SPARK Ventures

www.sparkventures.com

www.moshimonsters.com

www.notonthehighstreet.com

www.imimobile.com

www.kobaltmusic.com

www.dem-solutions.com

www.firebox.com

Annual Report and Accounts 2010

for the year ended 31 March 2010

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. In August 2009 SPARK Ventures plc decided to change its strategy and will no longer make any new investments, but will aim to realise its portfolio over the next five years and return the proceeds to shareholders.

As part of this change in policy, SPARK outsourced the management of its portfolio to a company owned by its former executive management team, Spark Venture Management Limited (SVML) in a management buy out in October 2009. As a consequence, SPARK no longer has any full-time employees but has a Board of six directors, being four independent non-executive directors and two representatives of its new manager.

The SVML team is very experienced has been investing in early-stage businesses for 12 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), in which SPARK retains a 30% stake.

Operational 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.

£8.2 million (2p per share) returned to shareholders in the year and intention to distribute a further £4.1 million (1p per share) after the AGM.

£3.2 million received after the balance sheet date from selling Complinet – generating an IRR of 33%.

£2.3 million profit for the year (2009: loss of £3.9 million), principally due to unrealised investment revaluations.

SPARK's stake in Notonthehighstreet.com increases in value by £4.0 million from £1.6 million to £5.6 million 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 £0.5 million and losses on disposal of fund management contracts of £0.8 million. SPARK no longer has any full-time employees, and has retained the skills of the Investment Managers actively working to realise the portfolio.

Business Review

Accounts

Chairman's Report

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.

The Board is confident that the arrangements put in place last year will maximise the potential returns to shareholders

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 £4.0 million and realising a partial disposal of £1 million.

A distribution of £8.2 million (2p per share) was made to the shareholders on 24 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 £2.5 million 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 31 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 £2.3 million in the year to March 2010, (compared with a loss of £3.9 million 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.

David Potter
Chairman
19 August 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 £5.5 million of profits towards the results compared with a £3.0 million loss in the previous year. This consists of a loss from investing activities of £0.9 million in the first half followed by profits of £6.4 million in the second half.

Against these £5.5 million gains from investments, the overall result for the year has been a profit of £2.3 million (2009, loss of £3.9 million) due to a disappointing performance from the serviced office (£0.6 million loss) and heavy amortisation charges on intangible assets (including £0.8 million 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 £0.9 million 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 £1.1 million has been invested in the portfolio in the year, with £0.7 million 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 £0.5 million or greater. These represent a total value of £39.8 million – 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 £13.0 million to £15.1 million. 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 $26 million in the year to March 2010 and group EBITDA was $6 million, and would have been 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$13 million 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 £2.5 million 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.

IMImobile

Investment Manager's Report

(continued)

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 £7.3 million. Topline revenues in the 10 months to April 2010 were £37.2 million, 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%.

Kid Cudi – Kobalt Music

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 £1.6 million to £5.6 million 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 £1 million were received. Notonthehighstreet.com has had a very successful year increasing its revenues for the year to December 2009 to £6.4 million, compared with £2.3 million 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 £0.7 million to £1.85 million 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 £12.7 million and, more importantly, making EBITDA of £1.1 million 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 modelling) 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 £1 million to £1.3 million as a result of providing £0.2 million 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 (£0.1 million).

During the year the business has performed strongly, it has raised substantial funding (US$10 million) 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.

Notonthehighstreet.com

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 £0.3 million to £1.25 million. 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 £1.5 million, 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 £1 million 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 £0.6 million to £0.72 million 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 20 million registered users, is cash-flow positive and has a well spread international customer base.

Firebox

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 £2 million to £0.2 million 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 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 £5 million in cash and will enable the Board of SPARK to declare distributions as per the stated policy.

Additionally a further £1 million was received in July 2010 following the partial sale of SPARK's stake in notonthehighstreet.com.

Investment Manager's Report

(continued)

Big Bad Bill, a MoshiMonsters character

Unanimis

As reported in the interim statement, SPARK sold its stake in Unanimis in August 2009 to France Telecom with initial proceeds of £1.8 million and expected further proceeds (at the time) of £1.3 million. Since then as a result of general trading we have reduced our assessment of the further proceeds down to £0.4 million and it is this £0.9 million 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 £3.17 million 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 £1.6 million into Complinet in January and June 2007, and received £0.3 million 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 £0.8 million and a further impairment on the retained contracts of £0.1 million. 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 £0.5 million. An analysis of other costs is provided in Note 4.

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 £1.8 million (2009: £1.9 million) are similar to those incurred in prior years however property income in the year was £1.1 million compared with £1.3 million 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 £8.2 million 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 £4.1 million (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
19 August 2010

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, David was a Managing Director of Samuel Montagu, Midland Montagu and Midland Global Corporate Banking (now HSBC). David was also a Managing Director of CSFB and its predecessor companies (1969-1981). David is currently non-executive Chairman of Quercus Publishing and a non-executive director of Execution Noble Group, and Ortis VCT plc. He is a Council member of The Centre for the study of Financial Innovation, Chairman of the National Film and TV Foundation and a trustee of the Nelson Mandela Children's Fund UK and Worldwide Volunteering for Young People. Appointed to the Board on 21 March 2002.

Michael Whitaker
Non-Executive Director
Michael was formerly co-founder and CEO of Collins Stewart, the investment bank. He has been instrumental in advising and funding a substantial number of high technology companies, both private and quoted and has extensive corporate finance and stockbroking experience. Prior to Collins Stewart, Michael was a leading technology analyst with the stockbroking firm Simon & Coates. Michael was the CEO of SPARK from its founding in September 1999 until he stepped down to become a non-executive director on 16 September 2004. Appointed to the Board on 27 September 1999.

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). Charles was until recently Director of Telecoms & Media at Virgin Management Limited working on Virgin's mobile phone and related ventures around the globe. His previous experience includes Gameplay.com, the online games retailer, the investment bank SG Hambros and in strategy consulting with The COBA Group. He was sponsored through his first degree, a MEng at Oxford University, by the Ministry of Defence and also holds a MSc in Finance from London Business School. Appointed to the Board on 16 September 2004.

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 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 and Matrix 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.

Andrew Carruthers
Manager Representative
Prior to the management buy-out, Andrew was the Chief Executive Officer of SPARK from September 2004 until October 2009. He sits on the Board of DEM and Aspex and has led SPARK's active participation in the development of these companies. Over recent years he led the acquisition of the Quester fund management business, the sale of Footfall to Experian for £36 million and the sale of Pricerunner to Valueclick for $36 million. He was previously a Director of NewMedia Investors and prior to that involved in a number of online information, TV and digital distribution companies in the US and UK. He qualified as a chartered accountant with KPMG and holds a degree from the London School of Economics. Appointed to the Board on 27 September 1999.

Jayesh Patel
Manager Representative
Jay was part of the founding team at SPARK and was an executive director from February 2005 until the completion of the MBO. He is currently responsible for the investments in IMImobile, Skinkers, Market Clusters, OpenX and Gambling Compliance. He was previously involved in Kobalt, Firebox, elata and mblox and has led a number of past exits including the exits from Unanimis and Complinet within the last year. He was previously a Director of NewMedia Investors and held executive positions at UBS Warburg and BSkyB. He qualified as a Chartered Accountant with KPMG and holds degrees from INSEAD and the London School of Economics. Appointed to the Board on 30 January 2004.

