2004**

| | | Year ended 31 March 2004 | | | Year ended 31 March 2003 | | |
|---|---|---|---|---|---|---|---|
| | Note | Continuing operations £'000 | Discontinued operations £'000 | Total £'000 | Continuing operations £'000 | Discontinued operations £'000 | Total £'000 |
| Turnover | | – | 639 | 639 | – | 1,295 | 1,295 |
| Administrative expenses: | | | | | | | |
| Salaries and other staff costs | | 1,614 | 541 | 2,155 | 5,131 | 3,230 | 8,361 |
| Administrative and operating costs | | 598 | 2,742 | 3,340 | 2,122 | 6,048 | 8,170 |
| Amortisation of positive goodwill | | – | – | – | 1,338 | – | 1,338 |
| Amortisation of negative goodwill | | – | – | – | – | (5,221) | (5,221) |
| Depreciation | 10 | 512 | 62 | 574 | 487 | 428 | 915 |
| Other costs | | 522 | 817 | 1,339 | 1,110 | 1,585 | 2,695 |
| **Total administrative expenses** | | 3,246 | 4,162 | 7,408 | 10,188 | 6,070 | 16,258 |
| Other operating income | | 634 | – | 634 | 650 | – | 650 |
| Operating loss | 6 | (2,612) | (3,523) | (6,135) | (9,538) | 4,775 | (14,313) |
| (Loss)/gain on investments – continuing operations | | | | (501) | | | 3,943 |
| Loss on disposal of subsidiary | | | | (1,177) | | | – |
| Interest receivable and similar income | 7 | | | 1,217 | | | 1,284 |
| **Loss on ordinary activities before taxation** | | | | (6,596) | | | (9,086) |
| Tax credit on loss on ordinary activities | 8 | | | 139 | | | 330 |
| **Loss on ordinary activities after taxation** | | | | (6,457) | | | (8,756) |
| Equity minority interests | 20 | | | 391 | | | (274) |
| **Retained loss for the year** | 19 | | | (6,066) | | | (9,030) |
| **Basic and diluted loss per ordinary share** | 9 | | | (1.32p) | | | (1.96p) |

# CONSOLIDATED BALANCE SHEET

as at 31 March 2004

| | Note | 31 March 2004 £'000 | 31 March 2003 £'000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Tangible fixed assets | 10 | 1,059 | 1,372 |
| Investments | 11 | 42,323 | 25,408 |
| | | 43,382 | 26,780 |
| **Current assets** | | | |
| Debtors | 13 | 6,150 | 3,930 |
| Cash at bank and in hand | | 10,860 | 51,989 |
| | | 17,010 | 55,919 |
| **Creditors: amounts falling due within one year** | 14 | (6,046) | (7,260) |
| **Net current assets** | | 10,964 | 48,659 |
| **Total assets less current liabilities** | | 54,346 | 75,439 |
| **Provisions for liabilities and charges** | 15 | (743) | (3,660) |
| Equity minority interest | 20 | – | (13,234) |
| **Net assets** | 4 | 53,603 | 58,545 |
| **Capital and reserves** | | | |
| Called up share capital | 18 | 11,799 | 11,799 |
| Share premium account | 19 | 183,371 | 183,365 |
| Revaluation reserve | 19 | (41,566) | (44,192) |
| Capital reserve | 19 | – | 8,391 |
| Profit and loss account | 19 | (100,001) | (100,818) |
| **Equity shareholders' funds** | | 53,603 | 58,545 |

These financial statements were approved by the Board of directors on 2 August 2004.

Signed on behalf of the Board of directors

M. K. Whitaker
Chief Executive Officer

## COMPANY BALANCE SHEET

as at 31 March 2004

| | Note | 31 March 2004 £'000 | 31 March 2003 £'000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Fixed asset investments | 11 | 19,296 | 18,663 |
| Investments in subsidiary undertakings | 12 | 111,018 | 61,143 |
| | | 130,314 | 79,806 |
| **Current assets** | | | |
| Debtors | 13 | 19,014 | 46,934 |
| Cash at bank and in hand | | 10,209 | 5,726 |
| | | 29,223 | 52,660 |
| **Creditors: amounts falling due within one year** | 14 | (110,141) | (108,747) |
| **Net current assets** | | (80,918) | (56,087) |
| **Provisions for liabilities and charges** | 15 | (743) | (2,212) |
| **Net assets** | | 48,653 | 21,507 |
| **Capital and reserves** | | | |
| Called up share capital | 18 | 11,799 | 11,799 |
| Share premium account | 19 | 183,371 | 183,365 |
| Revaluation reserve | 19 | (12,572) | (11,840) |
| Capital reserve | 19 | – | 8,391 |
| Profit and loss account | 19 | (133,945) | (170,208) |
| **Equity shareholders' funds** | | 48,653 | 21,507 |

These financial statements were approved by the Board of directors on 28 July 2004.

