SPARK Ventures

Annual Report and Accounts 2014

for the year ended 31 March 2014

SPARK Ventures plc (SPARK) is an AIM listed early stage venture capital company, established in 1999 and has a portfolio of investments in fast-growing technology companies.

SPARK is managed by a company owned by its former executive management team, SPARK Venture Management Limited ('SVML').

SPARK has no full-time employees but has a Board of five directors, being three independent non-executive directors and two representatives of its manager.

The SVML team is very experienced, has been investing in early-stage businesses for 15 years and has a wealth of expertise in backing and developing companies from start-up through to eventual trade sale or IPO. SVML is wholly-owned by SPARK Venture Management Holdings Limited ('SVMH').

About SPARK

Highlights

Investment disposals concluded for both notonthehighstreet and Kobalt music, amongst others, bringing in £33m of cash.

Kobalt sale resulted in a money multiple of 4.8. Total proceeds from Kobalt amounted to £19.2m with £15.4m in the year ended 31 March 2014.

IMImobile ('IMI') successfully listed on AIM in June 2014. Spark sold 22% of stake raising £3.5m proceeds, although £3.1m held in escrow pending tax guidance.

Shareholders received a cash return of £8.3m (2p per share) in the year and £18.9m (4.5p per share) after the balance sheet date taking total returns since 2009 to 13p per share (£54m).

Aspex liquidation completed with £4.1m received in the year.

Net asset value ('NAV') per share decreased by 18% to 10.65p when the published 31 March 2013 NAV is adjusted for 2p shareholder return.

Decrease largely due to realised loss over March 13 book value for OpenX (£2.6m loss) and unrealised loss of £2.3m relating to Mind Candy. Overall, these have been successful investments with the realisation proceeds from the sale of OpenX representing a multiple of 7x the cost of the investment and the realisation proceeds and residual book value of the Company's investment in Mind Candy representing a multiple of 10x the cost of the investment.

NAV per share was also reduced by a provision for a £2.2m payment to the D shareholders following the achievement of targeted realisations.

Aside from the realisation of the remaining shareholding in the newly listed IMI, 4 significant unquoted investments are left to be realised.

Total proceeds from realisations amount to £50m compared with September 2009 valuations for these investments of approx. £14m.

Property leases terminated on 31 January 2014.

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Chairman's Report

Dear Shareholder,
I am glad to report very significant progress on our main task of gaining the best value from your portfolio.

During 2013/2014 we disposed of all our stakes in Kobalt, Notonthehighstreet and OpenX and made a partial sale of Academia, all at significant multiples to cost. We were founder investors in all these businesses.

Since the end of the year we have seen the successful flotation on the Stock Exchange of IMI Mobile ('IMI'). The successful earlier acquisitions IMI made over the years under our guidance have played a key role in the company's success and Jay Patel, from SVMH, who left our board to become CEO of IMI, played a key role in the IPO. As part of this flotation we sold 22% of our stake for a consideration of £3.5m however pending certain tax clearances an amount of £3.1m is being held in escrow.

During the last 12 months we made distributions of 6.5p per share bringing the total cash returned to shareholders (by way of dividend or return of capital according to their choice) of 13.0p per share since the new direction was set in 2009 when the share price was around 5p.

We also disposed of our 15 year lease at 33 Glasshouse Street and therefore removed the risk of incurring dilapidations costs at the end of the lease.

As always the income statement is heavily dependent on valuation adjustments and this time, the balance sheet has been impacted by the need to provide for a £2.2m payment to the D shareholders.

Whilst focusing on this primary aim of maximizing cash value, we have worked hard to continue to reduce costs (and consequently the manager's fee has declined in line with the remaining portfolio), whilst preparing for the company to become more of a pure investment company looking for new opportunities.

We have however incurred unforeseen legal costs as a result of litigation initiated by a former director, details of which (to the extent they can be disclosed) are included in the notes to the accounts.

The Board has also spent much time analysing the options for the future now that the present mandate is close to completion. Many of our 7,000 private shareholders (who have seen these impressive returns) have indicated a willingness to re-invest in our business model of backing early stage disruptive internet and technology companies. The Board is considering what would be the best structure for this, remaining a listed company, becoming a Venture Capital Trust or becoming an Investment Trust. We intend to consult widely amongst our investor community as well as with financial advisers.

Following the year end, Andrew Carruthers stepped down from the board to focus on his interests in Africa. Andrew was a founder director of the company and has rendered a very high level of service and commitment to the company, we shall miss his participation and wise advice. Tom Teichman, the Chairman of the manager SVMH and an original founder of SPARK Ventures plc has rejoined the board in Andrew's stead as a representative of the management company. Tom is also one of our largest private shareholders.

Our manager, SVMH, has done an excellent job in their exit timing and consequently maximizing the value of the portfolio for shareholders. They remain committed to realising the remainder of the portfolio.

I would like to take this opportunity to thank shareholders for their continued support.

Yours faithfully

David Potter
Chairman
29 August 2014

Strategic Report

The Directors present the Strategic report of the Company for the year ended 31 March 2014, which has been prepared in accordance with the requirements of section 414A of the Companies Act 2006 (the 'Act'). The purpose of this report is to inform Shareholders and provide them with sufficient information to enable them to assess the extent to which the Directors have performed their duty to promote the success of the Company in accordance with section 172 of the Act.

The Company's independent Auditor is required to report on whether the information given in the Strategic report is consistent with the Financial Statements. The independent Auditor's report can be found on page 11.

Business review

The year to 31 March 2014 has been the most significant year of the managed realisation process that commenced in 2009. The total cash received from investment disposals under this strategy amounts to £50.1m, with £33.6m being received in the last financial year – 67% of the total. Major disposals completed in the year include Kobalt Music, notonthehighstreet.com and OpenX. £4.1m was also received from the completion of the Aspex liquidation. A detailed review of the portfolio performance is contained within the Investment Manager's Report.

The Group closed the year with cash balances of £25.7m (2013, £1.9m), an investment portfolio valued at £20.9m (2013, £59.1m), and equity shareholders' funds of £45.9m (2013, £61.8m). Equity shareholders' funds due to ordinary shareholders are £43.7m, after providing for £2.2m due to the D shareholders. As detailed below, £18.9m of the cash balances were returned to the ordinary shareholders after the year end.

Net asset value per share fell in the year from 15.1p to 10.7p at 31 March 2014. 2p per share of this reduction (£8.3m) is accounted for by the shareholder return. A further 1.1p per share is accounted for by both realised and unrealised losses from the portfolio (£4.7m), 0.5p per share is due to providing for the payment to the D shareholders (£2.2m) and 0.7p per share is due to the operating loss (£3.0m).

SPARK's serviced office arrangement with the Executive Offices Group was terminated on 31 January 2014 in connection with the agreement made with its former landlord to terminate the Glasshouse Street leases a few months early for the payment of a lump sum that wraps up any liabilities for repairs or dilapidations that could have arisen and brings to an end the loss making serviced office business. As a result of this, and the provision made for the onerous lease in the prior year, property losses are significantly lower in 2013/14 than in 2012/13 and will be non-existent in future years.

At the balance sheet date, the Group held five investments valued at more than £0.5m with one of these, IMImobile ('IMI'), accounting for 78% of the remaining value of the portfolio. After the balance sheet date, IMI listed on the AIM market of the London Stock Exchange with the Group selling approximately 22% of its stake in the process.

Shareholder returns

In the year to 31 March 2014, the Company returned £8.3m to shareholders in a method that gave shareholders the choice between receiving a capital return or a dividend. After the balance sheet date, and following approval by shareholders at the General Meeting of the Company held on 25 April 2014, the Company returned a further £18.9m to shareholders taking the cumulative total since 2009 to £53.4m. Future returns are dependent upon selling the newly quoted IMI stock which is subject to a 12 month lock-up agreement unless there is sufficient demand for the stock and the IMI brokers permit sales.

Risks and uncertainties

The key risk facing SPARK shareholders is that the value of the investments falls and that future returns to shareholders are therefore lower than they could have been. With 78% of the investment value now residing in just one investment, a deterioration in the trading performance of IMI and a consequential reduction in the IMI share price is the biggest single risk faced. Similarly, performance in excess of expectations by IMI is the single biggest upside adjustment factor that the Group faces.

Investment policy

At the General Meeting of the shareholders held on 25 April, the extension of the managed realisation period for a further 12 months to 31 March 2015 was approved. In April 2014, agreement was reached with the Manager to manage the company for a further twelve months for a fixed fee of £400k together with an incentive fee for further portfolio realisations.

The Strategic report was approved by the Board of Directors on 29 August 2014 and was signed on its behalf by:

Andrew Betton
Director and Company Secretary

Investment Manager's Report

Introduction

This is our first report following the completion of the originally anticipated managed realisation period that expired on 31 March 2014. In comparison with all the alternatives considered by the Board and shareholders in 2009, we believe the overall result to have been very beneficial to shareholders.

Since we last reported, the remaining stake in Kobalt Music was sold, the stake in OpenX was sold, the liquidation of Aspex completed and 40% of the stake in Academia was sold. These collectively added £11.0m to the Group's cash balances.

Additionally, since the balance sheet date, the company's largest remaining investment, IMI – accounting for 78% of the remaining portfolio by value – has listed on the AIM market of the London Stock Exchange. Whilst this was only a limited exit, it does mean that exiting the remaining stake at values close to book value, is much more likely in the short to medium term.

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

The value of the portfolio has more than doubled in this period and is equivalent to an IRR of approximately 18%.

Whilst the task is not yet complete, only two unquoted investments remain with book values in excess of £1m, and we would hope to complete the realisation process in the 12 month extension which was approved by shareholders at the General Meeting held on 25 April 2014.

In the period since 30 September 2013, NAV per share has fallen slightly from 11.4p at 30 September to 10.7p at 31 March 2014. This is due to operating losses exceeding the recovery in investment values since this date, and the requirement to provide for the payment to the D shareholders.

The total shareholder return made since August 2009 now stands at 13.0p per share, or £53.4m and there remains net asset value of 6.1p per share.

The loss for the year to 31 March 2014 is £7.6m compared with a profit of £6.6m in the previous year. This change is primarily due to the overall investment valuation performance being negative in the year compared with a positive performance in the previous year. More detail on the portfolio valuation changes is provided in the following narrative and summarised in the investment note.

Portfolio valuation performance

In the year to 31 March 2014 the Group has made net unrealised losses of £3.5m. This is essentially due to one significant valuation reduction – Mind Candy (£2.3m reduction) together with five valuation reductions on other investments amounting to £1.5m in total. This was partially offset by one valuation increase relating to Academia of £0.3m. Of the realised investment loss of £1.2m, £2.6m is due to a loss on OpenX offset by gains from the sale of notonthehighstreet (£0.8m), from the sale of a partial stake in Academia (£0.2m), a £0.5m gain on the completion of the Aspex liquidation and other small losses of £0.1m.

