SPARK Ventures plc

Preliminary Announcement of Unaudited Annual Results for the year ended 31 March 2010

SPARK Ventures plc ('SPARK'), the investor in early stage digital information and technology companies, is pleased to announce its preliminary results for the year ended 31 March 2010.

Highlights

- Net asset value per share increased by 10.3% to 12.8p at 31 March 2010 compared with 11.6p at 30 September 2009.
- £8.2m (2p per share) returned to shareholders in the year and intention to distribute a further £4.1m (1p per share) after the AGM.
- £3.2m received after the balance sheet date from selling Complinet – generating an IRR of 33%.
- £2.3m profit for the year (2009: loss of £3.9m), principally due to unrealised investment revaluations.
- SPARK's stake in Notonthehighstreet.com increases in value by £4.0m from £1.6m to £5.6m on the basis of a third party funding event.
- Majority of key investments are cash flow positive, and have had positive valuation changes during the year.
- Strong revenue performance from the two largest portfolio companies – IMImobile (28% ahead over prior year in year to March 2010) and Kobalt (28% ahead over prior year in ten months to 30 April 2010).
- Change in strategy and Management Buy Out implemented which led to one off professional fees of £0.5m and losses on disposal of fund management contracts of £0.8m. SPARK no longer has any full-time employees, and has retained the skills of the Investment Managers actively working to realise the portfolio.

For further information, please contact:

Andrew Betton / David Potter
SPARK Ventures plc
Tel: +44 (0)20 7851 7777

Stewart Wallace
Collins Stewart
Tel: +44 (0)20 7523 8350

Chairman's statement

Dear Shareholder,

The last year was one of major transformation for SPARK. Following extended discussions with stakeholders we decided that the portfolio of 19 investments at a book value of £37.3 million should be realised in an orderly manner over the coming five years, and that as these disposals were made the proceeds would be distributed to shareholders in the most tax advantageous fashion.

In order to ensure that there was close management attention to a dwindling portfolio the Board invited a number of firms to indicate their interest in managing the investments, this included the existing management team (who at that time were employees of SPARK Ventures PLC). Pursuant to these discussions the existing management made a successful bid to buy out the management contract for the SPARK Ventures portfolio (and for some other third party funds and VCTs). This transaction was approved by the shareholders on 2 October 2009.

We started the realisation process and during the year SPARK sold its investment in Unanimis and after the year end sold its investment in Complinet, bringing in cash proceeds of £5 million, with further amounts expected from Unanimis. Additionally, in July 2010, third party funding from major institutional investors has been obtained by notonthehighstreet.com that has led to SPARK revaluing upwards its stake held at 31 March 2010 by £4.0m and realising a partial disposal of £1m.

A distribution of £8.2 million (2p per share) was made to the shareholders on 24th August 2009 (which preceded the above mentioned sales) and it is the Board's intention to make a further distribution of 1p per share, at a cost of about £4.1 million, once shareholder approval has been obtained. We retained £6 million for follow on investment and at the balance sheet date have utilised £0.9 million. Subsequent to the year end, and subject to IMI's bid for WIN plc being successful , we have agreed to lend £2.5m to IMImobile to facilitate this acquisition. The loan will be repayable over eighteen months.

As part of the reorganisation and redirection of your company we retained a 30% stake in Spark Venture Management Holdings Ltd (SVMH) - the MBO vehicle used by the managers. I am glad to report that these new arrangements have settled down well and that since the end of our financial year a subsidiary of SVMH has acquired £25 Million of new funds from official sources (including the EU) for investment in Biotechnology in the North West of England.

On the completion of the MBO by SVMH, Tom Teichman stepped down as Chairman of SPARK Ventures PLC which he had guided and directed for over a decade. As his successor I would like to pay tribute to his enormous contribution to SPARK Ventures in particular, but also to Venture Capital investment in general. Tom remains intimately involved in some of our most important investments and chairs SVMH.

As part of our ongoing efforts to improve corporate governance we were delighted to welcome a new independent non-executive director, Helen Sinclair, a seasoned professional in the early stage investment space and who has considerable Board experience in this arena.