Signed on behalf of the Board of directors

A. B. Carruthers
Managing Director

# CONSOLIDATED CASH FLOW STATEMENT

**year ended 31 March 2004**

| | Note | Year ended 31 March 2004 £'000 | Year ended 31 March 2003 £'000 |
|---|---|---|---|
| Net cash outflow from operating activities | A | (8,533) | (12,693) |
| Net cash inflow from returns on investments and servicing of finance – interest received | | 1,217 | 1,284 |
| **Taxation** | | | |
| UK Corporation Tax (paid)/recovered | | (150) | 118 |
| Overseas tax paid | | (331) | – |
| Net cash (outflow)/inflow from taxation | | (481) | 118 |
| **Capital expenditure and financial investment** | | | |
| Payments to acquire tangible fixed assets | | (308) | (68) |
| Proceeds from disposal of fixed assets | | 54 | 264 |
| Payments to acquire investments | | (4,212) | (8,347) |
| Receipts from sales of investments | | 3,523 | 28,351 |
| Net cash (outflow)/inflow from investing activities | | (943) | 20,200 |
| **Acquisitions and disposals** | | | |
| Sale of subsidiary undertaking | D | 9,061 | 3,517 |
| Purchase of minority interest | | – | (2,645) |
| Net cash sold with subsidiaries | D | (37,301) | (2,901) |
| Net cash outflow from acquisitions and disposals | | (28,240) | (2,029) |
| Net cash (outflow)/inflow before financing | | (36,980) | 6,880 |
| **Financing** | | | |
| Issue of ordinary share capital | | 6 | – |
| Purchase of own shares by subsidiary | | (2,462) | – |
| Net cash outflow from financing | | (2,456) | – |
| (Decrease)/increase in cash in the year | B,C | (39,436) | 6,880 |

# NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

**year ended 31 March 2004**

## Note A

## Reconciliation of operating loss to net cash outflow from operating activities

| | Year ended 31 March 2004 £'000 | Year ended 31 March 2003 £'000 |
|---|---|---|
| Operating loss | (6,135) | (14,313) |
| Depreciation charge | 574 | 915 |
| Amortisation | – | (3,883) |
| Decrease in debtors | 2,782 | 5,612 |
| Decrease in creditors | (5,924) | (1,639) |
| Non-cash remuneration | 170 | 615 |
| Net cash outflow from operating activities | (8,533) | (12,693) |

## Note B

## Reconciliation of net cash flow to movement in net funds

| | Year ended 31 March 2004 £'000 | Year ended 31 March 2003 £'000 |
|---|---|---|
| (Decrease)/increase in cash in the year | (39,436) | 6,880 |
| Foreign exchange differences | (1,693) | 3,327 |
| Movement in net funds in the year | (41,129) | 10,207 |
| Opening net funds | 51,989 | 41,782 |
| Closing net funds | 10,860 | 51,989 |

## Note C

## Analysis of changes in net funds

| | 31 March 2003 £'000 | Cash flows £'000 | Foreign exchange differences £'000 | 31 March 2004 £'000 |
|---|---|---|---|---|
| Cash at bank and in hand | 51,989 | (39,436) | (1,693) | 10,860 |
| | 51,989 | (39,436) | (1,693) | 10,860 |

## Note D

During the year the Group reduced its interest in Spuetz AG from 70% to 37% for combined proceeds of €13.6m (€3.6m from the tender offer and €10m from a sale of shares). For the period from 1 April 2003 to 29 February 2004, the Spuetz group accounted for £3.6m of net cash outflow from operating activities, £1.1m of interest received, £0.4m of overseas tax paid, £1.4m of net cash outflow from investing activities and £2.5m of cash outflow from financing (the majority of which was paid to NewMedia SPARK Holdings in the Spuetz tender offer). The amount of cash on the balance sheet of Spuetz at the point of our partial disposal was £37.3m.

# NOTES TO THE ACCOUNTS

**for the year ended 31 March 2004**

## 1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards except for the application of the true and fair override to certain requirements of Financial Reporting Standard 2. An explanation of this departure is given below. The particular accounting policies adopted are described below.

### Accounting convention

The financial statements have been prepared in accordance with the historical cost convention modified to include certain investments at valuation, and in accordance with applicable accounting standards.

### Subsidiary and associated undertakings

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries. The Group's policy is to consolidate all companies which act as management or holding companies of the Group's investment portfolio.

The Group owns certain investments that the Companies Act 1985 requires to be treated as subsidiary or associated undertakings and therefore accounted for using the consolidation or equity method of accounting as appropriate. The directors believe that equity accounting for such investments that fall within the definition of associated undertakings would not give a true and fair view of the value generated from the investment activities of the Group, since this is better measured by the inclusion of profits or losses on the disposal of such investments in the profit and loss account. This treatment is in accordance with Financial Reporting Standard 9 – Associates and Joint Ventures.

Furthermore, the directors believe that consolidating such investments that fall within the definition of subsidiary undertakings would again not give a true and fair view of the value generated from the investment activities of the Group, since this is better measured by the inclusion of profits or losses on the disposal of such investments in the profit and loss account. This treatment represents the application of the true and fair override to the requirements of Financial Reporting Standard 2 – Accounting for subsidiary undertakings. It is impracticable to quantify the effect of these departures on the profit and loss account and balance sheet for the years ended 31 March 2004 and 31 March 2003.