At 31 March 2014 only one of SPARK's larger investments remains in the portfolio – IMImobile. The valuation reduction we took on this investment at the half year has been reversed at the year end when it was found to be unnecessary in the light of the IPO of IMImobile, in which SPARK sold approximately 22% of its stake.

The only business to receive further funding in the year from SPARK was Gambling Compliance, which received £70k as part of a modest funding round.

Investment	Value at 30 September 2009* £m	Proceeds (net of any additional investment) £m	Current book value (March 14) £m	**Total £m**	Gain/(loss) £m
IMImobile	13.0	0.0	16.2	**16.2**	3.2
Kobalt Music	6.8	18.4	0.0	**18.4**	11.6
DEM Solutions	1.9	0.2	1.3	**1.5**	(0.4)
Notonthehighstreet	1.6	12.8	0.0	**12.8**	11.2
Complinet	1.5	3.2	0.0	**3.2**	1.7
MyDeco	1.5	(0.1)	0.1	**0.0**	(1.5)
OpenX	1.2	2.4	0.0	**2.4**	1.2
Aspex	1.0	9.4	0.0	**9.4**	8.4
Skinkers	1.0	0.0	0.0	**0.0**	(1.0)
Gambling Compliance	1.0	(0.1)	1.5	**1.4**	0.4
Firebox	0.7	0.0	0.0	**0.0**	(0.7)
Academia	0.7	0.6	0.8	**1.4**	0.7
Mind Candy	0.7	3.1	0.8	**3.9**	3.2
Others	1.2	0.2	0.2	**0.4**	(0.8)
Totals	**33.8**	**50.1**	**20.9**	**71.0**	**37.2**

* Note that 'Value at 30 September 2009' is not necessarily the Company's original cost.

IMImobile
IMImobile ('IMI') is a leading global technology company providing software and services which help businesses capitalise on the growth in mobile communication. Its solutions help its clients engage and transact with their customers more efficiently through smarter mobile engagement. IMI has developed a suite of software applications and services targeted at both mobile operators and enterprises marketed principally under the DaVinci brand. IMI is headquartered in London, has a development centre in Hyderabad (India) and works with a large number of mobile operators and blue-chip enterprises worldwide.

SPARK first invested in 2000 and was the first institutional investor in the company.

SPARK's total valuation of its stake in IMI has increased in the last six months by £1.4m from £14.8m to £16.2m, taking the value back to the March 2013 level. The £16.2m reflects the value obtained from selling part of SPARK's stake in IMI's IPO which completed on 27 June 2014. IMI had steady growth for the first half of their financial year and has traded in line with expectations since then with revenue growing at a consistent rate and with stable margins. In recent years, IMI has become much more of a global business than simply an Indian one, and in recognition of this, IMI recently chose to list in London.

This listing raised £30m at a pre-money valuation of £64m, with £20m of the proceeds going towards selling shareholders. SPARK received proceeds, net of costs, of £3.5m from the listing but has needed to put £3.1m of these funds into an Escrow account until it can satisfy IMI that withholding tax was not due on the transaction. SPARK's remaining shares (10.8m) were listed at £1.20 per share and currently trade at £1.34, approximately 12% up on the IPO price, however, SPARK and the other Venture Capital backers of IMI, are subject to a lock-up agreement for 12 months after the IPO and can only sell shares subject to there being sufficient demand and with the consent of IMI's brokers.

Whilst the task of exiting is not complete, SPARK is in a much better position to liquidate our holding now that we hold listed UK stock.

IMImobile's IPO on 27 June 2014.

Kobalt Music
In the last six months, SPARK sold its remaining shares in Kobalt Music ('Kobalt') at the same price per share as for the previous sale in July 2013. In total, SPARK has received proceeds from Kobalt of £19.2m (with £15.4m of this in the year to March 14) from a total investment of £4m, a multiple of 4.8 times the investment and an IRR of 16%.

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

This result in particular has demonstrated the merits of waiting until investments have achieved maturity before realising SPARK's shareholding. We congratulate the founder, Willard Ahdritz, and the board for their success in growing Kobalt so successfully over many years.

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

We have reduced the valuation (at the half year) of SPARK's share in the business from £1.6m at 31 March 2013 to £1.5m at 31 March 2014 as we now think it less likely that a transaction will take place for the whole company and have therefore reduced SPARK's valuation to reflect what we believe to be achievable from selling our minority stake. Gambling Compliance raised a modest amount of funding in the year with £70k of this being from SPARK. Sales have continued to grow steadily with 13% revenue growth recorded for the year to December 2013 and growth continuing in 2014.

Gambling Compliance does not expect to raise any more cash, and expects to be cash generative in the year to December 2014.

DEM Solutions
DEM Solutions ('DEM') is a leading provider of particle simulation software (using discrete element modelling) for simulating and analysing industrial processes. DEM is based in Scotland and employs 23 staff.

DEM had a relatively disappointing year to June 2013 (largely as a result of a decline in the mining industry in which many of its customers operate) with sales down on the previous year and a loss made, so we reduced our valuation of SPARK's stake in the business by 25% at the half year from £1.7m at 31 March 2013 to £1.3m to reflect the increasing likelihood that we may sell our minority stake rather than be part of a bigger corporate transaction. It is worth noting that the business grew revenue again in the year to June 2014 and returned to profitability and should benefit from some Board changes that we have overseen.

Mind Candy
Mind Candy, through its Moshimonsters product range, has become one of the world's leading developers of social multi-player children's games, helping children around the world to play skill enhancing games and connect with each other safely via its unique children's social network. Mind Candy is headquartered in London.

Investment Manager's Report (continued)

SPARK was a founder investor and led the founding round of investment. To date SPARK has received cash proceeds of £3.1m from an initial investment of £0.4m, and has a residual stake which we have reduced in value in the year from £3.1m to £0.8m.

This reduction is on the basis of lower sales in 2013 compared with its performance in the hugely successful 2012 and a disappointing start for the first quarter of 2014. Mind Candy's results for 2014 are heavily dependent upon the successful launch of new games for the very competitive mobile and tablet markets, and it is too early to predict whether these will be successful.

OpenX

SPARK sold its stake in OpenX in March 2014 to other venture capital buyers, including existing shareholders, for £2.4m. As no transaction was likely for the whole company in SPARK's realisation period, we needed to approach other financial buyers to sell SPARK's shares, and the best price available was considerably less than the last investor (Samsung) had paid for a strategic stake upon which we had valued the business. As a consequence SPARK recorded a loss of £2.6m as compared with the March 2013 book value.

Over the life of the investment, the investment in OpenX has been a considerable success however with SPARK having an effective 'in-price' of only £0.3m – meaning that the sales proceeds represented a money multiple of 7x and an IRR of 43%. SPARK was a founding investor in OpenX.

Academia

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

SPARK's stake in Academia has reduced from £0.9m at 31 March 2013 to £0.8m at 31 March 2014. However, in this period SPARK sold approximately 40% of its stake at a 22% premium to the previous book value and therefore increased the value of its remaining stake by £0.3m. In the year to 31 March 2014, Academia raised $11m of funding from new and existing investors at a significant premium (>50%) to the last round thereby giving it funding for the foreseeable future. Revenues remain low as Academia has been focussing on user growth which is growing at 12% per month and it now has over 10 million registered and regular users.

Cash balances and operations

Following the termination of the Glasshouse Street leases on 31 January 2014, all cash balances that were previously restricted have been freed up and added to the unrestricted cash balance. This brought to an end the loss-making serviced office business and ensured there would not be any unexpected liabilities that otherwise could have arisen at the end of the original 15 year lease term. SPARK consequently no longer has any property and will have no costs for this in future accounts.

During the year, the Company has collected more cash from selling investments than in any other year of its history, bringing in £33.6m and taking cash balances to £25.7m compared with £1.9m at the start of the financial year. Cash received from selling investments includes the sale of SPARK's investments in Kobalt (£15.5m), Notonthehighstreet (£11.0m), OpenX (£2.4m), Academia (£0.6m) together with the final proceeds from the Aspex liquidation (£4.1m).

Operating losses of £3.1m have increased slightly from £2.4m in the corresponding period in the previous year. Whilst investment management fees were lower than in the previous year (£0.9m vs £1.1m), reduced fund management income and increased professional fees more than offset this. The other expenses line is considerably higher due to the company making a provision of £0.5m for a contingent liability in respect of a dispute with a former director.

In the absence of property costs and with the Manager on a significantly reduced management fee of £400k for the year to March 15, it is expected that cash outflows for the next financial year will be significantly reduced. New incentive arrangements are in place with the Manager, but these are only payable from future realisations.

With the inclusion of the return of cash made in April 2014 (4.5p per share), the Company has, since August 2009, returned £53m (13.0p per ordinary share) to its shareholders. Further returns to shareholders require the remaining investments to be turned into cash, the timing of which is difficult to predict and currently looks likely to be no earlier than the final quarter of 2014.

Conclusion

In the period from August 2009 until now, SPARK shareholders have received 13p of cash per share and there remains value left in the portfolio as yet not realised. 89% of the March 2009 NAV of 14.6p has now been returned to shareholders in cash. The returns are more impressive when compared with the 31 March 2009 share price (5p) or the bids received for the Company as a whole at the time. We believe that the £33.6m of realisations achieved in the year is an endorsement of the strategy of allowing investments to mature fully before being sold. All the realisations in the period were to financial buyers and, in each case, the transaction was led and executed by SVML investment managers. Whilst current economic conditions appear to be healthy again, the early years of the realisation period were tough years to be growing early stage companies, and the outstanding successes of so many companies are demonstrative of the quality of the portfolio created by SVML and of the management teams and entrepreneurs that we backed. Of the 10 investments valued in September 2009 at £1m or greater, five resulted in cash proceeds at least double the September 2009 book value (and in some cases considerably more) one failed (Skinkers), myDeco remains to prove itself, IMI has recently listed and two healthy investments remain in the portfolio (DEM and Gambling Compliance).

SPARK Venture Management Limited
29 August 2014

Board of Directors

David Potter
Chairman
David is the former Deputy Chairman of Investec Bank UK. Prior to this he was Group CEO of Guinness Mahon Group. Between 1981-1989, he was a Managing Director of Samuel Montagu, Midland Montagu and Head of Midland Global Corporate Banking (now HSBC). David was a Managing Director of CSFB and its predecessor companies (1969-1981). David is currently a Non-Executive Director of Fundsmith Emerging Equities Trust and Maven Income and Growth VCT4. He is also a Board member and shareholder in other early stage private companies. He is a Council member of The Centre for the study of Financial Innovation, Chairman of the National Film and TV School Foundation and the Bryanston Foundation. He is a trustee of the Nelson Mandela Children's Fund UK and Worldwide Volunteering. Appointed to the Board on 21 March 2002.