At 31st March 2010 the net asset value of the Company was 12.8p per share and the share price was 5.9p. I am pleased to report that the Company has reported a profit of £2.3m in the year to March 2010, (compared with a loss of £3.9m in the previous year) due to strong performance from the investment portfolio. The Board considers the prospects of receiving further significant proceeds from the portfolio to be good.

You will see below the manager's comments on the investment portfolio and the Board is confident that the arrangements put in place last year will maximise the potential returns to shareholders over the next four years and that we have sufficient resources to make top up investments, where appropriate, to protect or enhance existing investments.

Yours faithfully

David Potter, Chairman
29 July 2010

Investment Manager's Report

Overview

This is the first Investment Manager's Report on the annual results of SPARK and the first that reports on a six month period in which Spark Venture Management Limited (SVML) has been in place as the Investment Manager following the Management Buy Out (MBO).

It is therefore pleasing that we are able to report a 10.3% increase in Net Asset Value (NAV) per share in the period from 11.6 pence at 30 September 2009 to 12.8 pence at 31 March 2010. Taking the year as a whole, and adjusting last year's NAV for the 2 pence per share shareholder return in August 2009, NAV has increased from 12.6p at 31 March 2009 to 12.8p at 31 March 2010. This is against a backdrop of a deep recession and an unprecedented financial sector crisis and demonstrates the underlying quality of the SPARK portfolio.

The portfolio investment performance has been strong over the year, contributing £5.5m of profits towards the results compared with a £3.0m loss in the previous year. This consists of a loss from investing activities of £0.9m in the first half followed by profits of £6.4m in the second half.

Against these £5.5m gains from investments, the overall result for the year has been a profit of £2.3m (2009, loss of £3.9m) due to a disappointing performance from the serviced office (£0.6m loss) and heavy amortisation charges on intangible assets (including £0.8m loss on disposal) and high professional fees (including substantial one-off costs arising from the return of capital, MBO, defence of potential take-overs, and the capital reconstruction).

Investment performance

Of the nineteen companies in the portfolio at the start of the financial year, eight have been revalued upwards, four have been revalued downwards, one was sold (for a loss of £0.9m compared with book value) and six did not have any valuation adjustments. Additionally, one was sold after the year end. We used the sale proceeds for this investment as the year end valuation – representing a considerable profit over the prior year book value and over cost.

Particularly encouraging performance has been achieved by IMImobile, Complinet, Notonthehighstreet.com and Firebox whereas only two significant investments have performed below expectations – being Skinkers and Mydeco.

Cash of £1.1m has been invested in the portfolio in the year, with £0.7m of this being expansion finance for Kobalt. This demonstrates that the portfolio as a whole is developing in maturity and that generally the companies need limited further financing to get to break-even. Overall we believe the portfolio is on the upward trajectory of the "J –curve" common in the venture capital investment cycle.

As at 31 March 2010, SPARK has eleven portfolio companies with values of £0.5m or greater. These represent a total value of £39.8m – and account for 95% of the portfolio. Seven of these eleven portfolio companies are now cash-flow positive and another (Aspex) runs at breakeven.

IMImobile

IMImobile (‘IMI’) is a global end to end provider of value added services to mobile operators, media companies and enterprises. IMI’s DaVinci Platform™ powers a wide range of services created, delivered and managed by the group including: social aggregation, contact management, mobile advertising, mobile marketing, messaging, storefronts, ring back tones and digital music services.

With over 500 employees and headquartered in Hyderabad, India, IMI has a global presence across Asia, Europe, Latin America, Middle East and Africa. IMI hosts its technology platforms and services in data centers worldwide and currently serves over 70 mobile operators in over 60 countries.

IMI has been valued upwards in the year from £13.0m to £15.1m. With IMI now being a fairly mature business, we have changed the valuation basis to be on an earnings multiple based method. Sales have grown by 28% to $26m in the year to March 2010 and group EBITDA was $6m, and would have been significantly higher but for the start up losses made in its European expansion. Growth is expected to continue as some of the contract wins in earlier periods come through to operational deployment.