### Acquisitions, disposals and goodwill

On the acquisition of a business by SPARK, fair values are attributed to SPARK's share of the net separable assets of the acquired businesses. Where the cost of acquisition exceeds the fair values attributable to such net assets, the difference is treated as purchased goodwill which is capitalised in the balance sheet and charged to the Profit and Loss account over five years in accordance with Financial Reporting Standard 10. The directors believe that it is difficult to make projections beyond this period.

Where the cost of acquisition is less than the fair values attributable to SPARK's share of the net separable assets of the acquired businesses, the difference is treated as negative goodwill. Negative goodwill is included in the balance sheet and is credited to the profit and loss account in the periods in which the acquired non-monetary assets are recovered through depreciation or sale. Negative goodwill in excess of the fair values of the non-monetary assets is credited to the profit and loss account in the periods expected to benefit.

The results and cash flows relating to an acquired business are included in the consolidated profit and loss account and the consolidated cash flow statement from the date of acquisition up to the date of disposal.

### Tangible fixed assets

Tangible fixed assets are stated at historical cost less depreciation and any provision for impairment. Depreciation is provided on cost in equal instalments over the estimated useful lives of the assets. The annual rates of depreciation are as follows:

| | |
|---|---|
| Leasehold improvements | over the term of the lease |
| Office equipment and software | 33% |
| Furniture, fixtures and fittings | 20% |
| Motor vehicles | 20% |

# NOTES TO THE ACCOUNTS CONTINUED

for the year ended 31 March 2004

## 1. ACCOUNTING POLICIES CONTINUED

### Deferred tax

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or the right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

### Leases

Operating lease rentals are charged to the profit and loss account in equal annual amounts over the lease term, even if the payments are not made on such a basis.

### Investments

Investments are included at valuation on the following bases:

(a) Listed investments are valued at the closing mid-market price on the 31 March.
(b) Unquoted investments where a significant third party funding event has taken place during the year ended 31 March which establishes a new value for that investment are carried at that value.
(c) All other unquoted investments are valued at the lower of the acquisition cost of that investment and the directors' best estimate of the Group's share of that investment's value, taking into account any temporary loss in value.

When investments are disposed of or their value is permanently impaired, the realised gain or loss, being the difference between the sale proceeds or nil valuation and the cost of acquisition is incorporated in the profit and loss account in the year in which the investment is deemed to have been realised or permanently impaired.

Where investments suffer a temporary loss or gain in value the unrealised gain or loss, being the difference between the year end valuation and the cost of acquisition is incorporated in the revaluation reserve.

### Foreign exchange

Transactions denominated in foreign currencies are translated into the functional currency at the rate ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account.

The financial statements of foreign subsidiaries are translated into sterling at the closing rates of exchange and the difference arising from the translation of the opening net investment in subsidiaries at the closing rate is dealt with in reserves.

### Share options

Share options granted under SPARK Unapproved Share Option Schemes are charged to the profit and loss account over the period from the date of grant to the date the options vest. The difference between the market price and the exercise price at the time of grant is included within remuneration and the difference between the price paid for the shares by SPARK and the market price at the date of grant is included within losses on investments.

## 2. ACQUISITIONS AND DISPOSALS

### Spuetz AG

During the year, the Group sold 362,151 shares into the Spuetz tender offer for total proceeds of €3.6m (£2.5m). This transaction reduced the Group's effective ownership from 70% to 68% and is reported in the statement of total recognised gains and losses as a loss of £0.6m.

On 8 March 2004 the Group sold 1,524,390 shares to a 3rd party for consideration of €10m (£6.8m). These shares were sold ex-dividend leaving NewMedia SPARK Holdings gmbh as the owner of the dividend paid by Spuetz in April 2004 on these sold shares of €7.1m (£4.7m). This transaction reduced the Group's effective ownership from 68% to 37%. Consequently SPARK can no longer consolidate the financial results of Spuetz. SPARK's residual ownership in Spuetz is valued at €19.8m (£13.2m) as at 31 March 2004. The Group share of the net assets of Spuetz at the point of this partial disposal amounted to €38.4m (£25.7m) and the costs of the transaction amounted to €0.3m (£0.2m). The total effect of this transaction is reported in the profit and loss account as a loss of £1.2m (€1.8m).

In the period to 29 February 2004, Spuetz accounted for a loss before taxation of £1.3m.

# NOTES TO THE ACCOUNTS CONTINUED

**for the year ended 31 March 2004**

## 3. COMPANY PROFIT AND LOSS ACCOUNT

The Group has taken advantage of the exemption conferred by s230 CA 1985 to not disclose a full profit and loss account for the Company. The Company's profit for the year was £27.872m (2003, loss of £13.380m).