Charles Berry
Non-Executive Director
Charles was an executive with SPARK from 2001 to 2005 working as a director at Aspex, Mergermarket, Kobalt, and Insurancewide.com. His areas of interest cover software, internet and next generation communications and was involved with SPARK's investments in Pricerunner (sold to ValueClick), Safelogic (sold to Jasper Design Automation), and IntelligentApps (sold to Sage plc). Since ceasing his executive role with Spark, Charles has worked with Virgin Group, and is now at Lloyds Bank working in the strategy team. His previous experience includes industry, investment banking and consulting. He was appointed to the Board on 16 September 2004 and currently chairs the Audit Committee.

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

Thomas Teichman
Manager Representative
Tom was previously Chairman of NewMedia Investors Ltd, which he founded in 1996 and from which SPARK Ventures plc was created in 1999 when it IPO'd. He was Executive Chairman of SPARK Ventures plc from 1999 to 2009 and has re-joined the Board in July 2014 in a non-Executive role. He chairs SPARK Venture Management Ltd, which has managed SPARK Ventures plc's investment portfolio since 2009. He was responsible for the investments in Kobalt Music, Mergermarket and notonthehighstreet, SPARK's largest exits to date. Tom has over 30 years of venture capital and investment banking experience with firms including Credit Suisse/CSFB, Mitsubishi and Bank of Montreal, where he ran corporate finance. He has extensive venture capital experience in technology ranging from on-line information, telecoms, video games and chip design to travel and healthcare and online retailing. He has backed many successful early stage technology businesses, mostly from start-up, all the way to flotation (London and NASDAQ) or trade sale. He was on the Boards of these companies normally for many years, chairing several of them. These include ARC Risc Cores, lastminute.com, Argonaut Games, Dialog, System C Healthcare, Advanced Visual Technology, Wellington Investments, Mergermarket.com, mydeco.com, notonthehighstreet.com, Kobalt Music, Mind Candy (moshimonsters.com), Elevate Direct, Hardlyeverwornit.com, Eve Snow, kriticalmass.com, We7 and Squawka. The total value of exits of these companies so far exceeds £1 billion. He was born in Hungary and holds a B.Sc. (Econ) Hons from University College London and speaks French, German, Hungarian and Italian.

Andrew Betton
Manager Representative and Company Secretary
Andy has worked with SPARK Ventures since December 2000, initially as Financial Controller and, since 2003, as Company Secretary and Finance Director, being appointed to the Board on 5 May 2005. As a consequence of the 2009 Management Buy Out, Andy resigned from the Board, but was reappointed to the Board on 19 February 2013. Andy joined the Board of IMImobile in January 2013 to act as the independent representative of SPARK on its Board but has recently resigned following IMI's successful IPO. Andy qualified as a chartered accountant in 2006 and holds an economics degree from the University of Cambridge. He has extensive experience in all matters relating to running small and medium sized businesses.

Investment Manager
The Company's Manager is SPARK Venture Management Ltd, a company owned by Andrew Carruthers, Jay Patel, Thomas Teichman and Andrew Betton.

Directors' Report

The Directors present their annual report and the audited financial statements for the year ended 31 March 2014.

SPARK Ventures plc is a company incorporated in the United Kingdom under the Companies Act 1985 and is the parent company of the SPARK group ('the Group'). The address of the registered office and details of the Company's professional advisors are given on the inside of the back cover. The nature of the Group's operations and its principal activities are set out below.

Activities

The principal activity of SPARK Ventures plc as the parent company of the Group is the managing and making of investments in early stage companies in the financial services, technology, media and telecommunications sectors, primarily in the UK. Following the General Meeting of the Company which took place in August 2009, the Company resolved to make no more new investments and to sell off its existing investments over a five year period – a period which was extended for another year at the general meeting of the company that took place on 25 April 2014. The Company has no full-time employees but has a Board consisting of three non-executive directors and two representatives of the Company's manager – SPARK Venture Management Ltd. SPARK Venture Management Ltd is a company controlled by its former executive directors and is responsible for looking after all the administration of the Company and for managing the Company's investment portfolio.

Purchase of own shares

During the year SPARK did not buy back any of its own shares. SPARK held 39,245,220 shares in Treasury throughout the year ending 31 March 2014 but in April 2014, reissued 8,090,909 of these shares to satisfy the requirements of share option exercises.

Dividends and capital returns

Following the return of £8.2m in 2009, £4.1m in 2010, £4.1m in 2011 and £10.3m in January 2013, shareholders approved the return of a further £8.3m on 30 September 2013. Again, shareholders were given the choice of choosing to receive 1 B share or 1 C share for each ordinary share held. In the event, 269,681,982 B Shares were issued and 141,072,788 C shares were issued. The C shares issued in respect of the shares held in Treasury were not eligible to receive the C share dividend. On 10 October 2013, the Company bought back the B shares at 2p each from the shareholders and paid 2p per share as a dividend on the C shares. After payment of the dividend, the C shares became deferred, having no value and were cancelled as were the B shares. The total amounts returned to shareholders amounted to £5.4m through the B shares and £2.8m through the C shares.

Following the receipt of proceeds in Q1 2014 from sales of Kobalt Music, Academia and OpenX and liquidation receipts from Aspex, the Board again sought shareholder approval at the General Meeting held on 25 April 2014 to return a further 4.5p per share (£18.9m in total) to shareholders in a similar method to prior years. In the event, £13.9m was returned as capital via the B share route and £5.0m was returned as a dividend through the C share method.

Future prospects

SPARK Ventures plc continues on its strategy of securing the best possible exits from the current portfolio over the period that has recently been extended to March 2015. Considerable progress was made in the year to 31 March 2014 with the successful sales of SPARK's stakes in Kobalt Music and Notonthehighstreet in particular. Since the balance sheet date, the Group's largest investment, IMI mobile, was listed on the AIM market of the London Stock Exchange. As part of this SPARK sold approximately 22% of its stake raising £3.5m, although £3.1m is currently locked up in Escrow pending tax clearance. SPARK's remaining 10,766,859 shares in IMI are subject to a twelve month lock up agreement and can only be sold in this period if there is sufficient demand and IMI's brokers permit it. As at the time of writing, SPARK's IMI shares are worth £14.4m, and the rest of the portfolio has a book value of £4.7m. It is therefore clear that for the next 12 months the fortunes of SPARK are closely related to the performance of the IMI share price.

Risks

The principal uncertainty regarding the future financial performance of SPARK is the future performance of SPARK's portfolio and the performance of IMImobile in particular. There is always a risk that a portfolio company does not develop as we hope, which would impact on SPARK's NAV.

As set-out in Note 14, the directors of SPARK do not consider that SPARK faces any significant credit risk, liquidity risk or cash flow risk.

Share price

The average share price of SPARK Ventures plc quoted ordinary shares in the year ended 31 March 2014 was 10.4 pence. In the year the share price reached a maximum of 13 pence and a minimum of 8 pence. The closing share price on 31 March 2014 was 9 pence.

Going concern

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

Directors and their interests

The Directors serving during the year ended 31 March 2014 had the following interests in the share capital of the Company:

	Ordinary shares		Options (1)		D shares (2)	
	2014 No.	2013 No.	**2014 No.**	2013 No.	**2014 No.**	2013 No.
C.R. Berry	**287,968**	287,968	**–**	–	**–**	–
H.R. Sinclair	**242,000**	242,000	**–**	–	**–**	–
A.B. Carruthers	**6,587,240**	6,587,240	**2,727,273**	2,727,273	**580,000**	580,000
A.D.N. Betton	**334,000**	334,000	**1,818,182**	1,818,182	**180,000**	180,000
D.R.W. Potter	**556,331**	556,331	**–**	–	**–**	–

(1) Options were granted in the year ended 31 March 2006 under the 2005 Unapproved Executive Share Option Scheme adopted by the company at the 2005 Annual General Meeting on 15 September 2005. These options vest in five equal annual instalments subject to the meeting of the performance target for the year in question. As at the date of the EGM on 7 August 2009, 40% of these options had vested. The remaining options were cancelled. These options expire on 29 September 2015 and originally had an exercise price of 11p, which was the market price of SPARK shares on 30 September 2005 – the date when these awards were made. Following the return of 2p per ordinary share to shareholders in 2009, 1p per share in 2010 and 2011, 2.5p per share in January 2013 and 2p per share in September 2013, the exercise price of these options was reduced to 2.5p per share. These options were exercised on 7 April 2014.

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

Further details relating to the Directors can be found on page 7.

Suppliers

The Company agrees payment terms and conditions with individual suppliers which vary according to the commercial relationship and the terms of the agreements reached. It is the policy of the Group and Company that, whenever possible, payments to suppliers are made in accordance with the terms agreed. The average time taken by the Group to pay purchase invoices is 25 days (2013: 12 days).

Subsequent events

There are no material events after the balance sheet date other than those detailed in Note 18 to the financial statements.

Auditor

A resolution to re-appoint BDO LLP as auditor of the Company will be proposed at the forthcoming Annual General Meeting.

Provision of information to auditor

Each of the persons who is a director at the date of approval of this report confirms that:
(1) so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
(2) the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

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

A.D.N. Betton
Director and Company Secretary
29 August 2014

Directors' Responsibilities

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group and company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and company and of the profit or loss of the Group for that period. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these financial statements, the directors are required to:
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

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

We have audited the financial statements of SPARK Ventures plc for the year ended 31 March 2014 which comprise the Group Statement of Comprehensive Income, the Group and parent company Statements of Financial Position, the Group and parent company Statements of Cash Flows, the Group and parent Company Statements of changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2014 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Nick Whitaker (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom
29 August 2014

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

Group Statement of Comprehensive Income for the year ended 31 March 2014

	Note Ref	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000
Continuing operations			
(Losses)/gains on investments at fair value through profit or loss			
Realised (losses)/gains		**(1,163)**	98
Unrealised (losses)/gains	9	**(3,518)**	8,953
		(4,681)	9,051
Revenue			
Bank interest receivable		**26**	72
Management fee income		**338**	605
Portfolio dividends and interest		**175**	167
Other income		**827**	1,560
		1,366	2,404
Administrative expenses			
Salaries and other staff costs	3	**(206)**	(90)
Depreciation of property, plant and equipment	8	**(99)**	(78)
Other costs	4	**(4,013)**	(4,639)
Total administrative expenses		**(4,318)**	(4,807)
(Loss)/profit before taxation		**(7,633)**	6,648
Taxation	5	**–**	–
(Loss)/profit for the financial year		**(7,633)**	6,648
Attributable to:			
– Equity shareholders of the parent		**(7,633)**	6,648
Basic earnings per ordinary share for profit from continuing operations and for profit for the year	6	**(1.86)p**	1.62p
Diluted earnings per ordinary share for profit from continuing operations and for profit for the year	6	**(1.82)p**	1.59p