Directors' Report

The Directors present their annual report and the audited financial statements for the year ended 31 March 2010.

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. As a consequence of this policy, the fund management arm and all full-time employees were spun out to a group controlled by SPARK's former executive directors. SPARK retains a 30% stake in this new group.

The principal activities of the subsidiaries of SPARK Ventures plc are as follows:

SPARK Services Ltd – the principal activity is that of a managed service office provider, letting out the office space at 33 Glasshouse Street.

Quester Venture GP Ltd – the principal activity is that of being the general partner to Quester Venture GP partnership which in turn is the general partner of Quester Venture Partnership – an investment fund that originally raised £69 million.

Business Review
Net asset value per share fell in the year to March 2010 from 14.6p to 12.8p. However when the capital return/dividend to shareholders is adjusted for, net assets increased over the year from 12.6p to 12.8p. Overall net investment gains at £5.5 million were sufficiently high to lead to a profit for the year of £2.3 million and were more than sufficient to offset heavy amortisation charges, high one-off professional fees and a poorer performance from the serviced office business than in previous years.

The Group closed the year with cash balances of £8.8 million (2009, £17.6 million), £6.7 million of which is unrestricted, an investment portfolio valued at £41.8 million (2009, £37.3 million), and equity shareholders' funds of £52.5 million (2009, £58.9 million). The profit after tax amounted to £2.3 million (2009, £3.9 million loss). This profit includes gains from investments of £5.5 million, a loss on the serviced office operations of £0.7 million, a profit from the investment management operations prior to disposal of £0.9 million, non-cash amortisation and depreciation charges and impairments of £0.9 million, a loss on the disposal of fund management contracts of £0.8 million, non-recurring professional fees arising from the MBO and return of capital (£0.5 million), ongoing staff costs (£0.3 million), ongoing professional, general overheads and investment management fees (£1.6 million) offset by other income (fund management income retained and interest received (£0.8 million)).

SPARK's serviced office arrangement with the Executive Offices Group did not perform as well as the previous year. Whilst the office was full in the first half, a couple of large tenants left in the second half and were not replaced. We are working closely with our agents to rectify this. Overall revenues for the year from property income were £1.1 million, but this includes £0.1 million from the MBO group post completion, whereas in the previous year, external revenues were £1.3 million.

Further details of SPARK's performance for the year is contained within the investment managers report.

Purchase of own shares
During the year SPARK did not buy back any of its own shares. SPARK continues to hold 39,245,220 shares in Treasury. The B shares issued and purchased during the year were subsequently cancelled and are not held in Treasury.

Dividends and capital returns
On 7 August 2009 shareholders approved the return of £8.2 million. Shareholders were given the choice of choosing to receive 4 B shares or 4 C shares for each ordinary share held. In the event, 723,567,036 B shares were issued and 919,446,084 C shares were issued. On 24 August 2009, the Company bought back the B shares at 0.5p each from the shareholders and paid 0.5p per share as a dividend on the C shares. After payment of the dividend, the C shares became deferred, having no value. The total amounts returned to shareholders amounted to £3.618 million through the B shares and £4.597 million through the C shares.

Following the receipt of proceeds from selling investments in Unanimis and Complinet, the Board intends to return £4.1 million to shareholders (1p per share) by offering shareholders the opportunity to choose between a capital return and an income dividend. Such a choice will be offered to shareholders after the necessary amendments to the Company's articles of association have been approved at the next AGM on 22 September 2010.

Future prospects
SPARK Ventures plc held an EGM on 7 August 2009 at which shareholders approved a change in strategy of the Company. SPARK will not make new investments from its own balance sheet but will concentrate on securing the best possible exits from the current portfolio over the period to summer 2014. As part of this strategy, SPARK returned £8.2 million to shareholders on 24 August 2009 and will make further returns to shareholders as investments are sold. In August 2009, the Company sold its stake in Unanimis and in June 2010, the Company sold its stake in Complinet.

Risks
The principal uncertainty regarding the future financial performance of SPARK is the future performance of SPARK's portfolio. Making early stage investments is inherently risky and many fail – typically during the first couple of years of start-up. Whilst SPARK's portfolio overall is now fairly mature, having mainly been started between 1999 and 2001 and with a majority of recent investments already having revenues, there is always a risk that a portfolio company does not develop as we hope, which would impact on SPARK's NAV. The effect on NAV would clearly be greater if one of our larger investments by value failed.

As set-out in Note 15, the directors of SPARK do not consider that SPARK faces any significant credit risk, liquidity risk or cash flow risk.

Directors' Report

(continued)

Share price

The average share price of SPARK Ventures plc quoted ordinary shares in the year ended 31 March 2010 was 6.65 pence. In the year the share price reached a maximum of 8.90 pence and a minimum of 5.4 pence. The closing share price on 31 March 2010 was 5.88 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 2010 had the following interests in the share capital of the Company:

	Ordinary shares		Options(1)		Options(2)		D shares(3)	
	2010 No.	2009 No.	2010 No.	2009 No.	2010 No.	2009 No.	2010 No.	2009 No.
Current directors								
M.K. Whitaker (4)	19,720,551	18,880,551	–	840,000	–	–	–	–
C.R. Berry	287,968	287,968	–	–	–	–	–	–
H.R. Sinclair	–	–	–	–	–	–	–	–
A.B. Carruthers (5)	6,587,240	5,307,240	–	1,280,000	2,727,273	6,818,182	580,000	–
J.R. Patel	1,329,194	1,329,194	–	–	2,272,727	5,681,818	580,000	–
D.R.W. Potter	480,000	480,000	–	–	–	–	–	–
Former directors								
A.D.N. Betton	334,000	334,000	–	–	1,818,182	4,545,455	180,000	–
T.A. Teichman	15,569,138	14,729,138	–	840,000	–	–	500,000	–

(1) Options were granted in prior years under the SPARK Unapproved Share Option Schemes through the SPARK Employee Benefit Trust with an exercise price of 2.5p per option. These options expire on 31 December 2011. M.K. Whitaker and A.B. Carruthers exercised all their options under this scheme on 21 July 2009 when the share price was 7.25p, as did Thomas Teichman – a former director. The total gains made by M.K. Whitaker, A.B. Carruthers and T.A. Teichman amounted to £39,900, £60,800 and £39,900 respectively.

(2) 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, the exercise price of these options was reduced to 9p per share.

(3) Following the approval by shareholders at the General Meeting on 2 October 2009, the D shares were created. On 2 December 2009, A.B. Carruthers paid 5 pence per D share for 58,000 shares and on 26 March 2010, paid 0.5 pence per share for 522,000 D shares. J.R. Patel did the same. Details of D shares issued to A.D.N. Betton and T.A. Teichman are set out in Note 20.

(4) The Michael Whitaker Life Interest Settlement, in which M.K. Whitaker is beneficially interested, owns 13,133,320 ordinary shares and Sun Life Pension Management a/c 380, in which M.K. Whitaker is beneficially interested, owns 5,747,231 ordinary shares. The remaining 840,000 shares are held directly.

(5) These ordinary shares are held by the trustees of the Carruthers Retirement Annuity Trust of which A.B. Carruthers is a beneficiary, except for 1,280,000 shares which A.B. Carruthers holds in his own name.

Suppliers

The Group agrees payment terms and conditions with individual suppliers which vary according to the commercial relationship and the terms of the agreements reached. It is the policy of the Group that, whenever possible, payments to suppliers are made in accordance with the terms agreed. The average time taken by the Group to pay purchase invoices is 19 days (2009: 41 days).