It has been one of IMI’s strategic objectives to expand its geographical reach into Europe and in November 2009, IMI raised US$13m from Sequoia and FirstMark Capital to provide the company with finance to make a European acquisition. As a result, SPARK’s share of the equity in the business reduced from approximately 38% to approximately 27% on a fully diluted basis.

At the time of writing, IMI has made an offer to the shareholders of WIN plc (an AIM listed, UK Mobile Telecoms Service Provider) and this offer has been recommended by WIN’s Board. If the offer is successful, SPARK will provide secured loan finance of £2.5m to IMI Europe (the UK acquisition company) which is expected to be repaid within an 18 month period. The company believes that the strategic rationale behind the acquisition of WIN is compelling. The acquisition would be highly complementary to IMI’s core strengths in technology development and its platforms and resources should allow WIN to significantly strengthen the service offering to it’s existing clients and improve profitability by using IMI’s Hyderabad based Network Operations Centre. IMI also believes that there are potential synergies to be gained through cross selling between the businesses to generate additional revenues and IMI will also further benefit from the WIN management team’s telecom and international business experience.

Kobalt Music

Kobalt is the world’s leading independent music publisher offering global copyright administration to music writers, publishers and other rights holders. It is headquartered in London but now has a substantial US presence and employs around 80 people worldwide. It was backed as a start up by us.

The Kobalt valuation has increased in the year equal to the additional amount invested by SPARK as debt finance alongside existing shareholders in December 2009. The share valuation was unchanged. SPARK’s stake is now valued at £7.3m. Topline revenues in the 10 months to April 2010 were £37.2m, 28% ahead of revenues in the same period last year and Net Publisher Share is 36% ahead of that reported in the previous year. Renewal rates remain very high (98%) demonstrating the very high levels of satisfaction being experienced by its clients.

Artists signed up in the year include Rufus Wainwright, DJ Tiesto and Justin Hawkins. Kobalt was recently featured in the Top 100 Red Herring Europe growing business awards, and Kobalt artists US radio share in the quarter to December 2009 was 8.3%.

Notonthehighstreet.com

Notonthehighstreet.com is an internet marketplace for over 1200 smaller specialised UK based businesses creating unique products. Unlike most online retailers, Notonthehighstreet.com holds no stock. Notonthehighstreet.com is based in London and employs 40 people. It was backed as a virtual start up by us.

We have increased the valuation of SPARK's stake in Notonthehighstreet.com from £1.6m to £5.6m on the basis of a recently closed funding round after the balance sheet date with major institutional investors. As part of this round, SPARK has sold some of its stake to the new investors for which proceeds of £1m will be received. Notonthehighstreet.com has had a very successful year increasing its revenues for the year to December 2009 to £6.4m, compared with £2.3m in the previous year. In 2010, revenue growth has continued and is broadly tracking budget.

Firebox

Firebox is a retail website selling the latest gadgets, toys and games. Firebox is based in London and employs 58 staff. It was backed as a start up by us.

We have increased the value of our stake in Firebox from £0.7m to £1.85m on the basis of improved financial performance. In contrast to 2008, Firebox has reported its best ever results in 2009 growing revenues by 11% to £12.7m and, more importantly, making EBITDA of £1.1m compared with a small loss in the previous year. As this business is valued on an earnings multiple basis, this has resulted in the valuation increase reported.

DEM Solutions

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

The valuation of DEM has been increased in the year by the amount of loan finance that SPARK provided in May 2009 (£150k). We have been pleased with the business' solid performance in the year. It is on budget, and the business has managed to break even in a very difficult economic climate. DEM is now cash flow breakeven and has started repaying the loan provided in the year.

OpenX

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

The valuation of OpenX has been increased in the year from £1m to £1.3m as a result of providing £0.2m of funding alongside leading Silicon Valley venture capital firms and using the price of the funding round in May 2009 to revalue previously held shares (£0.1m).

During the year the business has performed strongly, it has raised substantial funding (US$10m) from major institutional investors and has grown substantially, meeting the aggressive financial targets set in May 2009. The company is not yet profitable but has greatly reduced its loss in the current year.