Group Statement of Financial Position as at 31 March 2014

	Note Ref	31 March 2014 £'000	31 March 2013 £'000
Non-current assets			
Property, plant and equipment	8	**–**	99
Investments at fair value through profit and loss	9	**20,876**	59,123
		20,876	59,222
Current assets			
Trade and other receivables	11	**555**	996
Restricted cash	11	**–**	1,581
Cash and cash equivalents		**25,663**	1,900
		26,218	4,477
Total assets		**47,094**	63,699
Current liabilities			
Trade and other payables	12	**(653)**	(1,516)
Amount due to D shareholders		**(2,200)**	–
Total liabilities		**(2,853)**	(1,516)
Net current assets		**23,365**	2,961
Provisions for liabilities	14	**(500)**	(340)
Net assets		**43,741**	61,843
Equity attributable to the shareholders of the parent			
Issued capital	16	**1,360**	1,585
Share premium		**9**	9
Revenue reserve		**31,904**	50,006
Capital redemption reserve		**10,468**	10,243
Total equity due to ordinary shareholders		**43,741**	61,843
Net asset value per ordinary share	15	**10.65p**	15.06p

		Number '000	Number '000
Ordinary shares in issue	16	**450,000**	450,000
Shares held in Treasury		**(39,245)**	(39,245)
Shares in issue for net asset value per share calculation		**410,755**	410,755

These financial statements were approved and authorised for issue by the Board of Directors on 29 August 2014. Signed on behalf of the Board of Directors.

A.D.N. Betton
Director

Company Statement of Financial Position as at 31 March 2014

	Note Ref	31 March 2014 £'000	31 March 2013 £'000
Non-current assets			
Investments at fair value through profit and loss	9	**4,669**	42,288
Investments in subsidiary undertakings	10	**108,231**	108,231
Deferred tax	5	**781**	899
		113,681	151,418
Current assets			
Trade and other receivables	11	**3,378**	4,199
Restricted cash	11	**–**	1,581
Cash and cash equivalents		**24,929**	1,120
		28,307	6,900
Total assets		**141,988**	158,318
Current liabilities			
Trade and other payables	12	**(118,406)**	(116,576)
Total liabilities		**(118,406)**	(116,576)
Net current liabilities		**(90,099)**	(109,676)
Provisions for liabilities	14	**(500)**	(340)
Net assets		**23,082**	41,402
Equity			
Issued capital – ordinary shares	16	**1,360**	1,585
Share premium		**9**	9
Revenue reserve		**11,245**	29,565
Capital Redemption Reserve		**10,468**	10,243
Total equity		**23,082**	41,402

These financial statements were approved and authorised for issue by the Board of Directors on 29 August 2014. Signed on behalf of the Board of Directors.

A.D.N. Betton
Director

Group Statement of Cash Flows for the year ended 31 March 2014

	Group Year ended 31 March 2014 £'000	Group Year ended 31 March 2013 £'000
Cash flows from operating activities		
Cash flow from operations	**(3,115)**	(1,912)
Net cash outflow from operating activities	**(3,115)**	(1,912)
Cash flows from investing activities		
Purchase of financial investments	**(70)**	(100)
Sale of financial investments	**33,636**	8,773
Receipt of deferred consideration	**–**	37
Net cash inflow from investing activities	**33,566**	8,710
Cash flows from financing activities		
Dividend paid (C shares)	**(2,821)**	(2,771)
Share buy-backs (B shares)	**(5,448)**	(7,573)
Net cash outflow from financing activities	**(8,269)**	(10,344)
Management of liquid resources		
Decrease in restricted cash	**1,581**	454
Change in cash and cash equivalents	**23,763**	(3,092)
Opening cash and cash equivalents	**1,900**	4,992
Closing cash and cash equivalents	**25,663**	1,900

Reconciliation of operating loss to net cash outflow from operations

	£'000	£'000
Bank interest receivable	**26**	72
Portfolio dividends and interest	**175**	167
Other revenue	**1,165**	2,165
Total revenue	**1,366**	2,404
Administrative expenses	**(4,318)**	(4,807)
Operating loss	**(2,952)**	(2,403)
Decrease/(increase) in trade and other receivables	**440**	(505)
(Decrease)/increase in trade and other payables	**(702)**	743
Non-cash expense relating to own share write-off	**–**	175
Depreciation of property, plant and equipment	**99**	78
Net cash outflow from operations	**(3,115)**	(1,912)

Company Statement of Cash Flows for the year ended 31 March 2014

	Company Year ended 31 March 2014 £'000	Company Year ended 31 March 2013 £'000
Cash flows from operating activities		
Cash flow from operations	**(2,442)**	4,380
Net cash (outflow)/inflow from operating activities	**(2,442)**	4,380
Cash flows from investing activities		
Purchase of financial investments	**(70)**	(3,275)
Sale of financial investments	**33,009**	2,902
Receipt of loan from subsidiary undertaking	**–**	2,372
Receipt of deferred consideration	**–**	37
Net cash inflow from investing activities	**32,939**	2,036
Cash flows from financing activities		
Dividend paid (C shares)	**(2,821)**	(2,771)
Share buy-backs (B shares)	**(5,448)**	(7,573)
Net cash outflow from financing activities	**(8,269)**	(10,344)
Management of liquid resources		
Decrease in restricted cash	**1,581**	454
Change in cash and cash equivalents	**23,809**	(3,474)
Opening cash and cash equivalents	**1,120**	4,594
Closing cash and cash equivalents	**24,929**	1,120

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

	£'000	£'000
Bank interest receivable	**26**	72
Portfolio dividends and interest	**29**	163
Total revenue	**55**	235
Administrative expenses	**(3,108)**	(2,651)
Operating loss	**(3,053)**	(2,416)
Decrease in trade and other receivables	**821**	1,934
(Decrease)/increase in trade and other payables	**(370)**	4,522
Increase in provisions	**160**	340
Net cash (outflow)/inflow from operations	**(2,442)**	4,380

Group Statement of Changes in Equity

	D shares £'000	C shares/ Deferred shares £'000	B shares £'000	Ordinary share capital £'000	Share premium £'000	Revenue reserve £'000	Capital re-demption reserve £'000	Own shares £'000	Total equity £'000
Balance at 31 March 2012	10	–	–	1,800	9	53,702	10,018	(175)	65,364
Profit and total comprehensive income for the year	–	–	–	–	–	6,648	–	–	6,648
Release of own share reserve following closure of EBT	–	–	–	–	–	–	–	175	175
New B & C shares issued – 2013	–	75	150	(225)	–	–	–	–	–
Share buy-backs – 2013 B Shares	–	–	(150)	–	–	(7,573)	150	–	(7,573)
Dividend – 2013 C Shares	–	–	–	–	–	(2,771)	–	–	(2,771)
Cancellation of deferred C shares	–	(75)	–	–	–	–	75	–	–
Balance at 31 March 2013	**10**	**–**	**–**	**1,575**	**9**	**50,006**	**10,243**	**–**	**61,843**
Profit and total comprehensive income for the year	–	–	–	–	–	(7,633)	–	–	(7,633)
New B & C shares issued – 2013	–	–	–	(225)	–	–	225	–	–
Share buy-backs – 2013 B Shares	–	–	–	–	–	(5,448)	–	–	(5,448)
Dividend – 2013 C Shares	–	–	–	–	–	(2,821)	–	–	(2,821)
Cancellation of deferred C shares	–	–	–	–	–	–	–	–	–
Amount due to D shareholders	–	–	–	–	–	(2,200)	–	–	(2,200)
Balance at 31 March 2014	**10**	**–**	**–**	**1, 350**	**9**	**31,904**	**10,468**	**–**	**43,741**

Company Statement of Changes in Equity

	D shares £'000	C shares/ Deferred shares £'000	B shares £'000	Ordinary share capital £'000	Share premium £'000	Revenue reserve £'000	Capital re-demption reserve £'000	Own shares £'000	Total equity £'000
Balance at 31 March 2012	10	–	–	1,800	9	33,601	10,018	–	45,438
Profit and total comprehensive income for the year	–	–	–	–	–	6,308	–	–	6,308
New B & C shares issued – 2013	–	75	150	(225)	–	–	–	–	–
Share buy-backs – 2013 B Shares	–	–	(150)	–	–	(7,573)	150	–	(7,573)
Dividend – 2013 C Shares	–	–	–	–	–	(2,771)	–	–	(2,771)
Cancellation of deferred C shares	–	(75)	–	–	–	–	75	–	–
Balance at 31 March 2013	**10**	**–**	**–**	**1,575**	**9**	**29,565**	**10,243**	**–**	**41,402**
Profit and total comprehensive income for the year	–	–	–	–	–	(7,851)	–	–	(7,851)
New B & C shares issued – 2013	–	–	–	(225)	–	–	225	–	–
Share buy-backs – 2013 B Shares	–	–	–	–	–	(5,448)	–	–	(5,448)
Dividend – 2013 C Shares	–	–	–	–	–	(2,821)	–	–	(2,821)
Cancellation of deferred C shares	–	–	–	–	–	–	–	–	–
Amount due to D shareholders	–	–	–	–	–	(2,200)	–	–	(2,200)
Balance at 31 March 2014	**10**	**–**	**–**	**1,350**	**9**	**11,245**	**10,468**	**–**	**23,082**

Notes to the Consolidated Financial Statements

1 Basis of preparation and significant accounting policies

SPARK Ventures Plc ('the Company') is a company incorporated in the United Kingdom and registered in England and Wales. The consolidated financial statements for the year ended 31 March 2014 include the financial statements of the Company and its subsidiaries (together 'the Group'). Separate financial statements of the Company are also presented except that a company statement of comprehensive income and supporting notes is not included. The same accounting policies were applied in preparing the financial statement of the Company. The accounting policies applied are consistent with the prior year.

Basis of preparation

The consolidated financial statements for the year ended 31 March 2014 have been prepared in accordance with International Financial Reporting Standards ('IFRS') approved by the International Accounting Standards Board ('IASB'), as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements are prepared on a historical cost basis except for the revaluation of certain financial instruments stated at fair value. Standards and interpretations applied for the first time have had no material impact on these financial statements.

At the date of authorisation of these financial statements, the following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective. The standards are effective for annual periods beginning on or after 1 January 2014 unless otherwise stated, with early adoption permitted in all cases.