Subsequent events

There are no material events after the balance sheet date other than those detailed in Note 20 to the financial statements.

Auditors

The Company decided to appoint PKF as auditors to the Company in April 2010. A resolution to re-appoint PKF as the Company's auditor will be proposed at the forthcoming Annual General Meeting.

Provision of information to auditors

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 auditors are 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 auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provision of s418(2) of the Companies Act 2006.

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

A.D.N. Betton
Company Secretary
19 August 2010

Statement of 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, as required by the AIM Rules of the London Stock Exchange, elected to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and have also elected to prepare the Parent Company financial statements in accordance with those standards. 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 Company and the Group and of the profit or loss of the Group for that period. In preparing these financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with IFRSs as adopted by the European Union; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group 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 the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

Independent Auditors' Report

to the Members of SPARK Ventures plc

We have audited the financial statements of Spark Ventures Plc for the year ended 31 March 2010 which comprise the Group statement of comprehensive income, the Group and Parent Company statements of changes in equity, the Group and Parent Company statements of financial position, the Group and Parent Company statements of cash flows 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors
As 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 the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

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 2010 and of the Group's profit 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 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 matter prescribed by the Companies Act 2006
In our opinion the information given in the 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 PKF (UK) LLP
Statutory Auditors
London
19 August 2010

Group Statement of Comprehensive Income

for the year ended 31 March 2010

	Note Ref.	Year ended 31 March 2010 £'000	Year ended 31 March 2009 restated £'000
Continuing operations			
Gains/(losses) on investments at fair value through profit or loss			
Realised gains and losses		**(804)**	452
Unrealised gains and losses	9	**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	3	**(301)**	(236)
Depreciation of property, plant and equipment	8	**(99)**	(136)
Amortisation and impairment of other intangible assets	11	**(485)**	(455)
Other costs	4	**(3,912)**	(2,511)
Total administrative expenses		**(4,797)**	(3,338)
Profit/(loss) before taxation		**2,568**	(3,757)
Taxation	5	**(47)**	73
Profit/(loss) for the financial year from continuing operations		**2,521**	(3,684)
Loss for the year from discontinued operations	17	**(178)**	(239)
Profit/(loss) for the financial year		**2,343**	(3,923)
Attributable to:			
– Equity shareholders of the parent		**2,343**	(3,923)
Basic earnings per ordinary share from continuing operations	6	**0.62p**	(0.91p)
Diluted earnings per ordinary share from continuing operations		**0.62p**	(0.91p)
Basic and diluted earnings per ordinary share from continuing and discontinued operations		**0.57p**	(0.97p)

There are no recognised gains and losses other than shown above and hence no statement of recognised income and expense is presented.

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 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 and 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

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 redemption reserve £'000	Own shares £'000	Total equity £'000
Balance at 1 April 2008 – as originally stated	–	–	–	11,250	39,693	(3,207)	568	(175)	48,129
Prior year adjustment	–	–	–	–	–	(1,312)	–	175	(1,137)
Balance at 1 April 2008 – restated	–	–	–	11,250	39,693	(4,519)	568	–	46,992
Loss for the year	–	–	–	–	–	(6,254)	–	–	(6,254)
Reduction of share premium	–	–	–	–	(13,207)	13,207	–	–	–
Balance at 31 March 2009	–	–	–	11,250	26,486	2,434	568	–	40,738
Profit for the year	–	–	–	–	–	4,199	–	–	4,199
Share-based payments	–	–	–	–	–	(570)	–	–	(570)
Share split into B and 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	24,334	4,971	–	36,171

Spark Ventures plc holds 39,245,220 shares in treasury. The cost of purchasing these shares (£5.076 million) 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 £26.486 million 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 Financial Position

as at 31 March 2010 **Company number: 3813450**

	Note Ref.	31 March 2010 £'000	31 March 2009 £'000
Non-current assets			
Property, plant and equipment	8	**352**	482
Investments at fair value through profit and loss	9	**41,799**	37,349
Deferred consideration	9	**1,133**	700
Intangible assets	11	**720**	3,330
Restricted cash	12	**2,035**	3,199
		46,039	45,060
Current assets			
Trade and other receivables	12	**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	13	**(1,215)**	(2,112)
Deferred consideration		**–**	(500)
Total liabilities		**(1,215)**	(2,612)
Net current assets		**6,469**	13,871
Net assets		**52,508**	58,931
Equity attributable to the shareholders of the parent			
Issued capital – ordinary shares	16	**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		**52,508**	58,931
Net asset value per share		**12.81p**	14.57p

		Number '000	Number '000
Ordinary shares in issue	16	**450,000**	450,000
Shares held in Treasury		**(39,245)**	(39,245)
Shares held by Employee Benefit Trust	16	**(918)**	(6,273)
Shares in issue for net asset value per share calculation		**409,837**	404,482

These financial statements were approved and authorised for issue by the Board of Directors on 19 August 2010. Signed on behalf of the Board of Directors.

M.K. Whitaker
Director

Company Statement of Financial Position

as at 31 March 2010 **Company number: 3813450**

	Note Ref.	31 March 2010 £'000	31 March 2009 restated £'000	31 March 2008 restated £'000
Non-current assets				
Investments at fair value through profit and loss	9	**22,733**	20,172	21,499
Investments in subsidiary undertakings	10	**108,231**	111,506	114,254
Deferred consideration	9	**326**	–	–
Restricted cash	12	**2,035**	3,199	2,869
Deferred tax		**940**	624	689
		134,265	135,501	139,311
Current assets				
Deferred consideration		**–**	–	1,639
Trade and other receivables	12	**7,045**	4,108	5,361
Cash and cash equivalents		**6,524**	13,428	12,388
		13,569	17,536	19,388
Total assets		**147,834**	153,037	158,699
Current liabilities				
Trade and other payables	13	**(111,663)**	(111,799)	(110,707)
Deferred consideration		**–**	(500)	(500)
Total liabilities		**(111,663)**	(112,299)	(111,207)
Net current liabilities		**(98,094)**	(94,763)	(91,819)
Non-current liabilities – deferred consideration		**–**	–	(500)
Net assets		**36,171**	40,738	46,992
Equity				
Issued capital – ordinary shares	16	**6,857**	11,250	11,250
Share premium		**9**	26,486	39,693
Revenue reserve		**24,334**	2,434	(4,519)
Capital redemption reserve		**4,971**	568	568
Total equity		**36,171**	40,738	46,992

These financial statements were approved and authorised for issue by the Board of Directors on 19 August 2010. Signed on behalf of the Board of Directors.

M.K. Whitaker
Director

Group Statement of Cash Flows

for the year ended 31 March 2010

	Group Year ended 31 March 2010 £'000	Group Year ended 31 March 2009 restated £'000
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/Purchase of own 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 loss to net cash outflow from operations

	£'000	£'000
Interest received	**144**	935
Dividends received	**17**	151
Other revenue	**1,737**	1,517
Total revenue	**1,898**	2,603
Administrative expenses	**(4,797)**	(3,338)
Operating loss	**(2,899)**	(735)
Profit/(loss) on discontinued operations	**622**	(431)
	(2,277)	(1,166)
Decrease in trade and other receivables	**1,152**	310
Decrease in trade and other payables	**(1,444)**	(946)
Decrease in inventory	**–**	47
Depreciation of property, plant and equipment	**99**	136
Amortisation and 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 cash flow 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.