## 4. SEGMENTAL ANALYSIS

The Group's activities are carried on both in the UK and outside the UK. At 31 March 2004, Europe includes Sweden, Spain and Germany. The Group exercises the same principal activity across all these regions, making investments for long-term gains.

| | Year ended 31 March 2004 | | | Year ended 31 March 2003 | | |
|---|---|---|---|---|---|---|
| | UK £'000 | Europe and other £'000 | Total £'000 | UK £'000 | Europe and other £'000 | Total £'000 |
| (Loss)/profit before tax | (1,458) | (5,138) | (6,596) | (17,380) | 8,294 | (9,086) |
| Net assets | 29,095 | 24,508 | 53,603 | 23,227 | 35,318 | 58,545 |

Turnover in the current and prior years derived entirely from the operations of Spuetz, outside of the UK.

## 5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

| | 31 March 2004 £'000 | 31 March 2003 £'000 |
|---|---|---|
| Directors' remuneration | | |
| Fees | 64 | 61 |
| Other emoluments | | |
| Basic salaries | 450 | 370 |
| Other cash emoluments | 142 | 1,214 |
| Non-cash emoluments | 96 | 1,049 |
| | 752 | 2,694 |
| Total attributable to highest paid director | 189 | 800 |

Included within the total emoluments of the highest paid director shown above are pension contributions of £9,115 (2003, £5,812) and non-cash emoluments of £7,000 (2003, £342,000). The highest paid directors for the years ended 31 March 2004 and 31 March 2003 are no longer employed by the Company.

| | 31 March 2004 £'000 | 31 March 2003 £'000 |
|---|---|---|
| Staff costs (including directors) | | |
| Wages and salaries | 1,472 | 6,766 |
| Social security costs | 153 | 695 |
| Pension costs | 76 | 138 |
| | 1,701 | 7,599 |

Pension costs represent contributions by the Group to employees personal pension arrangements.

Two directors (2003, three) benefit from the Company's pension contributions to their own money purchase pension arrangements.

| | Year ended 31 March 2004 Number | Year ended 31 March 2003 Number |
|---|---|---|
| Average number of persons employed (including directors) | | |
| Administration | 15 | 89 |

# NOTES TO THE ACCOUNTS CONTINUED

for the year ended 31 March 2004

## 6. OPERATING LOSS

| | Year ended 31 March 2004 £'000 | Year ended 31 March 2003 £'000 |
|---|---|---|
| Operating loss is after charging/(crediting): | | |
| Depreciation and amortisation – owned assets | 574 | 915 |
| Goodwill amortisation | | |
| Arising on positive purchased goodwill | – | 1,338 |
| Arising on negative purchased goodwill | – | (5,221) |
| Rentals under operating leases | | |
| Other operating leases | 1,352 | 1,338 |
| Auditors' remuneration | | |
| Audit fees (Company £50,000; 2003, £50,000) | 173 | 185 |
| Other services (taxation advice) | 155 | 244 |

## 7. INTEREST RECEIVABLE AND SIMILAR INCOME

| | Year ended 31 March 2004 £'000 | Year ended 31 March 2003 £'000 |
|---|---|---|
| Bank deposits | 1,217 | 1,284 |

## 8. TAX ON LOSSES ON ORDINARY ACTIVITIES

| | Year ended 31 March 2004 £'000 | Year ended 31 March 2003 £'000 |
|---|---|---|
| United Kingdom corporation tax at 30% (2003, 30%) based on the loss for the year | – | – |
| Adjustments in respect of prior years | 90 | (116) |
| Foreign tax for current period | – | (93) |
| Adjustments in respect of prior years | 49 | 539 |
| | 139 | 330 |

The tax assessed for the year is higher than that resulting from applying the standard rate of corporation tax in the UK: 30% (2003, 30%). The differences are explained below:

| | Year ended 31 March 2004 £'000 | Year ended 31 March 2003 £'000 |
|---|---|---|
| Loss on activities in the year | (6,596) | (9,086) |
| Tax at 30% thereon: | 1,978 | 2,726 |
| Effects of: | | |
| Permanent differences | (63) | 1,102 |
| Impairment of investments | (150) | (3,121) |
| Short-term timing differences | 157 | 401 |
| Non taxable profit on disposals | (353) | 5,287 |
| Unutilised losses | (1,569) | (6,488) |
| Adjustments in respect of prior years | 139 | 423 |
| Current tax charge for the year | 139 | 330 |

### Deferred tax

No deferred tax asset has been recognised on unutilised taxable losses; the potential unrecognised asset is £16.700m (2003, £26.024m).