Gambling Compliance

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

The valuation of Gambling Compliance has been increased in the year by £0.3m to £1.25m. Additionally the valuation method has changed from being based on a funding round to now being based on industry metrics (revenue multiple) for online subscription businesses.

Gambling Compliance was backed as a start-up by SPARK in December 2006 and has made very good progress in the year to March 2010. The business is now cashflow breakeven, revenues have grown by 40% to nearly £1.5m, it has over 200 clients, achieves renewal rates with upsell in excess of 100% and has grown average revenue per user by over 25% over the previous year.

Aspex

Aspex is a UK based (High Wycombe) fabless semiconductor chip company and employs 18 staff.

Aspex has been under contract with a major global systems company since February 2009 and has all its operating costs covered under this contract for as long as stage targets towards the successful delivery of the custom chip being produced are met. So far all targets have been hit. If this contract is successful, it is likely that the customer will exercise its option to buy the business. SPARK's valuation of £1m is at impaired cost and represents the estimated recoverable amount now based on uncertainty on the outcome of the chip being built under contract.

Mindcandy

Mindcandy has become one of the world's leading developers of social multi-player children's games, helping children around the world to play skill enhancing games and connect with each other safely. Mindcandy is headquartered in London and has over 30 staff. It was backed as a start up by us.

The valuation has been increased in the year from £0.6m to £0.72m as a result of providing £50k of loan finance alongside other shareholders and as a result of increasing our view of the business valuation (£70k). Additionally the valuation method has changed from the previous third party funding round in 2008 to one based on industry comparables (revenue multiple) for high growth consumer internet businesses.

Mindcandy has had an exceptionally strong year. The company was founded by Michael Smith (the founder of Firebox) and launched Moshimonsters in 2008, In the last year Moshimonsters has become very popular and revenues have grown tenfold from £70k a month in March 2009 to £700k in March 2010. Moshimonsters has over 20m registered users, is cash-flow positive and has a well spread international customer base.

Other investments

As stated earlier, only 2 significant investments (with a value in excess of £500k at the start of the year) have performed below expectations.

We have reduced our valuation of Skinkers from £2m to £0.2m as a result of poor financial performance that resulted in the need to restructure the business in April 2010. Unfortunately Skinkers invested significant resources into creating a substantial sales pipeline and proof of concepts for clients in the financial services sector clients just before the financial sector crisis. Some success was achieved with industry recognition and a few blue chip multinational clients however the company has needed to be restructured to reflect the lower sales expectations. The company spun off LiveStation, its live online television streaming platform and this is now funded separately with Skinkers retaining a 25% stake.

We have reduced our valuation of mydeco.com to reflect the fact that the company has performed below budget. The business continues to grow revenues and has substantially reduced its cash burn but continues to make losses. In the period the senior management team was strengthened with the introduction of a new Chief Executive. The company is now looking to raise further finance for expansion into the USA and to refine and launch new products, but it is not yet clear on what terms this will be raised therefore we have been cautious in our valuation.

Investment disposals

Following the change of strategy announced by SPARK in August 2009, we are pleased to report that we have already exited from two companies in less than ten months (one in August 2009 and one in June 2010) with expected proceeds being above cost in each case – and over twice cost in the case of Complinet. These realisations have led to the receipt of over £5m in cash and will enable the Board of SPARK to declare distributions as per the stated policy. Additionally a further £1m will be received in July 2010 following the partial sale of SPARK's stake in notonthehighstreet.com.

Unanimis

As reported in the interim statement, SPARK sold its stake in Unanimis in August 2009 to France Telecom with initial proceeds of £1.8m and expected further proceeds (at the time) of £1.3m. Since then as a result of general trading we have reduced our assessment of the further proceeds down to £0.4m and it is this £0.9m reduction that accounts for the realised loss on the income statement.

Complinet

Complinet is a leading online provider of connected risk and compliance solutions to the global financial services community. It is based in London and employs over 180 staff.