Company Statement of Cash Flows

for the year ended 31 March 2010

	Company Year ended 31 March 2010 £'000	Company Year ended 31 March 2009 Restated £'000
Cash flows from operating activities		
Cash flow from operations	**(1,448)**	1,863
Tax (paid)/received	–	–
Net cash (outflow)/inflow from operating activities	**(1,448)**	1,863
Cash flows from investing activities		
Disposal of subsidiary	**800**	–
Purchase of financial investments	**(1,125)**	(2,500)
Sale of financial investments	**1,901**	2,007
Release of/(increase in) restricted cash	**1,164**	(330)
Net cash inflow/(outflow) from investing activities	**2,740**	(823)
Cash flows from financing activities		
Dividend paid (C shares)	**(4,597)**	–
Share buy backs (B shares)	**(3,618)**	–
Issue/Purchase of own shares	**19**	–
Net cash outflow from financing activities	**(8,196)**	–
Change in cash and cash equivalents	**(6,904)**	1,040
Opening cash and cash equivalents	**13,428**	12,388
Closing cash and cash equivalents	**6,524**	13,428

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

	£'000	£'000
Interest received	**143**	926
Dividends received	**–**	–
Other revenue	**3,665**	115
Total revenue	**3,808**	1,041
Administrative expenses	**(1,056)**	(1,732)
Operating profit/(loss)	**2,752**	(691)
(Increase)/decrease in trade and other receivables	**(2,994)**	1,462
(Decrease)/increase in trade and other payables	**(636)**	1,092
Share-based payment	**(570)**	–
Net cash (outflow)/inflow from operations	**(1,448)**	1,863

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 cash flow 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 to the Consolidated Financial Statements

for the year ended 31 March 2010

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 2010 include the financial statements of the Company and its subsidiaries (together 'the Group'). Separate financial statements of the Company are also presented. 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 2010 have been prepared in accordance with International Financial Reporting Standards ('IFRS') approved by the International Accounting Standards Board ('IASB'), together with interpretations issued by the International Financial Reporting Interpretation Committee and approved by the International Accounting Standards Committee ('IASC') that remain in effect, to the extent that IFRS have been 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:

	Effective for the period beginning on or after
IFRS 1 (Revised) 'First time adoption of IFRS'	1 July 2009
IFRS 2 (Amended) 'Share-based payments'	1 January 2010
IFRS 3 (Revised) 'Business combinations'	1 July 2009
IFRS 9 (New) 'Financial instruments: Recognition and measurement'	1 November 2009
IAS 24 (Amended) 'Related party disclosures'	1 November 2009
IAS 27 (Amended) 'Consolidated and separate financial statements'	1 July 2009
IAS 32 (Amended) 'Financial instruments: Presentation'	1 February 2010
IAS 39 (Amended) 'Financial instruments: Recognition and measurement'	1 July 2009
IFRIC 14, 17, 18 and 19	Not Applicable to Group's business

The Directors anticipate that the adoption of these standards and interpretations will have no material impact on the financial statements in the period when they become applicable, except for IFRS 3 (as amended) which deals with business combinations and may have an impact on the Group's financial statements depending upon the investment decisions that the Group may take in the future. None of these standards have been adopted early.

'Improvements to IFRSs' was issued in May 2008 and its requirements are effective over a range of dates, with the earliest effective date being for annual periods beginning on or after 1 January 2009. This comprises a number of amendments to IFRSs, which resulted from the IASB's annual improvements project.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Director's 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.

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 after the return of capital to shareholders. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

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.

Minority interests

All the subsidiaries consolidated in these accounts are 100% owned (Note 10).

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.

Notes to the Consolidated Financial Statements

(continued)

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.

Prior period restatement

As a result of the MBO the prior period in the Group Statement of Comprehensive Income has been restated to distinguish between continuing and discontinued operations.

Prior period errors (Company balance sheet only)

As part of the annual audit we became aware that a subsidiary was inadvertently revalued above cost many years ago. This is not permitted accounting treatment and so this transaction has been reversed in the statement of financial position presented for 31 March 2008, which has carried through to the current period. The effect on the Company statement of financial position is to reduce investment in subsidiaries by £1.3 million and to reduce the revenue reserve by £1.3 million.

Additionally, as at 31 March 2008, the additional consideration payable to the sellers of Querist Limited (£1 million) was not reflected in the Company only statement of financial position at the time. This creditor, and the increase in the subsidiary company cost of £1.0 million has now been added to the statement of financial position at 31 March 2008 and the lower creditor of £0.5 million has been added to the Company only deferred consideration creditor compared to that previously shown in the Company statement of financial position as at 31 March 2009. Finally, to complete the mis-analysis, an intercompany creditor due to Spark India Ltd had been understated by £0.5 million in the 31 March 2009 statement of financial position. These two missing £0.5 million's (totalling £1.0 million) were mistakenly attributed to the investment in Aspex in the prior year. However the investment in Aspex was correctly stated. The income statement (for the Company only) incorrectly recorded a £1 million write-off of Aspex finance provided in the year to 31 March 2009, but missed a £1 million impairment of the Querist subsidiary. The correction of these errors has had no effect on the recorded statement of comprehensive income result for the Company in either the prior year or the current year.

None of these errors have had any effect on the Group results reported by SPARK Ventures plc in the current or prior years.

IAS 1 requires that where a prior period error has been corrected through retrospective restatement of the comparatives a 2008 comparative is required to be presented for the statement of financial position and related notes. A 2008 comparative has not been presented where there is no impact on the related note.

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 and software	33%
Furniture, fixtures and fittings	20%

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' 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 dealt with through the statement of comprehensive income, and taken to the revenue reserve. The difference between the market value of financial investments and book value to the Group is shown as a gain or loss in the statement of comprehensive income, and taken to the revenue reserve.

Notes to the Consolidated Financial Statements

(continued)

1 Basis of preparation and significant accounting policies (continued)

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

Revenue

Sales of goods and related services represents the invoiced value of goods and services supplied net of trade discounts, value added tax and other sales related taxes. The sale is recognised upon delivery of the goods or services to the customer provided that all obligations to the customer relating to that delivery of goods or 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 goods or services have been satisfied. Amounts receivable from customers in respect of maintenance services is deferred and recognised evenly over the life of the maintenance contract. 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

In accordance with IFRS 2, Accounting for Share Based Payments, the Company introduced the following accounting policy to account for the 2005 Executive Share Option Scheme. 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. However the performance target has not been hit since 31 March 2007, therefore no charge to the income statement was taken in the year to 31 March 2009. 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. All share-based payments are equity settled. As the performance targets were not hit as expected and expensed through the statement of comprehensive income, an adjustment was made to the salaries from discontinued activities line in the year ended 31 March 2010.

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 (£41,799,000), which are valued on the basis noted above.

Additionally, the valuation of deferred consideration (£1,133,000) from investments that have been disposed of require accounting judgement. Deferred consideration is based on the directors' best estimate of amounts held in escrow net of future obligations that may fall due. The fair value of the consideration is obtained by discounting to present value of the amounts expected to be payable in the future.

Notes to the Consolidated Financial Statements

(continued)

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 Income Statement

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 profit for the year was £4,199,000 (2009: loss of £6,254,000).

The company has recognised realised and unrealised investment gains/losses through the Statement of comprehensive income of £1.130 million.