# NOTES TO THE ACCOUNTS CONTINUED

**for the year ended 31 March 2004**

## 9. LOSS PER ORDINARY SHARE

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

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares in issue on the assumption of conversion of all dilutive potential ordinary shares.

| | Year ended 31 March 2004 £'000 | Year ended 31 March 2003 £'000 |
|---|---|---|
| Loss for the year | (6,066) | (9,030) |
| Basic and diluted losses attributable to ordinary shareholders | (6,066) | (9,030) |
| Weighted average number of ordinary shares ('000) | 460,878 | 460,966 |
| Loss per share | (1.32p) | (1.96p) |
| Diluted loss per share | (1.32p) | (1.96p) |

## 10. TANGIBLE FIXED ASSETS

| Group | Leasehold improvements £'000 | Furniture, fixtures and equipment £'000 | Office equipment and software £'000 | Motor vehicles £'000 | Total £'000 |
|---|---|---|---|---|---|
| Cost: | | | | | |
| At 1 April 2003 | 1,035 | 968 | 697 | 96 | 2,796 |
| Additions | 275 | 3 | 30 | – | 308 |
| Disposals | (135) | – | (89) | (89) | (313) |
| Deconsolidated on sale of subsidiary | – | – | (187) | – | (187) |
| Foreign exchange difference | (5) | (14) | (11) | (3) | (33) |
| At 31 March 2004 | 1,170 | 957 | 440 | 4 | 2,571 |
| Accumulated depreciation: | | | | | |
| At 1 April 2003 | 271 | 602 | 476 | 75 | 1,424 |
| Charged for the year | 113 | 307 | 134 | 20 | 574 |
| Released on disposal | (121) | – | (76) | (89) | (286) |
| Deconsolidated on sale of subsidiary | – | – | (167) | – | (167) |
| Foreign exchange difference | (3) | (19) | (9) | (2) | (33) |
| At 31 March 2004 | 260 | 890 | 358 | 4 | 1,512 |
| Net book value: | | | | | |
| At 31 March 2003 | 764 | 366 | 221 | 21 | 1,372 |
| At 31 March 2004 | 910 | 67 | 82 | – | 1,059 |

The Group does not hold any assets under finance leases.

# NOTES TO THE ACCOUNTS CONTINUED

**for the year ended 31 March 2004**

## 11. INVESTMENTS

| Portfolio company name | Country of incorp. | % equity 31 March 2004 | Value at 31 March 2003 £'000 | Forex adjustment[1] £'000 | Year ended 31 March 2004 Additions £'000 | Disposals £'000 | Revaluations £'000 | Value at 31 March 2004 £'000 |
|---|---|---|---|---|---|---|---|---|
| Spuetz AG | Germany | 37.4 | – | – | 13,210 | – | – | 13,210 |
| ASPEX Semiconductor[5] | UK | 68.4 | 4,256 | (17) | 4,986 | – | – | 9,225 |
| Pricerunner | Sweden | 40.7 | 1,068 | (37) | – | – | 2,469 | 3,500 |
| Synaptics | UK | 38.5 | 2,885 | – | – | – | – | 2,885 |
| Footfall | UK | 17.5 | 2,450 | – | – | – | – | 2,450 |
| Mergermarket | UK | 26.8 | 2,344 | – | – | – | – | 2,344 |
| Kobalt Music Group[4] | UK | 27.0 | 1,721 | – | 240 | – | 84 | 2,045 |
| Intelligent Apps | UK | 21.4 | 125 | – | 101 | – | 774 | 1,000 |
| DX3 | UK | 58.0 | 802 | – | 100 | – | (122) | 780 |
| Firebox | UK | 29.4 | 648 | – | – | – | – | 648 |
| Elata | UK | 4.8 | 500 | – | 73 | – | – | 573 |
| Rok Group Ltd | UK | 21.1 | 2,445 | – | – | – | (1,945) | 500 |
| NewMedia Heads | UK | 46.5 | 374 | – | – | – | – | 374 |
| IMI | India | 35.7 | 300 | – | – | – | – | 300 |
| Touch Clarity | UK | 14.5 | 190 | – | – | – | 90 | 280 |
| Mblox | USA | 1.6 | – | – | 268 | – | – | 268 |
| Freesourcing | Sweden | 8.4 | 233 | – | – | – | – | 233 |
| Start and Run | Sweden | 41.2 | 177 | (6) | 31 | – | – | 202 |
| OneEighty Software | UK | 39.3 | 835 | – | 200 | – | (835) | 200 |
| Safelogic | Sweden | 19.7 | 268 | – | 195 | – | (289) | 174 |
| Berkely Berry Birch | UK | 0.7 | 273 | – | – | – | (146) | 127 |
| Insurancewide | UK | 37.5 | 115 | – | – | – | 9 | 124 |
| Cyber Initiatives (India) Ltd | India | 12.4 | 81 | – | – | – | – | 81 |
| Travelstore | UK | 3.5 | 63 | – | – | – | – | 63 |
| Jetweb | Sweden | 0.8 | 39 | – | – | – | – | 39 |
| Advanced Visual Technology | UK | 0.8 | 32 | – | – | – | – | 32 |
| ETV | Sweden | 50.0 | – | – | 25 | – | – | 25 |
| | | | 22,224 | (60) | 19,429 | – | 89 | 41,682 |
| Other companies with nil value (including those sold in the year) | | | 1,571 | – | 151 | (2,264) | 542 | – |
| TOTAL investment portfolio | | | 23,795 | (60) | 19,580 | (2,264) | 631 | 41,682 |
| NewMedia SPARK Plc[2] | | | 916 | – | – | – | (286) | 630 |
| Sputz AG (own shares held as Treasury Stock) | | | 686 | (23) | – | (663) | – | – |
| Sundry other investments[3] | | | 11 | – | – | – | – | 11 |
| TOTAL FIXED ASSET INVESTMENTS | | | 25,408 | (83) | 19,580 | (2,927) | 345 | 42,323 |

