Annual Report & Accounts
# 2002-2003

NewMedia SPARK

## Business and financial highlights

- Consolidated cash balances have risen to £52.0m from £41.8m a year earlier, thanks mainly to the successful sale of Tullets.
- Approximately £46m of consolidated cash balances are held within SPARK's 70% owned German subsidiary, Spuetz AG, giving rise to cash balances attributable to SPARK shareholders at 31 March 2003 of £38.2m, or 8.1p per share. The cash held within Spuetz is not available for share buy-backs until repatriated to the UK.
- Net asset value at 31 March 2003 was 12.4p per share, compared with 13.0p as at 31 March 2002.
- SPARK's investment portfolio had a book valuation of £23.8m at 31 March 2003. The Board believes this is a conservative valuation and that, over time, the portfolio has the potential to generate a substantial return to shareholders from current levels.
- Our most significant portfolio companies are becoming well established in their sectors, with several profitable, even though exits remain difficult.
- Overheads have been reduced significantly; Group staff down to 11 from 131 at its peak in 2001. Central overheads sharply reduced and most Spuetz operations closed down or sold.
- Property management contract signed with Corpnex with expectations that SPARK will be able to recoup a significant proportion of its rental payments over time by making space available as serviced offices.
- Share buy backs remain a strategic aim but are not yet possible due to the need to provide in full for the remaining period of the lease costs and to repatriate cash to London from Spuetz.
- SPARK has a strong balance sheet with a sizeable and maturing investment portfolio and in an improving technology market, we are cautiously optimistic.

**DEAR FELLOW SHAREHOLDERS,**
It has again been a tough year but there seems to be a bit more light at the end of the tunnel now.

A noteworthy number of our portfolio companies – interestingly some we invested in first soon after SPARK was established over three years ago – are going cash break even and into profit. This demonstrates again our long held theory that early stage TMT investment takes time, even though the market expected – and saw – extraordinarily quick exits at the time of the TMT bubble.

Gratifyingly, we have had a year when SPARK's cash level has also gone up significantly thanks mainly to the sale of one of our larger group investments at well over three times book value. Increasing cash resources was by far our main strategic target for the past year and I am glad to report this has been achieved against all the odds. This is a tribute to the remarkable deal making capabilities and extraordinary experience of our team.

I would like to thank all those leaving us for their invaluable help over this last testing year. In particular, the Board wishes to thank Bruno Delacave for his sterling work as our Finance Director through a difficult period and to Susanna Freeman for her hard work as Company Secretary and head of legal services.

I would also like to thank all remaining at SPARK for their continuing energy and commitment in a very tough market.

As we look to the year ahead I doubt it will be an easy road. We are going forward with more cash but a drastically slimmed down team and much smaller premises in order to cut costs and to reflect our position today which is to focus on bringing cash back in and realising some investments in the portfolio – when and if markets allow. The stock markets for TMT are showing the first tender shoots of a revival, but the mood is still fragile.

Our portfolio spans a number of very interesting areas of TMT so it is rather well spread. We have exposure to areas as diverse as advanced programmable chip design, through consumer websites to very sophisticated and specialised business information services for the important retail and capital markets sectors. We backed all these companies when they were start-ups. But the whole TMT area is still quite weak, so exits at valuations we see as acceptable, will probably take time. However, these markets have a habit of changing very fast and they are suddenly – after three long years – looking noticeably brighter.

# Chairman's report

## Increasing cash resources was by far our main strategic target for the past year and I am glad to report this has been achieved against all the odds.

Thomas Teichman
Chairman

SPARK's stated net asset value at 31 March 2003 was 12.4p per share, compared with 13.0p as at 31 March 2002. Consolidated cash balances have risen to £52.0m from £41.8m a year earlier, largely due to the disposal of SPARK's shareholding in Tullet plc (Tullets) during the year. Approximately £46m of SPARK's consolidated cash balances are held within SPARK's 70% owned German subsidiary Spuetz AG (Spuetz). After allowing for minority interests in this cash, the cash balances attributable to SPARK shareholders as at 31 March 2003 were approximately £38.2m, or 8.1p per share. In addition, as at 31 March 2003 SPARK's investment portfolio had a book valuation of £23.8m.