In June 2010, Thomson Reuters announced their intention to buy Complinet and SPARK received £3.17m from the completion. The sales proceeds received were recorded as the value of SPARK's stake in the business at 31 March 2010. SPARK had originally invested £1.6m into Complinet in January and June 2007, and received £0.3m from a partial sale in April 2008. The final proceeds represent a return over cost of 2.3x and an IRR of approximately 33%. The sale demonstrates that the valuation methods used typically understate values for growing businesses prior to an exit event.

Operations

MBO

The most significant operational event that occurred in the year was the completion of the Management Buy Out (MBO) on 9 October 2009. The transaction itself led to a loss on the sale of fund management contract intangible assets of £0.8m and a further impairment on the retained contracts of £0.1m. Additionally the transaction has led to the restatement of the current and prior year statements of comprehensive income to show the results of the former fund management division as discontinued activities.

The management buy-out, strategy change and shareholder cash return also led to one-off professional fees being incurred of £0.5m. An analysis of other costs is provided in note 3.

Additionally the MBO led to the transfer of all full-time employees over to the management buy-out team. Consequently the salaries shown on the face of the statement of comprehensive income represent those of the non-executive directors primarily.

Property costs at £1.8m (2009: £1.9m) are similar to those incurred in prior years however property income in the year was £1.1m compared with £1.3m in the prior year, principally due to the departure of a large tenant which has been difficult to replace.

Return of Capital

During the year the Company returned £8.2m to shareholders by way of a share split followed by a share buy-back / dividend on the resulting new shares as chosen by shareholders.

At the forthcoming Annual General Meeting in September 2010, the Company intends to propose resolutions to shareholders to authorise the return of £4.1m (1p per share). Further details on the method of the return will be provided in the notice of Annual General Meeting which is expected to be posted to shareholders towards the end of August.

Conclusion

In summary, as in the prior year, the SPARK portfolio of investments has performed well through the recession with many companies growing revenue substantially, and a number achieving profitability on a monthly basis within the past year.

The recent sale of Complinet and recent developments in IMI, Kobalt and Notonthehighstreet, illustrate that there is significant value to be achieved from holding the investments in SPARK's portfolio to maturity and the management team of Spark Venture Management Limited is confident that over the next few years, further successful exits will be achieved which will enable SPARK to successfully execute its strategy of returning cash to shareholders over a five year period.

Spark Venture Management Limited
29 July 2010

Group statement of comprehensive income

Year ended 31 March 2010

	Year ended 31 March 2010 £'000 Unaudited	Year ended 31 March 2009 £'000 Audited As restated
Continuing operations		
Gains/(losses) on investments at fair value through profit and loss		
- Realised gains and losses	(804)	452
- Unrealised gains/(losses) – note 2	6,271	(3,474)
	5,467	(3,022)
Revenue		
Bank interest receivable	144	935
Management fee income	634	69
Portfolio dividends and interest	17	151
Other income	1,103	1,448
	1,898	2,603
Administrative expenses		
Salaries and other staff costs	(301)	(236)
Depreciation of property, plant and equipment	(99)	(136)
Amortisation and impairment of other intangible assets	(485)	(455)
Other costs – note 3	(3,912)	(2,511)
Total administrative expenses	(4,797)	(3,338)
Profit / (loss) before taxation	2,568	(3,757)
Taxation	(47)	73
Profit / (loss) for the financial year from continuing operations	2,521	(3,684)
Loss for the year from discontinued operations	(178)	(239)
Profit / (loss) for the financial year	2,343	(3,923)
Attributable to:		
- Equity shareholders of the parent	2,343	(3,923)