IAS 27 – Separate Financial Statements
IAS 28 – Investments in Associates and Joint Ventures
IAS 32 – (Amendments) – Offsetting Financial Assets and Financial Liabilities
IAS 36 – (Amendments) – Recoverable amounts disclosures for non-financial assets.
IFRS 9 – Financial Instruments – The mandatory date for adoption of this standard is period beginning 1 January 2018
IFRS 10 – Consolidated Financial Statements
IFRS 12 – Disclosure of interests in Other Entities

The Group considers that none of these amendments and revised standards will have a material impact on the disclosures and presentation of information in the financial statements.

A number of new standards, interpretations and amendments to existing standards which became effective for the first time for accounting periods beginning on or after 1 January 2013, unless otherwise stated, have been adopted in these financial statements. The nature and effect of adopting these is given below.

IAS 1 – Presentation of items of Other Comprehensive Income – Amendments to IAS 1

The amendment requires that items of other comprehensive income must be grouped together in two sections – those that will or may be reclassified into profit or loss and those that will not.

The amendment affects presentation only and hence there is no effect on the Group's financial position.

IFRS 13 – Fair Value Measurement

IFRS 13 sets out the framework for determining the measurement of fair value and the disclosure of information relating to fair value measurement, when fair value measurements and/or disclosures are required or permitted by other IFRSs.

While there has been some rewording of the previous guidance, there are few changes to the previous fair value measurement requirements. IFRS 13 is intended to clarify the measurement objective, harmonise the disclosure requirements, and improve consistency in application of fair value measurement.

IFRS 13 did not materially affect any fair value measurements of the Group's assets or liabilities, with changes being limited to presentation and disclosure, and therefore has no effect on the Group's financial position or performance. See Notes 9 and 15 for more details on the bases used for the assessments of fair value.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' report and Investment Manager's report. The key risks facing the business and management's policy and practices to manage these are further discussed in Note 15. In assessing the Group as a going concern, the Directors have considered the forecasts which reflect the Directors proposed strategy for portfolio investments and the current uncertain economic outlook. The Group's forecasts and projections, taking into account reasonably possible changes in performance, show that the Group is able to operate within its available working capital.

The directors have considered the use of the going concern basis for the preparation of these financial statements within the context of the company's stated strategy of realising its remaining portfolio, which was recently extended to 31 March 2015. Although one possible scenario is the piecemeal disposal of the portfolio and the company then ceasing to trade, essentially becoming a cash shell, other alternative ways forward are under consideration which do not involve the cessation of trade. The Board has made no decision in this regard but will seek the most beneficial route to enhance shareholder value. Accordingly the directors remain of the view that the going concern basis of preparation is appropriate.

Notes to the Consolidated Financial Statements (continued)

1 Basis of preparation and significant accounting policies (continued)

Basis of consolidation
The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company made up to 31 March each year.

Subsidiaries
Subsidiaries are entities controlled by the company. Control exists where the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Associates
As the Group is a venture capital organisation, it accounts for all associates at fair value through profit and loss as allowed under IAS 28: Investment in Associates.

Non-controlling interests
All the subsidiaries consolidated in these accounts are 100% owned (Note 10), except for Wycombe AH Realisations Ltd (formerly Aspex Semiconductor Holdings Ltd) where the Group holds 99%.

Transactions eliminated on consolidation
Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

Goodwill
All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries. Goodwill represents the difference between the cost of the acquisition and the fair value of the identifiable net assets acquired. Goodwill is stated at cost less any accumulated impairment losses. Goodwill is tested annually for impairment.

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

Leasehold improvements	20% or over the term of the lease
Office equipment & software	33%
Furniture, fixtures & fittings	20%

Following the surrender of the Glasshouse Street leases in January 2014, the Company no longer has any property, plant or equipment.

Financial instruments

Trade debtors and creditors
Trade debtors and creditors are accounted for at transaction value when the asset or liability is incurred. The fair value equals the carrying amount as these are short term in nature.

Deferred consideration
Deferred consideration represents the management's best estimate of amounts required to settle or to be received, discounted where time value of money is considered to be material.

Cash and cash equivalents
Cash and cash equivalents include cash in hand and deposits held at call with banks and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial investments
Investments are included at valuation on the following bases:
(a) Listed investments are valued at the closing bid price on the 31 March.
(b) Unquoted investments where a significant third party funding event has taken place during the year ended 31 March which establishes a new value for that investment are carried at that value.
(c) Investments considered to be mature are valued according to the Directors' best estimate of the Group's share of that investment's value. This value is calculated in accordance with British Venture Capital Association (BVCA) guidelines and industry norms and includes calculations based on appropriate earnings or sales multiples.
(d) All other unquoted investments are valued at the Directors' best estimate of the Group's share of that investment's value, taking into account any temporary loss in value. For new investments, the cost of investment is generally considered to be its fair value.

The Directors consider that a substantial measure of the performance of the Group is assessed through the capital gains and losses arising from the investment activity of the Group.

Consequently, for measurement purposes, financial investments, including equity, loan and similar instruments, are designated at fair value through profit and loss, and are valued in compliance with IAS 39 'Financial Instruments: Recognition and Measurement', IFRS 13 'Fair Value Measurement' and the International Private Equity and Venture Capital Valuation Guidelines as recommended by the British Venture Capital Association.

Gains and losses on the realisation of financial investments are recognised in the profit or loss for the period and taken to retained earnings. The difference between the market value of financial investments and book value to the Group is shown as a gain or loss in the profit or loss for the period and taken to the revenue reserve.

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

Revenue

Sales of services represent the invoiced value of services supplied net of trade discounts, value added tax and other sales related taxes. The sale is recognised upon delivery of the services to the customer provided that all obligations to the customer relating to that delivery of services have been satisfied. If this is not the case then the sale is recognised when all obligations to the customer relating to that delivery of services have been satisfied. Dividends receivable on unquoted equity shares are brought into account when the Company's right to receive payment is established and there is no reasonable doubt that payment will be received. Interest receivable is included on an effective interest rate basis.

Taxation

The tax expense included in the statement of comprehensive income comprises current and deferred tax. Current tax is the expected tax payable based on the taxable profit for the period, using tax rates that have been enacted or substantially enacted by the reporting date. Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the accounts and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease, even if the payments are not made on such a basis.

Foreign exchange

Transactions denominated in foreign currencies are translated into the functional currency at the rate ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated at the rates ruling at that date. These translation differences are dealt with in the statement of comprehensive income.

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

Share options

Executive Share Option Scheme

The 2005 Executive Share Option Scheme is accounted for in accordance with IFRS 2, Accounting for Share Based Payments. Under this scheme, full-time executives of SPARK were awarded share options over shares with a value equal to five times the executive's salary at the time. The options have an exercise price of 11p, which was the market price of SPARK's shares at the date of award (30 September 2005). One fifth of the options vest each year from 31 March 2006 onwards following confirmation that the Net Asset Value per share target has been achieved for the year. At the time the scheme was implemented the published, audited NAV of SPARK was 12.8p. If growth over the five year period is in excess of 10% per year then all of an executive's options will vest, if growth averages 5% per year over the five year period then half of the awarded options will vest with performance in between rewarded proportionately. Average performance of less than 5% a year will result in no share options vesting, save for the fact that options which vest following strong performance in the early years of the scheme, cannot be cancelled. These share options have a ten year life from date of grant.

The fair value of the options awarded (20,227,273 in total) has been estimated at 6.2p per share using the Black-Scholes valuation methodology and it had been assumed that all options will vest. Behind these assumptions it was assumed in September 2005 that the risk free interest rate was 5% and that the volatility coefficient was 35% based on share prices for the previous 2.5 years – ie from April 2003 when the dotcom collapse had bottomed out. As at 31 March 2009, 8,090,909 of these options had vested. Upon completion of the MBO on 9 October, all unvested share options were cancelled and the exercise price of the options that have vested was reduced to 9p as a result of the capital distribution by the Company made on 24 August 2009. Following the capital distributions made in October 2010 and October 2011, the exercise price of these options was further reduced to 8p, then 7p respectively.

Notes to the Consolidated Financial Statements (continued)

1 Basis of preparation and significant accounting policies (continued)

Share options (continued)

Executive Share Option Scheme (continued)

The exercise price was reduced by a further 2.5p to 4.5p per share following the capital distribution made in January 2013 and was reduced by a further 2p per share to 2.5p in September 2013. In April 2014, all these remaining share options were exercised for 2.5p per share. All share-based payments are equity settled. There has been no charge or credit to the statement of comprehensive income in the current or prior year.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities relate to the valuation of unlisted financial investments held at fair value through profit and loss (£20,876,000), which are valued on the basis noted above.

Segmental analysis

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

2 Company Statement of Comprehensive Income

The Group has taken advantage of the exemption conferred by s408 CA 2006 to not disclose a full statement of comprehensive income for the Company. The Company's loss for the year was £7.851m (2013: Profit of £6.308m).

The Company has recognised realised and unrealised investment gains/losses through the statement of comprehensive income of £4.680m (2013: £2.482m).

3 Information regarding Directors and employees

	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000
Directors' remuneration summary		
Basic salaries	**154**	155
Social security costs	**17**	7
Other emoluments	**35**	(72)
	206	90

	Year ended 31 March 2014				Year ended 31 March 2013			
	Emoluments £'000	**Bonus accrual (see note below) £'000**	**Social security costs £'000**	**Total £'000**	Emoluments £'000	Bonus accrual (see note below) £'000	Social security costs £'000	Total £'000
Directors' remuneration analysed								
C Berry	**35**	**1**	**–**	**36**	35	(3)	–	32
D Potter	**50**	**–**	**–**	**50**	50	–	–	50
H Sinclair	**35**	**–**	**–**	**35**	35	–	–	35
M Whitaker	**34**	**–**	**–**	**34**	35	–	–	35
A Carruthers	**–**	**8**	**–**	**8**	–	(19)	–	(19)
J Patel (former director)	**–**	**7**	**–**	**7**	–	(16)	–	(16)
A Betton	**1**	**–**	**–**	**1**	–	(1)	–	(1)
Change in bonus accrual for former directors	**–**	**14**	**–**	**14**	–	(33)	(10)	(43)
Social security costs	**–**	**4**	**17**	**21**	–	–	17	17
	154	**35**	**17**	**206**	155	(72)	7	90

In 2003 a former bonus scheme was settled in part by awarding the participants a small stake (3.8%) in the portfolio at that time. This stake would be reduced by further funding requirements into those companies that formed the 2003 portfolio. Changes in the valuations to those 2003 portfolio companies result in the amounts being due to the participants of the scheme changing, and this change is shown in the remuneration table above. Almost all (94%) of the residual value in the scheme is due to Kobalt, IMImobile and Aspex.