As reported in our interim statement, SPARK's Board believes that our investment portfolio is now carried in our books at conservative valuations and has significant potential for capital appreciation. The portfolio comprises investments in over 40 companies. Following limited further investment during the year, we now have substantial equity stakes in a number of companies that are progressively emerging as significant players in their areas of operation. Examples include Aspex Technology (14% plus debt conversion), Synaptics (38%), Footfall (17%), Mergermarket (35%), Pricerunner (41%), DX3 (80%), Firebox (29%), WCL (32%), Kobalt Music Group (effective 45%) and Intelligent Apps (17%). All of these companies are revenue generating with strong growth potential, and several are now profitable. We believe that, over time, this portfolio has the potential to generate a substantial return to our shareholders from current levels.

We would caution, however, that the timing of any increases in book valuation cannot be predicted with certainty. We do not revalue our investment holdings upwards unless a third party valuation event justifies such an upward revaluation. Profitable companies often do not require further funding from third parties, and therefore in several cases an upward revaluation in our books may only occur on a flotation or sale of the relevant investment. Having weathered

Chief Executive Officer's report

## SPARK's Board believes that our investment portfolio is now carried in our books at conservative valuations and has significant potential for capital appreciation.

Michael Whitaker
Chief Executive Officer

the extended technology downturn, we are obviously reluctant to sell our most successful investments in trade sales near the bottom of the cycle simply to "prove" valuations, even if that were possible. We are however open to the possibility of flotations and are keeping a close eye on the state of the new issue market.

SPARK has spent much of the past 12 months further slimming down our own central operations in order to minimise costs. We have also worked to preserve and enhance our cash resources, believing that our investors would prefer this rather than our embarking on a further round of investment in new companies before a successful outcome to some of our previous investments can conclusively be demonstrated. We have been successful over the period in increasing consolidated cash balances from £41.8m to £52.0m, largely due to the disposal earlier this year of our stake in Tullets plc.

Our investment portfolio is now maturing, and therefore requires less central overhead to manage it. Similarly, the decline in new investment activity has also reduced the overall workload. In consequence, we have since the 31 March financial year-end embarked on a further round of central overhead reduction. This will result in UK executive staff being reduced to seven people, plus three in Germany – by contrast, in October 2001, at the peak of the head-count number, SPARK employed 32 staff in the UK, 86 in Germany and 13 in other overseas offices. When fully implemented this latest reduction in headcount will result in the SPARK group's operating costs, excluding property costs, falling to less than £1.5m per annum. As part of this significant re-organisation Bruno Delacave, Finance Director, and Susanna Freeman, Company Secretary, have left us, two other executives will be part-time, the management of the property and I.T. services has been outsourced and so SPARK's property management and I.T. staff are leaving. We thank them for their valuable contribution and for their hard work during the difficult period of re-organisation which we have been through.

The substantial level of operating costs shown on the face of the profit and loss account for the year ended March 2003 is not indicative of the true ongoing position. It includes the operating costs of our German broking operations which were in large part sold or discontinued during the year as part of the rationalisation of Spuetz's business following our acquisition of a controlling stake in Spuetz. It also includes substantial redundancy and re-organisation costs, bonuses payable related directly to the highly cash generative and profitable disposal of our stake in Tullets plc and substantial one-off legal fees.

As stated in our interim announcement we had already provided in full for the costs of defending a number of legal actions brought against SPARK. These legal actions have in the main related to our contested takeovers of GlobalNet Financial Inc. and Spuetz and we have viewed them as essentially spurious, but regrettably an all too common successor to contested takeover in today's litigious world. Events have borne this view out, and we are happy to report that the majority of cases have now either been dismissed or settled in our favour and our costs have been within the provisions already made. It remains our firm view that no significant liability will emerge from the few remaining cases which we are, as a matter of principle, continuing to defend.