1 Adjustment of opening foreign currency balance for closing exchange rate.
2 Held by the NewMedia SPARK Employee Benefit Trust.
3 Sundry other investments includes dormant Swedish companies Adress Direkt, Cell ICD 1 I stockholm ab, Cell site, Cell ventures & Handelspats 1 pa Natet as well as SPARK inversiones AS and SPARK BV.
4 Effective stake after including our proportionate share of the stake held by SPARK Idea Holding SA.
5 After conversion of loan stock.

# NOTES TO THE ACCOUNTS CONTINUED

**for the year ended 31 March 2004**

## 11. INVESTMENTS CONTINUED

Two investments held at 31 March 2004 (2003, five) were listed and, at that time, had a market value of £13.337m (2003, £1.179m).

Of the total net revaluation differences, a realised loss of £0.501m (2003, £3.943m profit) has been accounted for in the Profit and Loss Account and an unrealised gain of £0.201m (2003, loss £4.560m) has been accounted for in the Statement of Total Recognised Gains and Losses.

The Group owns certain investments that the Companies Act requires to be treated as associated undertakings and therefore accounted for using the equity method of accounting. The directors believe that equity accounting for such investments would not give a true and fair view of the value generated from the investment activities of the Group, since this is better measured by the inclusion of profits or losses on the disposal of such investments in the profit and loss account. This treatment is in accordance with Financial Reporting Standard 9.

The Group owns certain investments, (namely DX3 Holdings Ltd and ASPEX Semiconductor Limited), that Financial Reporting Standard 2 requires to be treated as subsidiary undertakings and therefore accounted for using the acquisition method of accounting. The directors believe that acquisition accounting for such investments would not give a true and fair view, as these investments are held and managed in order to maximise capital return and it is the directors' intention to crystallise this return via a suitable exit route when appropriate. This treatment represents the application of the true and fair override to the requirements of Financial Reporting Standard 2. It is impractical to quantify the impact of these departures on the profit and loss account and the balance sheet for the years ended 31 March 2004 and 31 March 2003.

As at 31 March 2004, DX3 Holding Limited has a loss before tax of £0.127m for the year ended 31 March 2004 and a total shareholders deficit of £1.196m; and ASPEX Semiconductor Ltd had a loss for the year ended 31 March 2004 of £2.499m and negative total capital and reserves of £5.909m.

| Investments (Company) | 31 March 2004 £'000 | 31 March 2003 £'000 |
|---|---|---|
| Valuation: | | |
| At 1 April | 18,663 | 21,226 |
| Additions | 5,098 | 6,722 |
| Unrealised and realised valuations | (2,324) | (6,499) |
| Disposals | (2,141) | (2,786) |
| Valuation at 31 March | 19,296 | 18,663 |

## 12. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

| Company | 31 March 2004 £'000 | 31 March 2003 £'000 |
|---|---|---|
| Cost: | | |
| At 1 April | 61,143 | 61,143 |
| Additions | – | – |
| Write-downs of subsidiary undertakings | (13,870) | – |
| Reversal of write-downs of subsidiary undertakings | 63,745 | – |
| Cost at 31 March | 111,018 | 61,143 |

# NOTES TO THE ACCOUNTS CONTINUED

for the year ended 31 March 2004

## 12. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS CONTINUED

The Company's principal subsidiary undertakings as included in the consolidation at 31 March 2004, their principal activities and countries of incorporation are set out below:

| | Country of incorporation | Business activity | Class of shares held | Proportion held and % voting rights |
|---|---|---|---|---|
| SPARK Investors AB | Sweden | Investment | Ordinary | 100 |
| Softtechnet.com plc | UK | Investment | Ordinary | 100 |
| SPARK Investors Ltd | UK | Investment | Ordinary | 100 |
| SPARK Services Ltd | UK | Business services | Ordinary | 100 |
| Internet Indirect plc | UK | Investment | Ordinary | 100 |
| GlobalNet Financial.com Inc | USA | Finance | Ordinary | 100 |
| SPARK GmbH | Germany | Investment | Ordinary | 100 |
| NewMedia SPARK Holdings GmbH | Germany | Investment | Ordinary | 100 |
| NewMedia SPARK BV | Holland | Investment | Ordinary | 100 |

## 13. DEBTORS

| | Group 31 March 2004 £'000 | Group 31 March 2003 £'000 | Company 31 March 2004 £'000 | Company 31 March 2003 £'000 |
|---|---|---|---|---|
| Trade debtors | 299 | 439 | 9 | 605 |
| Amounts owed by subsidiary undertakings | – | – | 18,513 | 45,755 |
| Other debtors | 166 | 1,640 | 9 | 45 |
| Restricted cash | 413 | 413 | 413 | 413 |
| Overseas taxation | – | 593 | – | – |
| Other taxation and social security | 67 | 327 | 18 | 54 |
| Prepayments and accrued income | 5,205 | 518 | 52 | 62 |
| | 6,150 | 3,930 | 19,014 | 46,934 |

The restricted cash represents security for property leases which is recoverable in greater than five years.