3 Information regarding Directors and employees

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Director's remuneration summary		
Fees	**188**	125
Basic salaries	**350**	512
Other emoluments	**44**	(45)
Pension contributions	**42**	73
	624	665

	Emoluments £'000	**Bonus accrual £'000**	**Pension £'000**	**Year ended 31 March 2010 Total £'000**	Emoluments £'000	Bonus accrual £'000	Pension £'000	Year ended 31 March 2009 Total £'000
Director's remuneration analysed								
C.R. Berry	**60**	**2**	**–**	**62**	35	(3)	–	32
A.D.N. Betton	**61**	**1**	**9**	**71**	106	(1)	16	121
A.B. Carruthers	**96**	**16**	**14**	**126**	161	(16)	24	169
J.R. Patel	**88**	**13**	**13**	**114**	147	(13)	22	156
D.R.W. Potter	**70**	**–**	**–**	**70**	55	–	–	55
H.R. Sinclair	**8**	**–**	**–**	**8**	–	–	–	–
T.A. Teichman	**105**	**12**	**6**	**123**	98	(12)	11	97
M.K. Whitaker	**50**	**–**	**–**	**50**	35	–	–	35
	538	**44**	**42**	**624**	637	(45)	73	665

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

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Staff costs (including directors)		
Wages and salaries	**1,097**	1,990
SPARK VCT performance incentive fee paid as bonus	**–**	767
Social security costs	**121**	251
Share-based payment reversal	**(570)**	–
Pension costs	**91**	183
Other personnel costs	**136**	(47)
	875	3,144
Staff costs		
From continuing operations	**301**	236
From discontinued operations	**574**	2,908
	875	3,144

Notes to the Consolidated Financial Statements

(continued)

3 Information regarding Directors and employees (continued)

	Year ended 31 March 2010 No.	Year ended 31 March 2009 No.
Average number of persons employed (including Directors)		
Investment and related administration	**12**	21
	12	21

Pension costs represent contributions by the Group to employees' personal pension arrangements. Four directors (2009: 4) benefited from the Company's pension contributions to their own money purchase pension arrangements up to the date of the MBO, as shown in the table above.

The share-based payment credit (£570k), which is solely attributable to directors and former directors, arose out of a re-assessment of the likelihood of vesting conditions being met for options granted under the 2005 Executive Share Option Scheme. It has previously been assumed that all these options would vest but prior to the cancellation of 40% of them at the time of the MBO, the Directors considered that the options due to be cancelled were not likely to meet the performance targets for them to vest.

4 Profit/(loss) for the year

Profit/(loss) for the year has been derived after taken the following items into account:

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Depreciation of property, plant and equipment – owned assets	**99**	136
Amortisation and impairment of intangible assets – continuing activities	**485**	455
Operating lease rentals		
Land and buildings	**703**	703
Auditors remuneration		
Fees payable to the current auditors for the audit of the Company's annual accounts	**23**	–
Fees payable to the Company's current auditor and its associates for other services:		
The audit of the Company's subsidiaries, pursuant to legislation	**15**	–
Other services relating to taxation	**13**	–
Fees payable to the previous auditors for the audit of the Company's interim accounts	**11**	68
Fees payable to the previous auditors for overruns on the previous year	**25**	–
Fees payable to the Company's previous auditor and its associates for other services:		
The audit of the Company's subsidiaries, pursuant to legislation	**–**	30
Other services relating to taxation	**–**	21
Analysis of other costs:		
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

Total rental income received under operating leases amounted to £1,128,000 (2009: £1,323,000) of which £73,000 was received from discontinued operations. Of £1,103,000 'Other income', £1,055,000 relates to rental income (2009: £1,323,000 of £1,448,000).

Notes to the Consolidated Financial Statements

(continued)

5 Tax credit on losses on ordinary activities

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
UK corporation tax		
Corporation tax liability at 28%	**–**	–
Research and development tax credit for current year	**–**	–
Research and development tax credit in respect of prior periods		
Total current tax	**–**	–
Deferred tax	**(47)**	73
Tax credit on profit/(loss) on ordinary activities	**(47)**	**73**

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: 28% (2009: 28%). The differences are explained below:

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Total tax reconciliation		
Profit/(loss) before taxation	**2,568**	(3,757)
Current tax credit at 28% (2009: 28%)	**(719)**	1,052
Effects of:		
Permanent differences, including goodwill impairments	**(291)**	(269)
Capital allowances in excess of depreciation	**(15)**	49
Movement in short-term timing differences	**170**	30
Accounting profits/(losses) on disposals	**–**	72
Untaxed investment revaluations	**1,519**	(931)
Utilisation of tax losses	**–**	21
Unutilised losses carried forward	**(664)**	(24)
Offset of deferred tax assets previously unrecognised	**(47)**	73
Tax for the year	**(47)**	**73**

Deferred tax
The deferred tax credit in the year reflects the offset of a proportion of the Group's previously unrecognised deferred tax asset against deferred tax liabilities arising in Quester Venture GP Limited. There remains an unrecognised deferred tax in respect of tax losses and other temporary differences. The unrecognised deferred tax asset is £42.9 million (2009: £39.0 million), for the Group and £42.4 million (2009: £38.7 million) for the Parent Company.

Company deferred tax	
Balance at 1 April 2009	624
Movement in the year	316
Balance at 31 March 2010	**940**
Balance at 1 April 2008	689
Movement in the year	(65)
Balance at 31 March 2009	**624**

The movement in the year all 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 represents 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/(loss) per share

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

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares in issue on the assumption of conversion of all dilutive potential ordinary shares. No adjustment is made to the number of shares in issue in the diluted earnings per share calculation where the Group has reported a loss for the year.

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Earnings		
Net profit/(loss) for the year	**2,343**	(3,923)
Loss for the year from discontinued operations	**(178)**	(239)
Earnings/(loss) from continuing operations	**2,521**	(3,684)
Number of shares		
Weighted average number of ordinary shares in issue for basic EPS	**408,194**	404,482
Effect of dilutive options in issue	**–**	–
Weighted average number of ordinary shares in issue for dilutive EPS	**408,194**	404,482
Earnings per share		
Basic EPS from continuing operations	**0.62p**	(0.91)p
Basic EPS from discontinued operations	**(0.05)p**	(0.06)p
Basic EPS from continuing and discontinued operations	**0.57p**	(0.97)p
Diluted EPS from continuing operations	**0.62p**	(0.91)p
Diluted EPS from discontinued operations	**(0.05)p**	(0.06)p
Diluted EPS from continuing and discontinued operations	**0.57p**	(0.97)p

7 Dividends

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Dividend paid on C shares in respect of year to 31 March 2010: 2.0p per share paid 24 August 2009	**4,597**	–

In the forthcoming AGM on 22 September 2010, the directors are proposing to return 1p per ordinary share to shareholders by means of a share split and then giving the shareholders the choice of receiving a dividend on the new share or having it bought back by the Company. The total amount expected to be returned to shareholders is £4.1 million.