Group statement of financial position
As at 31 March 2010

	Year ended 31 March 2010 £'000 Unaudited	Year ended 31 March 2009 £'000 Audited
Non-current assets		
Property, plant and equipment	352	482
Investments at fair value through profit and loss (note 2)	41,799	37,349
Deferred consideration	1,133	700
Intangible assets	720	3,330
Restricted cash	2,035	3,199
	46,039	45,060
Current Assets		
Trade and other receivables	959	2,060
Cash and cash equivalents	6,725	14,423
	7,684	16,483
Total assets	53,723	61,543
Current liabilities		
Trade and other payables	(1,215)	(2,112)
Deferred consideration	-	(500)
	(1,215)	(2,612)
Net current assets	6,469	13,871
Net assets	52,508	58,931
Equity		
Issued capital	6,857	11,250
Share premium	9	26,486
Revenue reserve	40,846	20,802
Capital Redemption Reserve	4,971	568
Own shares	(175)	(175)
Total equity attributable to shareholders of the parent	52,508	58,931

	Number '000	Number '000
Ordinary shares in issue	450,000	450,000
Shares held in Treasury	(39,245)	(39,245)
Shares held by Employee Benefit Trust	(918)	(6,273)
Shares in issue for net asset value per share calculation	409,837	404,482
NAV per share (p)	12.81	14.57

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 Redemption reserve £'000	Own shares £'000	Total equity £'000
Balance at 1 April 2008				11,250	39,693	11,518	568	(175)	62,854
Loss for the year						(3,923)			(3,923)
Reduction of share premium					(13,207)	13,207			-
Balance at 31 March 2009				11,250	26,486	20,802	568	(175)	58,931
Profit for the year						2,343			2,343
Share based payments						(570)			(570)
Share split into B & C shares		4,597	3,618	(9,000)			785		-
Share buy-backs			(3,618)						(3,618)
Transfer to capital redemption reserve						(3,618)	3,618		-
Dividend						(4,597)			(4,597)
Reduction of share premium					(26,486)	26,486			-
Issue of D shares	10				9				19
Balance at 31 March 2010	10	4,597	-	2,250	9	40,846	4,971	(175)	52,508

SPARK Ventures plc holds 39,245,220 shares in treasury. The cost of purchasing these shares (£5.076m) has been offset against the revenue reserve. No shares have been purchased for Treasury in either the current or prior years.

The share premium was reduced in the year by £26.486m following court approval that the capital reconstruction as presented to the Court did not harm the interests of creditors. Shareholders approved the process by which court approval was to be obtained at the Annual General Meeting in September 2009. The court approved the share premium cancellation on 31 March 2010. The resulting transfer to the revenue reserve is distributable.

Group statement of cash flows

Year ended 31 March 2010

	Year ended 31 March 2010 £'000 Unaudited	Year ended 31 March 2009 £'000 Audited
Cash flows from operating activities		
Cash flow from operations	(2,230)	(363)
Tax (paid)/received	-	(13)
Net cash outflow from operating activities	(2,230)	(376)
Cash flows from investing activities		
Purchase of property, plant and equipment	(12)	(66)
Disposal of subsidiary	800	-
Purchase of financial investments	(1,125)	(2,532)
Sale of financial investments	1,901	3,446
Release of / (increase in) restricted cash	1,164	(330)
Net cash inflow from investing activities	2,728	518
Cash flows from financing activities		
Dividend paid (C shares)	(4,597)	
Share buy-backs (B shares)	(3,618)	
Issue of D shares	19	-
Net cash outflow from financing activities	(8,196)	-
Change in cash and cash equivalents	(7,698)	142
Opening cash and cash equivalents	14,423	14,281
Closing cash and cash equivalents	6,725	14,423

Reconciliation of operating income to net cash outflow from operating activities

	Year ended 31 March 2010 £'000 Unaudited	Year ended 31 March 2009 £'000 Audited
Interest received	144	953
Dividends received	-	115
Other revenue	1,754	5,873
Total revenue	1,898	6,941
Administrative expenses	(4,797)	(7,621)
Operating loss	(2,899)	(680)
Profit / (Loss) on discontinued operations	622	(486)
	(2,277)	(1,166)
Decrease in trade and other receivables	1,152	310
Decrease in trade and other trade payables	(1,444)	(946)
Decrease in inventory	-	47
Depreciation of property, plant and equipment	99	136
Amortisation/impairment of other intangible assets	810	1,256
Share based payment	(570)	-
Net cash outflow from operations	(2,230)	(363)

The net cash flow from operations has been reclassified in the prior year to reflect the additional amounts of cash that were temporarily restricted as part of the January 2009 share premium reduction. Thus the net cashflow from operations has increased by £330k and the net cash flow from investing activities has decreased by £330k – with no overall effect on the total movement in cash.