The Company is in dispute with Michael Whitaker, a previous Director of the Company and Chairman of the Audit Committee, over the incentive scheme established in 2003 created to incentivise the executive directors and senior investment personnel. The scheme was set up to pay out a profit share of up to 20% of realised profit on Spark's 2003 investment portfolio, less an annual hurdle and subject to unrealised gains exceeding unrealised losses. The recent strong performance of the 2003 portfolio companies (which include Aspex, IMI and Kobalt, but not more recent investments such as Notonthehighstreet or OpenX) has led Michael Whitaker to claim against the Company for the full profit share. The Board vigorously disputes this and claim and counter claim have been filed at the High Court. In preparing these accounts we must be prudent and make an attempt to quantify the potential liability, including costs, which is difficult given the number of variables. The figure of £500k shown is the directors' best estimate. At the time of writing we have agreed to mediation which is expected to take place in September.

Details of directors share options can be found within the 'Directors and their interests' section of the Directors' report on page 9.

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

In the prior year the NewMedia SPARK Employee Benefit Trust (EBT) made distributions to SPARK Ventures plc and to SPARK Venture Management Ltd to be paid over to certain former employees and certain current directors of SPARK Ventures plc. There was no effect on the Group or Company income statements from these awards and consequently the amounts awarded are not included in directors remuneration or management fees payable in the current or prior year. Details of these awards are as follows:

	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000
C Berry	**–**	8
D Potter	**–**	8
H Sinclair	**–**	8
M Whitaker	**–**	8
A Carruthers	**–**	8
A Betton	**–**	8
J Patel (former director)	**–**	8
T Teichman (former director)	**–**	8
Other SPARK Venture Management employees	**–**	42
	–	106

	Year ended 31 March 2014 No.	Year ended 31 March 2013 No.
Average number of persons employed (including directors)		
Investment and related administration	**4**	4
	4	4

Notes to the Consolidated Financial Statements (continued)

4 Profit for the year

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

	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000
Depreciation of property, plant and equipment – owned assets	**99**	78
Operating lease rentals		
Land and buildings	**594**	713
Auditors remuneration		
Fees payable to the current auditor for the audit of the Company's annual accounts	**31**	34
Fees payable to the Company's current auditor and its associates for other services:		
The audit of the Company's subsidiaries, pursuant to legislation	**3**	3
Audit related assurance services	**40**	5
Other services relating to taxation	**33**	24
Analysis of other costs:		
Property costs	**1,703**	1,971
Provisions for liabilities	**500**	340
Professional fees	**478**	329
Professional fees and settlement provision in relation to defending US legal case	**–**	20
Management fee of Quester Venture Partnership	**338**	538
Management and secretarial fee of SPARK Ventures plc	**897**	1,089
Non-cash elimination of own share debit balance reserve	**–**	175
Other general overheads	**97**	177
	4,013	4,639

As described in Note 3 there is a potential liability to a former director under a 2003 incentive scheme. The directors have considered it prudent to set aside a provision of £500k for legal and settlement costs relating to this matter.

5 Tax credit on losses on ordinary activities

	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000
UK corporation tax		
Corporation tax liability at 23% (2013: 24%)	**–**	–
Total current tax	**–**	–
Deferred tax	**–**	–
Tax on profit on ordinary activities	**–**	–

Factors affecting the tax charge for the current period

The tax assessed for the year is different than that resulting from applying the standard rate of corporation tax in the UK: 23% (2013: 24%). The differences are explained below:

	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000
Current tax reconciliation		
(Loss)/profit before taxation	**(7,633)**	6,648
Current tax charge at 23% (2013: 24%)	**(1,755)**	1,596
Effects of:		
Permanent differences, including goodwill impairments	**–**	49
Expenses not deductible for tax purposes	**958**	–
Non-taxable income	**(100)**	(18)
Movement in short-term timing differences	**37**	(165)
Profit on investment realisations	**–**	(11)
Losses/(Gains) on investment revaluations	**304**	(2,077)
Non-taxable overseas investment revaluation	**–**	(72)
Net capital gains	**–**	(156)
Utilisation of capital losses on investment revaluations	**556**	156
Unutilised losses carried forward	**–**	698
Tax for the year	**–**	–

Deferred tax

There remains an unrecognised deferred tax asset in respect of tax losses and other temporary differences. The unrecognised deferred tax asset is £30.0m (2013: £34.7m), for the Group and £29.8m (2013: £34.5m) for the parent company. The reduction in the balances for unrecognised deferred tax is due to the reduction in future corporate tax rates and an increase to management expenses carried forward available for deduction against future income. The assessed loss on which no deferred tax has been recognised amounts to £150m (2013: £154m).

	£'000
Company deferred tax asset	
Balance at 1 April 2013	899
Movement in the year	(118)
Balance at 31 March 2014	**781**
Balance at 1 April 2012	928
Movement in the year	(29)
Balance at 31 March 2013	**899**

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

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

Notes to the Consolidated Financial Statements (continued)

6 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of ordinary shares during the period. Diluted earnings per share is calculated by dividing the profit attributable to shareholders by the adjusted weighted average number of ordinary shares in issue. The adjustment made is to add the total number of 'in the money' share options in issue to the weighted average number of ordinary shares in issue for basic EPS.

	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000
Earnings		
Net (loss)/profit for the year	**(7,633)**	6,648
Number of shares		
Weighted average number of ordinary shares in issue for basic EPS	**410,755**	410,456
Weighted average number of ordinary shares in issue for diluted EPS	**418,845**	418,547
Earnings per share		
Basic EPS	**(1.86)p**	1.62p
Diluted EPS	**(1.82)p**	1.59p

Under the 2005 Executive Share Option Scheme, 8,090,909 options were in issue with an exercise price of 4.5p up to 30 September 2013 and 2.5p from this date. These options were exercised in April 2014.

7 Dividends

	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000
Dividend paid on C shares in respect of year to 31 March 2014: 2.0p per share paid 10 October 2013	**2,821**	–
Dividend paid on C shares in respect of year to 31 March 2013: 2.5p per share paid 25 January 2013	**–**	2,771

8 Property, plant and equipment

Group

	Leasehold improvements £'000	Furniture, fixtures and equipment £'000	Office equipment and software £'000	Total £'000
Cost:				
Balance at 1 April 2013	1,264	617	59	1,940
Acquisitions	–	–	–	–
Balance at 31 March 2014	**1,264**	**617**	**59**	**1,940**
Depreciation:				
Balance at 1 April 2013	1,169	613	59	1,841
Depreciation charge for the year	95	4	–	99
Balance at 31 March 2014	**1,264**	**617**	**59**	**1,940**
Carrying amount at 31 March 2014	**–**	**–**	**–**	**–**
Cost:				
Balance at 1 April 2012	1,264	617	59	1,940
Acquisitions	–	–	–	–
Balance at 31 March 2013	1,264	617	59	1,940
Depreciation:				
Balance at 1 April 2012	1,093	611	59	1,763
Depreciation charge for the year	76	2	–	78
Balance at 31 March 2013	1,169	613	59	1,841
Carrying amount at 31 March 2013	95	4	–	99

Notes to the Consolidated Financial Statements (continued)

9 Investments at fair value through profit and loss

Group

Portfolio company name	Note ref	Country of incorporation	% equity 31 March 2014 (7)	Value at 31 March 2013	Year ended 31 March 2014 Additions £'000	Disposals at valuation £'000	Revaluations (8) £'000	Value at 31 March 2014 £'000
IMImobile	(2)	India	26%	16,200	–	–	–	16,200
Notonthehighstreet.com		UK	–	10,200	–	(10,200)	–	–
Kobalt Music		UK	–	15,463	–	(15,463)	–	–
OpenX		UK	–	5,000	–	(5,000)	–	–
Aspex Semiconductor		UK	–	3,600	–	(3,600)	–	–
Mind Candy	(6)	UK	2%	3,153	–	–	(2,365)	788
Gambling Compliance	(3)	UK	28%	1,645	70	–	(257)	1,458
DEM Solutions	(4)	UK	24%	1,722	–	–	(431)	1,291
Academia	(5)	UK	3%	924	–	(375)	295	844
				57,907	70	(34,639)	(2,758)	20,581
Other investments (no single investment value greater than £500,000)	(1)			1,216	–	(160)	(760)	295
Total investments at fair value through profit and loss				59,123	70	(34,799)	(3,518)	20,876

(1) Other investments include Firebox, Crocus, Mblox, Market Clusters, MyDeco, and a share in Quester Venture Partnership.
(2) IMImobile has been valued according to the price that shares were sold at in the company's IPO that completed on 27 June 2014.
(3) Gambling Compliance has been valued on the basis of recent third party funding events, adjusted downwards by 15% to reflect the Director's estimate of its fair value.
(4) DEM Solutions has been valued at cost, less a 25% impairment, with this being considered to be its fair value by referencing other valuation guidelines. The impairment was considered necessary as sales declined in the year to June 13 and a loss was made compared with a profit in the prior year. This made it less likely that SPARK will be able to sell its shares as part of a sale of the whole business, from which SPARK would expect to benefit from its preference shares.
(5) Academia has been valued at the price per share that Spark sold shares at in March 2014.
(6) Mind Candy have been valued at the Directors best estimate of its current value.
(7) % equity represents fully diluted holding in investee companies.
(8) These revaluations are shown on the face of the income statement as unrealised gains on investments at fair value through profit and loss.

In April 2014 a new management agreement with SPARK Venture Management Ltd was entered into. This provided the manager with a fixed fee for 12 months of £400k together with an incentive for achieving future realisations. The IMI float in June 2014 resulted in the Manager becoming eligible for an incentive fee but no bonus is actually due until sufficient IMI shares have been sold, and cash received that is not locked up, above a hurdle. If all the IMI shares held on 31 March 2014 were sold at the book value, it is estimated that the Manager would be due an incentive payment of approximately £2.2m.