## 14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | Group 31 March 2004 £'000 | Group 31 March 2003 £'000 | Company 31 March 2004 £'000 | Company 31 March 2003 £'000 |
|---|---|---|---|---|
| Trade creditors | 433 | 883 | 85 | 90 |
| Amounts owed to fellow subsidiary companies | – | – | 107,869 | 108,315 |
| Other creditors | 233 | 526 | 127 | 125 |
| Corporation tax | 35 | 274 | – | – |
| Other taxation and social security | 68 | 77 | 55 | 31 |
| Deferred consideration | 3,986 | – | 1,870 | – |
| Accruals and deferred income | 1,291 | 5,500 | 135 | 186 |
| | 6,046 | 7,260 | 110,141 | 108,747 |

# NOTES TO THE ACCOUNTS CONTINUED
for the year ended 31 March 2004

## 15. PROVISIONS FOR LIABILITIES AND CHARGES

| Group | Onerous leases £'000 | Claims and associated legal costs £'000 | Total £'000 |
|---|---|---|---|
| Provision as at 1 April 2003 | 1,467 | 2,193 | 3,660 |
| Foreign exchange difference on opening provision | – | (45) | (45) |
| Provision made in year | – | 91 | 91 |
| Utilisation of provision | (991) | – | (991) |
| Release of provision | – | (478) | (478) |
| Eliminated on part disposal of subsidiary | – | (1,494) | (1,494) |
| Provision as at 31 March 2004 | 476 | 267 | 743 |

| Company | Onerous leases £'000 | Claims and associated legal costs £'000 | Total £'000 |
|---|---|---|---|
| Provision as at 1 April 2003 | 1,467 | 745 | 2,212 |
| Utilisation of provision | (991) | – | (991) |
| Release of provision | – | (478) | (478) |
| Provision as at 31 March 2004 | 476 | 267 | 743 |

The provision made for onerous leases covers an estimate of the likely future losses until the new serviced office arrangement breaks even at 33 Glasshouse Street. During the year, a proportion of the provision has been utilised as SPARK is now closer to the point at which revenue from the serviced office arrangements covers the costs.

The provision made for claims and associated legal costs represents the costs the directors estimate will be incurred in bringing or defending legal cases.

The directors expect that, should the provisions for claims and associated legal costs become payable, that these amounts would fall due within three years.

## 16. OPERATING LEASE COMMITMENTS

At 31 March 2004 the Group was committed to making the following payments during the next year in respect of operating leases:

| Buildings | 31 March 2004 £'000 | 31 March 2003 £'000 |
|---|---|---|
| Leases which expire: | | |
| Within one year | – | 66 |
| In two to five years | – | 542 |
| After five years | 703 | 703 |
| Total | 703 | 1,311 |

## 17. FINANCIAL INSTRUMENTS

### (a) Policies and risks

The Group's financial assets and liabilities comprise equity investments held within the portfolio, cash and liquid resources and various items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of holding equity shares is to achieve capital growth in their value and subsequently dispose of them realising a profit. The main risk arising from the Group's financial instruments is market price risk. The equity investments held by the Group are susceptible to changes arising from market factors.

The Group is also subject to an element of foreign exchange risk. The Group has subsidiaries in Sweden, Germany and USA as well as investments that are denominated in local currencies. The Group does not undertake any foreign exchange hedging activities. The directors consider that there is no significant interest rate risk.

# NOTES TO THE ACCOUNTS CONTINUED

**for the year ended 31 March 2004**

## 17. FINANCIAL INSTRUMENTS CONTINUED

### (b) Currency profile
The functional currencies of the Group are Sterling, Swedish Krona, Euro and US dollar.

The Group has no monetary assets or liabilities denominated in a different currency from the functional currency of the operations involved.

### (c) Maturity profile of the Group's financial liabilities
All of the Group's financial liabilities as at 31 March 2004 mature within one year.

### (d) Interest rate profile of the Group's financial assets and liabilities
The weighted average interest rate applicable to cash deposits was 2.7% (2003, 3.9%) for the year.

### (e) Fair values of financial assets and liabilities
The fair values of financial assets and liabilities other than investments are equal to their book values.

Investments that are traded on an open market are carried in the Group balance sheet at market values which equal fair values.

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

## 18. CALLED UP SHARE CAPITAL

| | **Group 31 March 2004 £'000** | Group 31 March 2003 £'000 | **Company 31 March 2004 £'000** | Company 31 March 2003 £'000 |
|---|---|---|---|---|
| Authorised: | | | | |
| 950,000,000 (2003, 950,000,000) ordinary shares of 2.5p | **23,750** | 23,750 | **23,750** | 23,750 |
| Called up, allotted and fully paid: | | | | |
| 471,985,729 (2003, 471,977,815) ordinary shares of 2.5p | **11,799** | 11,799 | **11,799** | 11,799 |

In the year ended 31 March 2004, 7,914 ordinary shares were issued (2003, 173) of nominal value £198 (2003, £4) and consideration of £5,936 (2003, £131).