Notes

1. Basis of preparation

SPARK Ventures plc is a company incorporated in the UK under the Companies Act 1985. The information for the year ended 31st March 2010 and 31st March 2009 does not constitute statutory accounts for the purposes of section 435 of the Companies Act 2006, but is derived from and has been prepared on the same basis as those financial statements.

Statutory accounts for the year ended 31st March 2009, which were prepared under International Financial Reporting Standards, have been delivered to the Registrar of Companies. The auditors' report on those accounts was not qualified and did not contain statements under section 498 (2) or (3) of the Companies Act 2006.

Whilst the financial information included in this unaudited preliminary announcement has been computed in accordance with IFRS, this unaudited preliminary announcement does not itself contain sufficient information to comply with IFRS. The audit of the statutory accounts for the year ended 31 March 2010 is not yet complete. These accounts will be finalised on the basis of the financial information presented by the directors in this unaudited preliminary announcement and will be delivered to the Registrar of Companies following the Company's Annual General Meeting. This unaudited preliminary announcement was approved by the Board on 28 July 2010 for release. This unaudited preliminary announcement has also been prepared in accordance with the accounting policies set out in the 2009 Annual Report and Accounts.

The group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Investment Manager’s Report. 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.

After making enquiries, the directors have a reasonable expectation that the company and group have sufficient funds to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

2. Investments at fair value through profit and loss

Portfolio company name	Value at 31/03/09 £'000	Additions £'000	Disposals £'000	Revaluations £'000	Value at 31/03/10 £'000
IMI Mobile	13,000	-		2,100	15,100
Kobalt Music	6,640	666			7,306
Notonthehighst	1,590	-		4,010	5,600
Complinet	1,520	-		1,652	3,172
DEM Solutions	1,723	150	(13)		1,860
Firebox	730	-		1,120	1,850
OpenX	1,000	200		100	1,300
Gambling Compliance	959	-		291	1,250
Aspex	1,000	-			1,000
Mindcandy	606	47		67	720
Academia	191	63		412	666
Skinkers	2,000	-		(1,785)	215
MyDeco	1,500	-		(1,250)	250
Other < £500k	1,763	214	(21)	(446)	1,510
Investments sold during the year (Unanimis)	3,127		(3,127)		
	37,349	1,340	(3,161)	6,271	41,799

3. Other expenses

	Year ended 31 March 2010 £'000 Unaudited	Year ended 31 March 2009 £'000 Unaudited
Property costs	1,772	1,864
Professional fees	436	466
Professional fees in connection with MBO, return of capital and corporate finance advice	535	-
Management fee of Quester Venture Partnership	456	-
Management and secretarial fee of SPARK Ventures plc	258	-
Release of provision no longer required	-	(225)
Other general overheads	455	406
	3,912	2,511

4. Discontinued operations

Discontinued operations in the year to 31 March 2010 represents the results of the fund management division of SPARK prior to this division being sold to SPARK's former management team in October 2009. Prior period comparatives have been restated to give effect to discontinued operations presentation.

In September 2008, Spark sold DX3 to IMI Mobile. In December 2008, the shareholding in Aspex was reconstructed, leaving Spark with less than 50% shareholding. Both have been accounted for under IFRS 5 ‘Non-current assets held for sale and discontinued operations’.

The results of the discontinued operations, which have been included in the consolidated income statement, were as follows:

	Year ended 31 March 2010 £'000 **Unaudited**	Year ended 31 March 2009 £'000 **Audited** As restated
Revenue	1,572	5,830
Expenses	(950)	(6,384)
Profit before taxation	622	(554)
Taxation	-	123
Profit for the period	622	(431)
(Loss) / gain on disposal of discontinued operation	(800)	192
Net (loss) / profit attributable to discontinued operation	(178)	(239)