Company

	Value at 31 March 2014 £'000	Value at 31 March 2013 £'000
Opening valuation	**42,288**	33,200
Acquisitions	**70**	3,275
Unrealised and realised valuations	**(3,518)**	8,653
Disposals	**(34,171)**	(2,840)
Closing valuation	**4,669**	42,288

10 Investments in Subsidiary undertakings

Company

	31 March 2014 £'000	31 March 2013 £'000
Cost:		
Balance at 1 April and 31 March	**120,824**	120,824
Additions	**–**	–
Disposal	**–**	–
Balance at 31 March	**120,824**	120,824
Impairment:		
Balance at 1 April and 31 March	**12,593**	12,593
Impairment losses	**–**	–
Disposal	**–**	–
Balance at 31 March	**12,593**	12,593
Net book value at 31 March	**108,231**	108,231

The Company's principal subsidiary undertakings included in the consolidation at 31 March 2014 and their principal activities and countries of incorporation are set out below:

	Country of incorporation	Business activity	Class of shares held	Proportion held and % voting rights
SPARK Services Ltd	UK	Business services	Ordinary	100%
SPARK India Ltd	Mauritius	Investment in India	Ordinary	100%
NewMedia Spark Limited	UK	Investment (dormant)	Ordinary	100%
Internet Indirect Ltd	UK	Investment (dormant)	Ordinary	100%
GlobalNet Financial.com Inc	USA	Finance (dormant)	Ordinary	100%
Quester Venture GP Ltd	UK	General partner of limited partnership	A Ordinary & Preference	100%
Wycombe AH Realisations Ltd (formerly Aspex Semiconductor Holdings Ltd)	UK	Holding company	A Ordinary	99%

11 Trade and other receivables

	Group 31 March 2014 £'000	Group 31 March 2013 £'000	Company 31 March 2014 £'000	Company 31 March 2013 £'000
Trade debtors	**–**	158	**–**	27
Amounts owed by subsidiary undertakings	**–**	–	**2,826**	3,604
Social security and other taxes	**251**	92	**251**	85
Other debtors	**303**	6	**301**	1
Prepayments and accrued income	**1**	740	**–**	482
	555	996	**3,378**	4,199
Restricted cash	**–**	1,581	**–**	1,581

In the prior year, the restricted cash represented £1.168m held in a separate bank account to satisfy the Court that the share premium reduction did not adversely affect creditors of SPARK Ventures plc and £0.413m security for property leases. In accordance with the court order granted, the restricted cash balances were used in the year ended 31 March 2014 to pay amounts due under the lease. Following the agreement with the landlord in August 2013 to surrender the Glasshouse Street leases in the first quarter of 2014, all the remaining restricted cash balances were recovered before the balance sheet date.

Notes to the Consolidated Financial Statements (continued)

12 Trade and other payables

	Group 31 March 2014 £'000	Group 31 March 2013 £'000	**Company 31 March 2014 £'000**	Company 31 March 2013 £'000
Trade creditors	**142**	395	**52**	58
Amounts owed to group subsidiary undertakings	**–**	–	**115,660**	115,569
Social security and other taxes	**7**	8	**6**	7
Other creditors	**–**	170	**3**	3
D share distribution	**2,200**	–	**2,200**	–
Accruals and deferred income	**504**	943	**485**	939
	2,853	1,516	**118,406**	116,576

13 Operating leases

At 31 March 2014 the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	31 March 2014 £'000	31 March 2013 £'000
Non-cancellable operating lease rentals are payables as follows:		
Land and buildings:		
Less than one year	**–**	595
Between one and five years	**–**	–
More than five years	**–**	–
	–	595

The Group formerly leased one property under three operating leases that were due to expire on 30 September 2014 with no early termination option. The total minimum lease payments over the final eighteen months of the lease were expected to be approximately £1.1m. To avoid significant costs at the end of the lease arising from under occupation and end of lease repairs, the Company came to an agreement to make a payment to the landlord of £0.470m to settle all these issues in return for an early surrender of the lease, which was concluded in the first quarter of 2014.

14 Provisions for liabilities

	Group 31 March 2014 £'000	Group 31 March 2013 £'000	**Company 31 March 2014 £'000**	Company 31 March 2013 £'000
Provisions for liabilities	**500**	340	**500**	340

There is a potential liability to a former director under a 2003 incentive scheme. The directors have considered it prudent to set aside a provision of £500k for legal and settlement costs relating to this matter.

The provision in the previous year related to losses expected in the current year from the termination of the Glasshouse Street leases that were considered to be onerous. This provision was utilised in the year.

15 Financial instruments and financial risk management

As a venture capital investor the Group invests in unquoted companies in accordance with the investment policy. In addition to its venture capital portfolio, which is invested mainly in technology-related companies in the TMT (technology, media and telecoms) sector, the Group maintains liquidity balances in the form of cash held for follow-on financing and debtors and creditors that arise directly from its operations. £20.9m of the Group's net assets were invested in venture capital investments and £25.7m in liquid balances (31 March 2013: £59.1m in investments and £1.9m in liquidity).

In pursuing its investment policy, the Group is exposed to risks that could result in a reduction in the value of net assets and consequently funds available for distribution by way of dividend or for re-investment.

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

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

Market risk

Market price risk arises from uncertainty about the future valuations of financial instruments held in accordance with the Group's investment objectives. These future valuations are determined by many factors but include the operational and financial performance of the underlying investee companies, as well as market perceptions of the future of the economy and its impact upon the economic environment in which these companies operate. This risk represents the potential loss that the Group might suffer through holding its investment portfolio in the face of market movements, which was a maximum of £20.9m (2013: £59.1m).

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

The Board's strategy in managing the market price risk is determined by the requirement to meet the Group's investment objective. Risk is mitigated to a certain extent by the fact that the Group holds investments in several companies: At 31 March 2014, the Group held interests in 10 companies (31 March 2013: 15 companies). The management of risk within the venture capital portfolio is addressed through careful investment selection, by diversification across different industry segments within the TMT sector, by maintaining a wide spread of holdings in terms of financing stage and by limitation of the size of individual holdings. The Directors monitor compliance with the investment policy, review and agree policies for managing this risk and monitor the overall level of risk on the investment portfolio on a regular basis.

Market price risk sensitivity

The Board considers that the value of investments in equity and loan stock instruments are ultimately sensitive to changes in quoted share prices, insofar as such changes eventually affect the enterprise value of unquoted companies. The table below shows the impact on the return and net assets if there were to be a 20% (2013: 20%) movement in overall share prices.

	31 March 2014 £'000 Profit and net assets	31 March 2013 £'000 Profit and net assets
Decrease if overall share prices fell by 20% (2013: 20%), with all other variables held constant	**(4,175)**	(11,825)
Decrease in earnings, and net asset value per ordinary share (in pence)	**(1.02)p**	(2.88)p
Increase if overall share prices rose by 20% (2013: 20%), with all other variables held constant	**4,175**	11,825
Increase in earnings, and net asset value per ordinary share (in pence)	**1.02p**	2.88p

The impact of a change of 20% (2013: 20%) has been selected as this is considered reasonable given the current level of volatility observed both on a historical basis and market expectations for future movement.

Currency risk

The Group has subsidiaries in the Mauritius and the USA as well as investments that are denominated in local currencies. Of these investments, IMI is the only material investment that might have been affected by currency risk since IMI was based in India and its value was derived in Indian Rupees and therefore subject to normal currency risk arising from movements in Indian Rupees. Following the restructuring to become a UK Group and the listing on AIM, IMI is now a sterling denominated investment. The value of the holding in IMI in sterling is as follows:

Notes to the Consolidated Financial Statements (continued)

15 Financial instruments and financial risk management (continued)

Currency risk (continued)

	31 March 2014 £'000	31 March 2013 £'000
IMImobile	**16,200**	16,200

Currency risk sensitivity

A sensitivity analysis on movements in the exchange rate has been conducted, showing the effect in value of investments denominated in foreign currency and the change in earnings per ordinary share. A change of 15% (2013: 15%) has been selected as this is considered reasonable based on last year's movement in Indian Rupees to Sterling.

	31 March 2014 £'000	31 March 2013 £'000
If the Sterling exchange rate fell by 15% against Rupee:	**(2,430)**	(2,430)
Decrease in earnings	**(0.59)p**	(0.59)p
If the Sterling exchange rate increased by 15% against Rupee:	**2,430**	2,430
Increase in earnings	**0.59p**	0.59p

Cash flow interest rate risk

As the Group has no borrowings it only has limited interest rate risk. The impact is on income and operating cash flow and arises from changes in market interest rates. Certain of the Group's cash resources are placed on short term fixed deposits (one month to six months) to take advantage of preferential rates and are subject to interest rate risk to that extent. Otherwise, cash resources are held in current, floating rate accounts.

Credit risk

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

The Group's maximum exposure to credit risk is:

	31 March 2014 £'000	31 March 2013 £'000
Loan stock investments	**100**	100
Cash at bank	**25,663**	1,900
Restricted cash balances	**–**	1,581
Trade and other debtors	**554**	256
	26,317	3,837

Credit risk relating to loan stock investments in unquoted companies is considered to be part of market risk.

The Group's cash balances are maintained by major UK clearing banks. The balance at 31 March 2014 was unusually high following receipt of cash from investment disposals in March 2014, prior to returning over 70% of the Group's cash balances to shareholders in April 2014 after the General Meeting to approve the shareholder return.

Liquidity risk

The directors consider that there is no significant liquidity risk faced by the Group. The Group maintains sufficient investments in cash to pay accounts payable and accrued expenses.

Fair values of financial assets and financial liabilities

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

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

All investments fall into the category 'Level 3' under the IRFS 13 fair value hierarchy. A reconciliation of fair value measurements in Level 3 is set out in Note 9 to the accounts.

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

	31 March 2014 Material investments included	**31 March 2014 £'000**	31 March 2013 £'000
Cost (reviewed for impairment)	DEM	**1,487**	2,678
Recent investment price		**100**	6,023
Directors estimates	Gambling Compliance, Mind Candy	**2,245**	–
Industry valuation benchmark (earnings or sales multiples)		**–**	17,845
Actual sales proceeds (applied to entire stake)	IMImobile, Academia	**17,044**	32,577
		20,876	59,123

The unquoted equity and loan stock investments had the following movements between valuation methodologies between 31 March 2013 and 31 March 2014:

Change in investment methodology	Carrying value as at 31 March 2014 £'000	Explanatory note
Industry valuation benchmark to actual sales proceeds	16,200	IMI mobile was previously valued on a EBITDA multiple. With the sale of approximately 22% of SPARK's stake in the IPO of IMI which completed in June 2014, this new valuation (£1.20 per share) was considered to be a better guide to the March 2014 valuation.
Industry valuation benchmark to directors estimate	1,457	Gambling Compliance was previously valued according to Spark's share of the enterprise value, which was determined from a sales multiple. Following a small funding round contributed to by all the major shareholders, SPARK re-assessed their view of the fair value of the shares.
Actual sales proceeds to directors estimate	788	Mind Candy was previously valued at the price that SPARK sold shares at in June 2011. Since this point the business had a hugely successful and profitable 2012 but performance since then has been weaker. SPARK has therefore re-assessed the fair value of the shares.

Valuation policy: Every six months, the investment manager within SVML is asked to revalue the investments that he looks after and submit his valuation recommendation to the Investment Committee and the Finance Team. The Investment Committee considers the recommendation made, and assuming the finance team confirm that the investment valuation calculations are correct, submits its valuation recommendations to the Board of SPARK to consider. The final valuation decision taken by the Board is made after taking into account the recommendation of the Manager and after taking account of the views of the Company's auditors.