Under the Group's share warrant scheme, at 31 March 2004 warrants were held for 47,198,573 un-issued ordinary shares (2003, 47,197,781), equivalent to 10% of the issued ordinary share capital, all exercisable at 10p at any time between 20 October 2000 and 20 October 2004.

Under the Group's share warrant scheme, at 31 March 2003 warrants were held for 90,104,770 un-issued ordinary shares. These warrants lapsed on 6 July 2003.

Under the Group's Unapproved Share Option Scheme, 14,716,329 options had been granted to employees, with an exercise price of 2.5p, to be exercised in accordance with the Share Option Scheme rules before 31 December 2011.

The Group's shares are listed on London's AIM market under reference NMS.

# NOTES TO THE ACCOUNTS CONTINUED

**for the year ended 31 March 2004**

## 19. RESERVES

| Group | Share premium account £'000 | Revaluation reserve £'000 | Capital reserve £'000 | Profit and loss account £'000 |
|---|---|---|---|---|
| Reserves at 1 April 2003 | 183,365 | (44,192) | 8,391 | (100,818) |
| Shares issued during the year | 6 | – | – | – |
| Purchase of own shares by subsidiary | – | – | – | (601) |
| Unrealised gain on investments | – | 201 | – | – |
| Previously unrealised losses now deemed permanent | – | 2,425 | – | – |
| Reserve transfer following lapse of 75p warrants | – | – | (8,391) | 8,391 |
| Foreign currency translation | – | – | – | (907) |
| Loss for the year | – | – | – | (6,066) |
| Reserves at 31 March 2004 | 183,371 | (41,566) | – | (100,001) |

| Company | Share premium account £'000 | Revaluation reserve £'000 | Capital reserve £'000 | Profit and loss account £'000 |
|---|---|---|---|---|
| Reserves at 1 April 2003 | 183,365 | (11,840) | 8,391 | (170,208) |
| Shares issued during the year | 6 | – | – | – |
| Unrealised losses on investments | – | (2,470) | – | – |
| Previously unrealised losses now deemed permanent | – | 1,738 | – | – |
| Reserve transfer following lapse of 75p warrants | – | – | (8,391) | 8,391 |
| Profit for the year | – | – | – | 27,872 |
| Reserves at 31 March 2004 | 183,371 | (12,572) | – | (133,945) |

The Capital reserve arose from the deemed proceeds received on the issue of 75p warrants in connection with the acquisition by the Company of Softtechnet.com plc and Internet Indirect plc. Following the lapse of these warrants, this reserve has been transferred to the profit and loss reserve.

## 20. EQUITY MINORITY INTEREST

At 31 March 2003, the minority interest comprised 1,603,548 ordinary shares in Spuetz AG. Following the reduction in the Group's effective ownership of Spuetz from 70% to 37% in the year, the balance sheet of Spuetz is no longer consolidated with SPARK's financial statements, hence there is no longer any minority interest shown in SPARK's financial statements.

## 21. CONTINGENT LIABILITIES

| | 31 March 2004 Group £'000 | 31 March 2003 Group £'000 | 31 March 2004 Company £'000 | 31 March 2003 Company £'000 |
|---|---|---|---|---|
| Commitments to invest in existing investee companies subject to investment criteria being satisfied | – | 1,552 | – | – |

# NOTES TO THE ACCOUNTS CONTINUED
**for the year ended 31 March 2004**

## 22. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption in Finance Reporting Standard No 8 from disclosing transactions with related parties that are part of the NewMedia SPARK Plc Group or investees of the Group.

In the year to 31 March 2004 SPARK Services Ltd charged:

- DX3 Holdings Ltd licence fees and other operating costs of £33,433. Of this, £2,400 was owing to SPARK Services at the year end, £18,280 was paid and £12,753 was converted into debt and written off in the year;

All the above transactions were conducted at arm's length.

## 23. SUBSEQUENT EVENTS

The following Group investee companies are listed on an open market; their values have therefore been determined using their closing share prices as at 31 March 2004. Since that date their share prices have changed as follows:

| | 31 March 2004 | 18 June 2004 | % change |
|---|---|---|---|
| Berkeley Berry Birch PLC | 19.50p | 18.00p | -7.69 |
| Spuetz AG | €11.27 | €5.65 | -49.87 |

On 20 April 2004, Spuetz AG approved and paid a gross dividend of €23.2m (€4.65 per share) to its shareholders. Consequently the Spuetz share price immediately fell. The SPARK Group share of this dividend amounted to €15.7m. After suffering withholding tax of 21.1% (which we expect to recover within 12 months) the net dividend received by NewMedia SPARK Holdings Gmbh was €12.4m. €3.2m of this dividend was used to repay the loan that Spuetz AG had provided to Aspex. This loan is included within creditors as deferred consideration.

## COMPANY INFORMATION

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