Notes to the Consolidated Financial Statements

(continued)

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 2009	1,253	617	134	2,004
Acquisitions	11	–	1	12
Disposals	–	–	(77)	(77)
Balance at 31 March 2010	1,264	617	58	1,939
Depreciation:				
Balance at 1 April 2009	833	602	87	1,522
Depreciation charge for the year	89	5	5	99
Disposals	–	–	(34)	(34)
Balance at 31 March 2010	922	607	58	1,587
Carrying amount at 31 March 2010	342	10	–	352
Cost:				
Balance at 1 April 2008	1,219	998	167	2,384
Acquisitions	34	30	9	73
Disposals	–	(411)	(42)	(453)
Balance at 31 March 2009	1,253	617	134	2,004
Depreciation:				
Balance at 1 April 2008	729	943	116	1,788
Depreciation charge for the year	104	22	10	136
Disposals	–	(363)	(39)	(402)
Balance at 31 March 2009	833	602	87	1,522
Carrying amount at 31 March 2009	420	15	47	482

Notes to the Consolidated Financial Statements

(continued)

9 Investments at fair value through profit and loss

Group

Portfolio Company Name	Note ref	Country of incorp.	% equity[7] 31 March 2010	Value at 31 March 2009 £'000	Year ended 31 March 2010 Additions £'000	Disposals £'000	Revaluations £'000	Value at 31 March 2010 £'000
IMImobile	(2)	India	27%	13,000	–	–	2,100	15,100
Kobalt Music	(3)	UK	23%	6,640	666	–	–	7,306
Notonthehighst	(3)	UK	31%	1,590	–	–	4,010	5,600
Complinet	(6)	UK	3%	1,520	–	–	1,652	3,172
DEM Solutions	(4)	UK	24%	1,723	150	(13)	–	1,860
Firebox	(2)	UK	24%	730	–	–	1,120	1,850
Gambling Compliance	(2)	UK	28%	959	–	–	291	1,250
OpenX	(3)	UK	4%	1,000	200	–	100	1,300
Aspex	(5)	UK	50%	1,000	–	–	–	1,000
Mindcandy	(2)	UK	5%	606	47	–	67	720
Academia	(3)	UK	10%	191	63	–	412	666
MyDeco	(5)	UK	11%	1,500	–	–	(1,250)	250
Skinkers	(5)	UK	29%	2,000	–	–	(1,785)	215
				32,459	1,126	(13)	6,717	40,289
Other investments (no single investment value greater than £500,000)	(1)			1,763	214	(21)	(446)	1,510
Investments sold during the year								
Unanimis				3,127	–	(3,127)	–	–
Total of Investments sold during the year				3,127	–	(3,127)	–	–
Total investments at fair value through profit and loss				37,349	1,340	(3,161)	6,271	41,799

(1) Other investments include Mblox, Crocus, Isango!, Market Clusters, Freesourcing and a share in Quester Venture Partnership.
(2) IMImobile, Firebox, Gambling Compliance, and Mindcandy have been valued according to a directors valuation based on appropriate earnings/sales multiples applied to the most recent results.
(3) Kobalt Music, Notonthehighstreet, OpenX and Academia have been valued on the basis of recent third party funding events.
(4) DEM Solutions has been valued at cost with this cost being considered to be its fair value by referencing other valuation guidelines.
(5) Aspex, MyDeco and Skinkers are at the directors valuation, being impaired cost that is considered to be reflective of their fair value.
(6) Complinet has been valued at actual sale proceeds.
(7) % equity represents fully diluted holding in investee companies.

Company

	31 March 2010 £'000	31 March 2009 £'000
Balance at 1 April	**20,172**	21,499
Acquisitions	**1,520**	2,500
Unrealised and realised valuations	**4,180**	(3,357)
Disposals	**(3,139)**	(470)
Balance at 31 March	**22,733**	20,172

Notes to the Consolidated Financial Statements

(continued)

Deferred consideration

The amounts classified as deferred consideration on the statement of financial position represents amounts receivable in future periods from investments which had been disposed of by the reporting date. These balances are broken down as follows:

Group

	31 March 2010 £'000	31 March 2009 £'000
Deferred consideration – non-current assets		
IMI Engineering	**807**	700
Unanimis	**326**	–
	1,133	700
Company		
Unanimis	**326**	–
	326	–

10 Investments in Subsidiary undertakings

Company

	31 March 2010 £'000	31 March 2009 restated £'000	31 March 2008 restated £'000
Cost:			
Balance at 1 April	**136,067**	169,919	161,961
Additions	**25**	1,000	7,958
Disposal	**(15,268)**	(34,852)	–
Balance at 31 March	**120,824**	136,067	169,919
Impairment:			
Balance at 1 April	**24,561**	55,665	40,576
Impairment losses	**–**	2,298	15,089
Disposal	**(11,968)**	(33,402)	–
Balance at 31 March	**12,593**	24,561	55,665
Net book value at 31 March	**108,231**	111,506	114,254

The disposal in the period relates to the deconsolidation of Querist (cost of £5.598 million) as part of the MBO and also to the disposal of SPARK Investors Limited (cost of £9.670 million) which was transferred from SPARK Ventures plc to Querist Limited prior to the MBO completing, refer to Note 19.

The impairment loss for the year ended 31 March 2008 and all subsequent years has been increased by £1.312 million to correct for an error prior to 31 March 2008 in respect of a subsidiary inadvertently being revalued above its cost.

The subsidiary cost in the year to 31 March 2008 and 31 March 2009 has been increased by £1 million in each year over what was previously stated to reflect the deferred consideration in the Company only accounts that was not previously recognised. This deferred consideration was correctly recognised in the Group accounts.

The subsidiary cost and impairment balance in the year to 31 March 2008 and 31 March 2009 has also been increased by £9.670 million in each year over what was previously stated to reflect the cost and historic impairment relating to Spark Investors Limited that was disposed of as part of the MBO.

Notes to the Consolidated Financial Statements
(continued)

10 Investments in Subsidiary undertakings (continued)

The Company's principal subsidiary undertakings are included in the consolidation at 31 March 2010, 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 Ltd	UK	Investment (dormant)	Ordinary	100%
Internet Indirect Ltd	UK	Investment (dormant)	Ordinary	100%
GlobalNet Financial.com Inc	USA	Finance (dormant)	Ordinary	100%
NewMedia SPARK Holdings GmbH	Germany	Holding company	Ordinary	100%
NewMedia SPARK BV	Holland	Holding company	Ordinary	100%
Quester Venture GP Ltd	UK	General partner of limited partnership	A Ordinary and Preference	100%

Aspex Semiconductor Holdings Limited is not included in the consolidation as it is not considered material.

11 Intangible assets

	Fund management contracts Sold £'000	Fund management contracts Retained £'000	Total £'000
Cost			
At 31 March 2009	3,350	1,900	5,250
Disposal	(3,350)	–	(3,350)
At 31 March 2010	–	1,900	1,900
Cumulative Amounts charged			
At 31 March 2009	1,225	695	1,920
Charge for the year	325	365	690
Impairment	–	120	120
Disposal	(1,550)	–	(1,550)
At 31 March 2010	–	1,180	1,180
Net book value at 31 March 2010	–	720	720

	Fund management contracts Sold £'000	Fund management contracts Retained £'000	Total £'000
Cost			
At 31 March 2008 and 31 March 2009	3,350	1,900	5,250
Cumulative Amounts charged			
At 31 March 2008	424	240	664
Charge for the year	482	274	756
Impairment	319	181	500
At 31 March 2009	1,225	695	1,920
Net book value at 31 March 2009	2,125	1,205	3,300

The difference between the price paid for Quester (£5.6 million) and the fair value of the net assets acquired (£0.3 million) of £5.3 million is represented by the value of the fund management contracts which had been included on the statement of financial position as an intangible asset. These fund management contracts provide the expectation of an income stream in the future.