The following table sets out the valuation techniques used in the determination of fair values so far as the material investments are concerned including the key unobservable inputs and the relationship between unobservable inputs to fair value ('FV'):

Investment and valuation applied	Key unobservable inputs	Relationship of unobserved inputs to valuation
IMI: Price of actual transaction in June 2014	Market price of IMI shares: £1.20 per share	If the future market price of IMI shares held at the current price (28.8.14) of £1.33 then the FV would increase to £18.0m. (In the event of the price falling below £1.20, say to £1.10 the FV would decrease to £14.9m).
DEM: Cost less provision for impairment	Market discount required on cost – 25%	If the discount required was only 20% then the FV would increase to £1.4m (or if the discount increased to 30% the FV would reduce to £1.2m).
Gambling Compliance: Third party funding price less discount for directors best estimate	Discount required compared to prior third party funding price: 15%	If the discount required were only 10% then the FV would increase to £1.5m (or if the discount increased to 20% the FV would reduce to £1.4m).

IFRS 13 requires disclosure if the effect of changing one or more inputs to reasonably possible alternative assumptions would result in a significant change to fair value measurement. The portfolio has been reviewed and both downside and upside reasonable possible alternative assumptions have been identified and applied to the valuation of each of the unquoted investments.

Notes to the Consolidated Financial Statements (continued)

15 Financial instruments and financial risk management (continued)

Capital disclosures

The Group's objective is to realise its portfolio over the next year and return the proceeds to shareholders.

The capital subscribed to the Group has been managed in accordance with the Group's objectives. The available capital at 31 March 2014 is £43.7m (31 March 2013: £61.8m) as shown in the statement of financial position, which includes the Group's share capital and reserves.

The Company has no borrowings and there are no externally imposed capital requirements other than the minimum statutory share capital requirements for public limited companies.

16 Called up share capital

	Group 31 March 2014 £'000	Group 31 March 2013 £'000	**Company 31 March 2014 £'000**	Company 31 March 2013 £'000
Called up, allotted and fully paid:				
450,000,000 (2013: 450,000,000) ordinary shares of 0.30p (2013: 0.35p)	**1,350**	1,575	**1,350**	1,575
2,000,000 D shares of 0.5p	**10**	10	**10**	10
	1,360	1,585	**1,360**	1,585

During the year the ordinary shares of 0.35p per share were re-classified as ordinary shares of 0.30p per share. At the same time the shareholders were issued with either 1 B share or 1 C share depending on the shareholder preference in an election. If a shareholder did not make an election, they received C shares by default. Each B share was re-purchased by the Company at 2p per share and then sold on to the Company and cancelled on 10 October 2013. Each C share received a dividend of 2p per share on 10 October 2013, after which the shares were deferred and subsequently bought back for 1.0p for the whole class and cancelled on 10 October 2013. The total amount returned to shareholders holding B or C shares amounted to £8.3m.

After the balance sheet date, following approval at a general meeting held on 25 April 2014, the same process as detailed above was followed but in this case 4.5p per share was returned to shareholders.

The deferred shares of 0.3p each carried no rights to dividends, had no rights to a return of capital on a winding up and had no rights to attend, speak at or vote at a General Meeting of the Company.

During the year there were no purchases or cancellations of Treasury shares. However in April 2014, 8,090,909 shares that were formerly held in Treasury were issued to the persons exercising share options under the 2005 Executive Share Option Scheme.

Under the Group's 2005 Executive Share Option Scheme, 20,227,273 options had been granted to employees, with an exercise price of 11.0 pence, to be exercised in accordance with the Share Option Scheme rules before 30 September 2015. The options vest over five years subject to achieving growth in net assets per share in excess of required targets. None of these options had been exercised by 31 March 2012. As at 31 March 2014 (and 31 March 2013), 40% of these options had vested with the remainder cancelled following the completion of the management buy-out on 9 October 2009. The repayment to shareholders of 2p per share in August 2009, 1p per share in October 2010 and October 2011, 2.5p per share in January 2013 and 2p per share in September 2013 reduced the exercise price of these options to 2.5 pence per share. All of these options were exercised in April 2014.

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

The average share price of SPARK Ventures plc quoted ordinary shares in the year ended 31 March 2014 was 10.4 pence. In the year the share price reached a maximum of 13 pence and a minimum of 8 pence. The closing share price on 31 March 2014 was 9 pence.

Following the passing of a special resolution at the General Meeting of the Company on 2 October 2009, a new class of shares were created, being D shares. The Company's D shares were created to incentivise the manager to maximise the value of the portfolio in cash and make this cash available to shareholders. D shares are entitled to receive the D share distribution, which is triggered once payments to ordinary shareholders from 7 August 2009 have exceeded £49.3m. This hurdle could also be reduced by £820k for each £4.1m returned to shareholders before 31 March 2012. We have calculated that this lower hurdle is £45.1m. Above this revised hurdle, D share holders receive 15% of distributions to shareholders above £45.1m up to £57.5m and 20% above £57.5m. In accordance with the terms of the Management Buy Out, 200,000 D shares were issued at a price of 5p per share on 2 December 2009 and 1,800,000 D shares were issued on 26 March 2010 at par. The par value of each D share is 0.5p.

The holders of D shares are not entitled in their capacity as holders of such shares to attend, speak at or vote at a General Meeting of the Company. The D shares have no conversion rights into other classes of share. The D share holders have no rights to distributions other than D share distributions and only have rights to D share distributions once the initial target has been reached. The D shareholders only accrue value up to and including the year ending 31 March 2014 after which they accrue no further value.

In accordance with the articles of association and the management agreement we have calculated that the amount due to the D shareholders is £2.2m. Payment will be made once the annual report has been finalised. The amount due has been deducted from the net assets at 31 March 2014 to arrive at net assets attributable to the ordinary shareholders.

As payments to D shareholders were conditional upon returns to ordinary shareholders they are accounted for as equity and were previously not accrued for on the balance sheet as a liability as the conditions for there to be a payment had not been met. Now that the payment to D shareholders is not conditional, the amount due has been deducted from ordinary shareholders equity and included within creditors.

As at 30 June 2014, the major shareholders of the Group are as follows:

	Number of shares held	% of Issued shares
M&G Investment Management	86,257,053	20.59%
Majedie Asset Management	39,966,724	9.54%
River & Mercantile Asset Management	27,105,391	6.47%
Ennismore Fund Management	23,275,270	5.56%
Michael Whitaker	22,832,153	5.45%
Thomas Teichman	16,434,138	3.92%
Peter Lobbenberg	16,350,000	3.90%
Henderson Global Investors	16,312,500	3.89%

The percentage holdings shown above are based on the total number of issued shares, less those shares held in Treasury at 30 June 2014 (31,154,311). The number of shares held in Treasury at 31 March 2014 and 31 March 2013 was 39,245,220 – the reduction arose from the exercise of share options.

17 Related party transactions

Related party note

Transactions and balances between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation. The details of salary related transactions between the Group and its directors are given in Note 3.

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

	2014 £'000	2013 £'000
The balances owed by subsidiary undertakings to the Company are as follows:		
Spark India	**2,527**	2,527
Spark Services Ltd	**299**	449
Aspex Semiconductor Holdings Ltd	**–**	628
	2,826	3,604
The balances owed to subsidiary undertakings by the Company are as follows:		
Internet Indirect Ltd	**79,315**	79,315
NewMedia Spark Ltd (formerly Softtechnet.com Ltd)	**26,608**	26,608
Globalnet Financial.com Inc	**3,034**	3,034
NewMedia Spark Holdings Gmbh	**722**	772
Quester Venture GP Ltd	**1,731**	1,663
Newmedia Spark BV	**4,248**	4,227
	115,658	115,619

During the year the Company provided Spark Services with funds of £995k (2013: £485k) to enable the company to meet its debts as they fell due.

Notes to the Consolidated Financial Statements (continued)

17 Related party transactions (continued)

Related party note (continued)

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

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

In the year ended 31 March 2014, SPARK Ventures plc paid management fees of £797k (2013: £989k) and secretarial fees of £100k (2013: £100k) to SPARK Venture Management Ltd (SVML) for the management of its portfolio and paid £338k (2013: £538k) for the management of Quester Venture Partnership. Quester Venture GP Ltd is the general partner of Quester Venture GP Partnership which is the General Partner of Quester Venture Partnership. SVML is wholly owned by Querist Limited which in turn is wholly owned by SPARK Venture Management Holdings Limited (SVMH) – a company owned and controlled by Andrew Carruthers (33.33%), Jay Patel (33.33%), Thomas Teichman (22.22%) and Andrew Betton (11.12%). All these transactions were negotiated at arms length. At 31 March 2014, Spark Ventures plc had a balance of £30k owing to SPARK Venture Management Limited for secretarial fees.

Jay Patel, an owner of 33.3% of SVMH, is now the CEO of IMImobile – SPARK's largest investment. During the year to 31 March 2014 IMImobile leased an office in 33 Glasshouse Street from SPARK Services Ltd at a rate of £210k per annum, and which was terminated on 31 January 2014. The rental negotiation with Spark Services Ltd was negotiated at arms length. There are no amounts owing under this agreement at 31 March 2014.

Thomas Teichman, the Chairman of SVMH, represented Spark Ventures plc on the Board of Kobalt Music and was the chairman of that company. As an alternative to cash directors' fees, Kobalt Music Group Ltd has previously granted Thomas Teichman 6,666 options @ £2.30 per Kobalt share, 5,000 options @ £3.00 per Kobalt share and 5,000 options @ £3.25 per Kobalt share. In total these options amount to 0.34% of the issued share capital of Kobalt. These options are limited to a maximum value of £6 per share. Additionally, Thomas bought 21,666 BA ordinary shares in Kobalt in the prior year for a total consideration of £108. These BA ordinary shares only have value at share prices in excess of £6. In the year to 31 March 2014, Kobalt paid cash directors fees of £10k (2013:£10k) to Thomas.

Thomas Teichman also represents SPARK on the Board of Mind Candy and is a shareholder holding approximately 1% of the ordinary share capital.

There are no other related party transactions of which we are aware in the year ended 31 March 2014.

18 Subsequent events note

At the General meeting held on 25 April 2014 the return of 4.5p per ordinary share (£18.9m in total) was approved together with an extension of the Group's managed realisation period to 31 March 2015.

On 31 March 2014 the previous management agreement ended. A new 12 month management agreement with the same manager was entered into in April 2014 for a fixed fee of £400k together with some new incentives for achieving exits from the remaining portfolio.

On 27 June 2014, IMImobile was listed on the AIM market of the London Stock Exchange. SPARK sold 21.5% of its shares in the former Indian holding company, receiving net cash proceeds of £3.3m and shares in the newly listed company valued at £12.9m at the IPO listing price.

Officers and Professional Advisers

Directors
C.R. Berry
A.D.N. Betton
A.B. Carruthers (resigned 18 July 2014)
D.R.W. Potter
H.R. Sinclair
T.A. Teichman (appointed 18 July 2014)
M.K. Whitaker (resigned 12 December 2013)

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