As referred to in our interim statement and the Financial Review, our lease at Glasshouse Street has been a major problem which we have needed to resolve. As a result of the substantial reductions in the scale of our operations this property has become far too big for us. The lease has 11 years to run at a cost of over £1m per annum, and whilst our rental at £39 per square foot is not out of line with passing rentals in the Soho area it has proved difficult to sub-let the whole space on financially acceptable terms, despite strenuous efforts. Consequently, we have now signed an agreement with Corpnex to turn the space into a serviced office business. Under this agreement SPARK will remain liable for the rental cost of the property, but we believe that this solution gives us the potential to recoup a substantial proportion of our rental payments over time and is preferable to immediately surrendering the lease at substantial penalty. We will report on the progress of this venture in future statements.

Shareholders will recall that we indicated in our interim statement our desire to put SPARK in a position where it could begin

Chief Executive Officer's report

buy-backs of its own shares, possibly on a substantial scale, and this remains a strategic objective of the Board. The need to provide in full for the remaining period of the lease costs at Glasshouse Street was one obstacle to implementing such a policy. The agreement signed with Corpnex will not immediately overcome this obstacle, but if it proves successful then in time we should no longer need to provide in full for the remaining period of the lease before being able to implement a capital re-organisation and buy-backs. However the largest obstacle to implementing a buy-back policy remains the fact that the majority of our cash reserves are held within our 70% owned German subsidiary, Spuetz. Until these funds are repatriated to the UK, or until we take full ownership of Spuetz, we are unable to use these funds to finance central share buy-backs. During the last six months we have examined a large number of potential ways to overcome this obstacle, but to date we have been unable to find a solution that quickly returns the funds in full and does not involve unacceptable degrees of value "leakage" from SPARK shareholders' point of view. Spuetz is now essentially a quoted cash shell, and the corporate legal climate in Germany can often make it difficult to distribute cash from such shells in the short-term without falling foul of delaying actions from minority shareholder activists. This is a common problem in Germany, and we continue to make strenuous efforts to overcome it and are now hopeful that in due course it should prove possible to implement at least a partial solution to this problem. However we have not been prepared to countenance short-term solutions that would have involved unacceptable dilution in our attributable share of Spuetz's cash and other assets. It is regrettable that this has delayed our ability to implement share buy-backs in the UK at what could in due course prove advantageous price levels, but we believe that it has been in our shareholders' longer-term interests to maximise the value of our holdings in Spuetz even at the cost of deferring such buy-backs.

Given the discount at which SPARK shares currently trade in relation to our stated net asset value per share, we remain open to any proposals which would release value for our shareholders. To this end, we held extended takeover discussions with Collins Stewart during the year. However, this did not result in an offer for the Company at a level which we would have felt able to recommend to shareholders, particularly in the light of our view that our investment portfolio has significant potential for value increases from its current book level.

Looking to the future, the public markets in technology companies have shown notable improvements in recent months. This has not yet been fully reflected in conditions in the private equity market, where investors remain cautious of early stage technology companies and valuations remain subdued. It seems unlikely that there will be a sudden return to boom conditions and indeed certain public company valuations may have run ahead of themselves for the time being. Nevertheless, we perceive a growing realisation amongst investors that just as the bubble conditions of three years ago were unsustainable, so also the extreme pessimism towards technology companies which followed the collapse of that bubble may have been overdone. The tightness of funding conditions during the past three years has meant that those early stage technology companies which have survived and prospered during this period have tended to be fundamentally sound businesses. A number now find themselves in a relatively strong position, profitable and operating in emerging markets with fairly limited competition. This is certainly the case for several of SPARK's portfolio investments.

Surviving the unprecedented downturn of the last three years has been challenging. In common with other investors we have made mistakes, have suffered substantial portfolio write downs and have had to incur major costs in reducing the scale of our operations. Nevertheless, SPARK has emerged from the downturn with a strong balance sheet intact and with a sizeable and maturing investment portfolio which has the potential for substantial growth over time. We cannot be certain of the timing, but remain cautiously optimistic that the patience of our shareholders will be rewarded in due course.

Three and a half years into the life of the portfolio a group of companies with compelling growth stories are beginning to emerge. The balance sheet, however, reflects a prudent valuation policy where downward valuations are identified before upward valuations. Despite this, the decline in carrying values of the investments over the last year has been a relatively modest £4.9m, of which £1.5m was attributable to our listed investments, leaving only £3.4m attributable to downward valuations of our unlisted investments. Much of the reduction in the overall value of the portfolio from £33.6m to £23.8m was due to disposals, principally Tullets which had been carried at £7.3m in the March 2002 balance sheet.
The level of new investments has remained modest at £7.2m, of which only £5.2m was new cash invested and £2.0m was a reclassification of debt. These investments were made on attractive valuations for SPARK, even if this had the effect of reducing their carrying value in the balance sheet. All of the above suggest a maturing portfolio where value growth is probably not fully reflected in the balance sheet.