The majority of the fund management contracts were acquired by Spark Venture Management Holdings Limited as part of the MBO. The fund management contract for Quester Venture Partnership remains within the Group. The life of this fund is expected to be 3 years, accordingly the intangible asset is amortised over 3 years, with 2.5 years remaining. This charge is included within administrative expenses in the statement of comprehensive income.

Notes to the Consolidated Financial Statements
(continued)

12 Trade and other receivables

	Group 31 March 2010 £'000	Group 31 March 2009 £'000	Company 31 March 2010 £'000	Company 31 March 2009 restated £'000	Company 31 March 2008 restated £'000
Trade debtors	**217**	995	**102**	21	88
Amounts owed by subsidiary undertakings	**–**	–	**6,357**	3,704	4,964
Social security and other taxes	**200**	64	**109**	8	–
Other debtors	**67**	113	**52**	14	–
Prepayments and accrued income	**475**	888	**250**	186	134
Amounts due from EBT	**–**	–	**175**	175	175
	959	2,060	**7,045**	4,108	5,361
Restricted cash	**2,035**	3,199	**2,035**	3,199	2,869

The restricted cash represents £1.622 million (2009: £2.786 million) 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 £0.413 million (2009: £0.413 million) security for property leases which is recoverable in 2014.

Prior period comparatives for the Company only have been restated as deferred tax has been reclassified as a non-current asset.

13 Trade and other payables

	Group 31 March 2010 £'000	Group 31 March 2009 £'000	Company 31 March 2010 £'000	Company 31 March 2009 £'000
Trade creditors	**154**	529	**62**	194
Amounts owed to group subsidiary undertakings	**–**	–	**110,752**	111,070
Social security and other taxes	**96**	95	**117**	71
Other creditors	**390**	731	**244**	347
Accruals and deferred income	**575**	757	**488**	117
	1,215	2,112	**111,663**	111,799

14 Operating leases

At 31 March 2010 the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	31 March 2010 £'000	31 March 2009 £'000
Non-cancellable operating lease rentals are payables as follows:		
Land and buildings:		
Less than one year	**703**	703
Between one and five years	**2,285**	2,812
More than five years	**–**	176
	2,988	3,691

The Group leases one property under an operating lease that expires on 30 June 2014 with no option to renew the lease or early termination option. The total minimum lease payments over the next four and a quarter years is expected to be approximately £3.0 million. The lease payments do not include contingent rentals.

Notes to the Consolidated Financial Statements

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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. £41.8 million of the Group's net assets were invested in venture capital investments and £6.7 million in liquid balances (31 March 2009: £37.3 million in investments and £14.4 million in liquid balances).

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 price 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 £41.8 million (2009: £37.3 million).

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 – 31 March 2010, the Group held interests in over 20 companies (31 March 2009: more than 20 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% (2009: 20%) movement in overall share prices.

	31 March 2010 £'000s Profit and net assets	31 March 2009 £'000s Profit and net assets
Decrease if overall share prices fell by 20% (2009: 20%), with all other variables held constant	**(8,360)**	(7,740)
Decrease in earnings, and net asset value per Ordinary share (in pence)	**(2.04)p**	(1.85)p
Increase if overall share prices fell by 20% (2009: 20%), with all other variables held constant	**8,360**	7,740
Increase in earnings, and net asset value per Ordinary share (in pence)	**2.04p**	1.85p

The impact of a change of 20% (2009: 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 Netherlands, Mauritius, Germany and USA as well as investments that are denominated in local currencies. Of these investments, IMI is the only material investment that might be affected by currency risk since IMI is based in India and its value is derived in Indian Rupees and therefore subject to normal currency risk arising from movements in Indian Rupees. The value of the holding in IMI in sterling is as follows:

	31 March 2010 £'000s	31 March 2009 £'000s
IMI Mobile	**15,100**	13,000
	15,100	13,000

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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 20% has been selected as this is considered reasonable based on last year's movement in Indian Rupees to Sterling.

	31 March 2010 £'000s	31 March 2009 £'000s
If the Sterling exchange rate decreased by 20% against Rupee:	(3,020)	(2,600)
Decrease in earnings	(0.74)p	(0.64)p
If the Sterling exchange rate increased by 20% against Rupee:	3,020	2,600
Increase in earnings	0.74p	0.64p

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 2010 £'000s	31 March 2009 £'000s
Loan stock investments	2,474	1,849
Cash at bank	6,725	14,423
Restricted cash balances	2,035	3,199
Deferred consideration	1,133	700
Trade and other debtors	284	1,108
Accrued income	18	560
	12,669	21,839

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.

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 IFRS 7 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 2010 £'000s	31 March 2009 £'000s
Cost (reviewed for impairment)	4,485	4,977
Recent investment price	14,872	28,792
Earnings multiple	19,270	3,580
Actual sales proceeds (after year end)	3,172	–
	41,799	37,349

Notes to the Consolidated Financial Statements

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15 Financial instruments and financial risk management (continued)

The unquoted equity and loan stock investments had the following movements between valuation methodologies between 31 March 2009 and 31 March 2010:

Change in investment methodology	Carrying value as at 31 March 2010 £'000s	Explanatory note
Recent investment price to earnings multiple	**17,070**	More appropriate basis
Cost (reviewed for impairment) to recent investment price	**666**	More appropriate basis
Earnings multiple to impaired cost	**465**	More appropriate basis
Recent investment price to impaired cost	**350**	More appropriate basis

IFRS 7 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. The downside alternatives would value the unquoted investments £966k lower and the upside £966k higher. In arriving at these figures a 5% change in earnings multiples was applied.

Capital disclosures

The Group's objective is to realise its portfolio over the period to summer 2014 and return the proceeds to shareholders. This is a change in strategy from the prior year where the objective was to deliver, as far as is consistent with venture capital investment, steady growth in the net asset value of the Group.

The capital subscribed to the Group has been managed in accordance with the Group's objectives. The available capital at 31 March 2010 is £52.5 million (31 March 2009: £58.9 million) 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 2010 £'000	Group 31 March 2009 £'000	**Company 31 March 2010 £'000**	Company 31 March 2009 £'000
Authorised:				
950,000,000 (2009: 950,000,000) ordinary shares of 0.5p (2009: 2.5p)	**4,750**	23,750	**4,750**	23,750
1,800,000,000 Deferred Shares of 0.5p	**9,000**	–	**9,000**	–
2,000,000 D shares of 0.5p	**10**	–	**10**	–
Called up, allotted and fully paid:				
450,000,000 (2009: 450,000,000) ordinary shares of 0.5p (2009: 2.5p)	**2,250**	11,250	**2,250**	11,250
919,446,084 Deferred Shares of 0.5p	**4,597**	–	**4,597**	–
2,000,000 D shares of 0.5p	**10**	–	**10**	–
	6,857	11,250	**6,857**	11,250

During the year the original ordinary shares of 2.5p per share were re-classified as ordinary shares of 0.5p per share. At the same time the shareholders were issued with 4 B shares each or 4 C shares 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 on 24 August 2009 at its par value of 0.5p per share and then cancelled. Each C share received a dividend of 0.5p per share on 24 August 2009, after which each share became a deferred share. The total amount returned to shareholders holding B or C shares amounted to £8.2 million.

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The deferred shares of 0.5p each confer no rights to dividends, have no rights to a return of capital on a winding up and have 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.

Under the Group's 2001 Unapproved Share Option Scheme, 15,841,000 options had been granted to employees, with an exercise price of 2.5 pence, to be exercised in accordance with the Share Option Scheme rules before 31 December 2011. As at 31 March 2009, 9,567,000 of these options have been exercised, leaving 6,274,000 shares still held by the NewMedia Spark Employee Benefit Trust. In the year ended 31 March 2010, 5,355,608 options were exercised (2009: nil) leaving 918,392 shares still held by the EBT.

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 2010. As at 31 March 2010 (and 31 March 2009), 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 reduced the exercise price of these options to 9.0 pence per share.

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 2010 was 6.65 pence. In the year the share price reached a maximum of 8.90 pence and a minimum of 5.4 pence. The closing share price on 31 March 2010 was 5.88 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. D shares are entitled to receive the D share distribution, which is triggered once payments to ordinary shareholders from 7 August 2009 have exceeded £49.3 million. Above this hurdle (which can be reduced by £820k for each £4.1 million returned to shareholders before 31 March 2012), D shareholders receive 15% of distributions to shareholders above the £49.3 million hurdle up to £57.5 million and 20% above £57.5 million. 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 shareholders 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 (£49.3 million).

As at 30 June 2010, the major shareholders of the Group are as follows:

	Number of shares held	% of Issued shares
M&G Investment Management	86,716,122	21.11%
RWC Partners (formerly MPC)	36,265,877	8.83%
Vine Street Capital	34,486,019	8.40%
Ennismore Fund Management	19,765,000	4.81%
River & Mercantile Asset Management	18,956,568	4.62%
New Star Asset Management	16,312,500	3.97%
Ingot Capital Management	15,250,000	3.71%
Peter Lobbenberg	12,850,000	3.13%

The percentage holdings shown above are based on the total number of issued shares, less those shares held in Treasury at 30 June 2010 (39,245,220). The number of shares held in Treasury at 31 March 2010 and 31 March 2009 was the same as at 30 June 2010.

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17 Discontinued operations – Group

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 constituted the trading division of the Group, included in the consolidated statement of comprehensive income, were as follows:

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 restated £'000
Revenue	**1,572**	5,830
Expenses	**(950)**	(6,384)
Profit/(loss) before taxation	**622**	(554)
Taxation	**–**	123
Profit/(loss) for the period	**622**	(431)
(Loss)/gain on disposal of discontinued operation	**(800)**	192
Net profit/(loss) attributable to discontinued operation	**(178)**	(239)
Cashflows		
Operating	**377**	658
Investing	**–**	(7)
Financing	**–**	–

18 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 and details of directors' interests is disclosed in the 'Directors and their interests' section of the Directors' Report on page 9.

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

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

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

On 9 October 2009, the fund management division of the Company was sold to its former executive management team. Two of the former executive directors remain on the Board at the reporting date. Full details are given in Note 19.

In the period from 9 October 2009 to 31 March 2010 (post MBO), SPARK Ventures plc paid management fees of £210k and secretarial fees of £48k to SPARK Venture Management Ltd (SVML) for the management of its portfolio and paid £434k 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 controlled by the MBO team as described further in Note 19 below. At 31 March 2010 SPARK Ventures was owed £37k by SVMH in relation to the MBO. In addition, SPARK Investors Limited (a subsidiary of Querist Ltd) paid £73k to SPARK Services Ltd for office space and related services. All these transactions were negotiated at arms length. At 31 March 2010, SPARK Ventures plc had a balance of £29k owing to SPARK Venture Management Limited for secretarial fees and SPARK Investors limited owed £17k to SPARK Services for office space and related services.

Jay Patel represents SPARK on the Board of IMImobile and is a director and shareholder in that company holding 3.0% of its issued share capital along with persons connected to Jay. After the balance sheet date, SPARK made a £2.5 million loan facility to IMImobile to provide finance for a proposed acquisition. This facility was negotiated at arms length.

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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. Kobalt received £575k of loan finance from the Company in the year and also received £90k from the Company from the exercise of share options.

Thomas Teichman also represents SPARK on the Board of Mindcandy and is a shareholder holding approximately 1% of the ordinary share capital. During the year to 31 March 2010, Mindcandy raised £48,000 (2009: £26,000) from SPARK as part of a funding round led by independent third party investors.

There are no other related party transactions of which we are aware in the year ended 31 March 2010.

19 Management buy-out

On 9 October 2009, the management buy out (MBO) of the fund management division of the Company to a new company owned by its former executive management team was completed. This involved the sale of Querist Ltd and its subsidiaries for a purchase price of £1 million, made up of £0.8 million cash and £0.2 million for a 30% stake in SPARK Venture Management Holdings Limited (SVMH). Prior to completion a former Querist subsidiary, Quester Venture GP Limited, was sold to SPARK Ventures plc for £25,000 and a former SPARK subsidiary, SPARK Investors Limited, was sold to Querist Ltd for £170,000.

The ownership of SVMH is as follows:

SPARK Ventures plc	30.00%
Andrew Carruthers	23.33%
Jay Patel	23.33%
Tom Teichman	15.56%
Andrew Betton	7.78%

At the time of completion, the Querist group had net assets of £79k and the sale and purchase agreement provided for cash settlement from SVMH to SPARK Ventures plc of any net asset figure in excess of £42k. Accordingly £37k is included within trade debtors pending the conclusion of the year end audits.

As part of the MBO, Spark Venture Management Ltd (a subsidiary of Querist Ltd), was awarded an investment management contract to manage the investments of SPARK Ventures and to provide administrative services to it. The MBO led to the transfer of all full-time employees to the SVMH group with Andrew Betton and Thomas Teichman leaving the Board of SPARK on completion. In addition all unvested share options were cancelled and the existing bonus schemes were cancelled and replaced with a growth share scheme (D shares).

D shares have been issued to directors and former directors of SPARK as follows:

	D Shares initially subscribed (No.)	£ Subscribed at 5p	D Shares subsequently subscribed for No.	£ Subscribed at 0.5p	Total D shares issued	Total subscription £
Andrew Carruthers	58,000	2,900	522,000	2,610	580,000	5,510
Jay Patel	58,000	2,900	522,000	2,610	580,000	5,510
Thomas Teichman	50,000	2,500	450,000	2,250	500,000	4,750
Andrew Betton	18,000	900	162,000	810	180,000	1,710

The rights of the D shares are detailed in Note 16.

20 Subsequent Events

On 15 June 2010 the Company sold its share in Complinet for £3.2 million before fees, being its book value at 31 March 2010, representing a 33% IRR on the investment and a doubling of the book value at 31 March 2009.

On 24 June 2010 the Company provided a finance facility of £2.5 million to IMI Europe Ltd to ensure it had sufficient resources to make an offer for WIN plc – which it did on 25 June.

On 28 July 2010 notonthehighstreet.com secured external funding from major institutional investors. The valuation of this funding round was used to revalue SPARK's stake from £1.6 million to £5.6 million at 31 March 2010. As part of the round, SPARK sold £1.0 million of this £5.6 million new book value.

Notes

Officers and Professional Advisers

Directors who served during the year
C.R. Berry
A.B. Carruthers
J.R. Patel
D.R.W. Potter
H.R. Sinclair – appointed 17 December 2009
M.K. Whitaker
A.D.N. Betton – resigned 9 October 2009 following MBO completion
T.A. Teichman – resigned 9 October 2009 following MBO completion

Secretary
A.D.N. Betton

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