A more mature portfolio should provide us with opportunities to achieve realisations. However, the state of the markets over the last year have made this an unattractive time to do so, even where it is possible. In this context, the sale of Tullets for £22.2m to Collins Stewart at a valuation of three times that carried in last year's balance sheet is a particularly good result.
The slight improvement in sentiment in public markets over recent months has given us more opportunities to sell quoted investments and since the year end we have sold stakes in both Digital Animations and ADVFN at values above those reflected in the year end balance sheet.

The combination of disposals, no new investment and the inevitable closures of companies performing poorly has reduced the absolute number of holdings listed on the balance sheet to 45. Of these, at least a third are currently demonstrating the clear signs of growth in value described above that has not yet been reflected on the balance sheet. Highlights from a selection of these companies are as follows:

## Portfolio review

# The sale of Tullets for £22.2m to Collins Stewart at a valuation of three times that carried in last year's balance sheet is a particularly good result.

Andrew Carruthers
Managing Director

**Aspex Technology** has developed and produced a highly scalable, software programmable digital signal processing chip which has applications in the digital imaging, communications and security markets. Whilst the technology has been built up over more than ten years, it is only during the course of the last year that commercialisation has begun in earnest. This has involved hiring a new CEO and Chairman with extensive experience of developing businesses in this sector; building a sales and marketing capability for a market which covers the US and Japan as well as Europe; and taking the designs through a manufacturing process to produce working silicon. Each of these processes take time and represents a major step in corporate development. Aspex has achieved all three over the last year whilst also closing a major design and manufacturing contract with Philips and winning their first volume order to be delivered at the end of this calendar year.

**Mergermarket** is a leading provider of deal intelligence and data to the European investment community. It has continued to grow at an exceptional rate despite very tough conditions for the investment banks, accountants and lawyers to whom it principally sells its products. The Company is cash flow positive and shows operating profits before allowance for deferrals of revenues. Last year the Company successfully launched a dedicated product to serve hedge funds, and is currently looking to mount a significant expansion into the USA.

**FootFall** has developed an information product to measure the movement of pedestrian traffic around the retail environment. They have established themselves as the dominant provider of this information in the UK so that they are able to provide the definitive indices for retail pedestrian traffic. Customers include the largest owners of retail property as well as research and financial institutions such as the Bank of England. Expansion into France, Germany and Eastern Europe during the course of this year combined with existing presence in Spain, the Middle and Far East probably make FootFall the biggest provider of this data outside the US. The Company is cash flow break even and ahead of target to double turnover this year.

**Pricerunner** is a consumer website providing price comparison data for many categories of consumer goods. Recently rated No 1 for quality of comparisons in the UK, it is also the largest such provider in Sweden and is commencing activities in France and Germany. Pricerunner has been profitable for the last six months and retains a strong balance sheet allowing it to play a role in the likely consolidation of this sector in Europe.

**Kobalt Music Group** is an independent music publisher offering global creative and administrative services to writers, publishers and other publishing rights holders. During the year the Company successfully launched its state of the art technology platform that enables royalty collection to be faster, more transparent and more accurate. The modern centralised royalty collection infrastructure based on direct relationships with collection societies is highly cost effective and has been welcomed by the music industry. Significant progress has been made with over 80,000 copyright registrations filed worldwide and a landmark administration agreement signed with Sanctuary Music Group, the UK's largest independent record company and the world's largest independent owner of music IPR.

**Firebox** is an online and catalogue retailer of gadgets, gifts and lifestyle products aimed at the 18-34 age group. With increasing internet penetration and greater consumer confidence in online shopping, Firebox has continued to demonstrate outstanding revenue growth. During the year it has also successfully implemented a channel strategy for indirect sales and established a new source of revenue from the corporate gifts market. The business is now profitable and expected to benefit significantly from leveraging its relatively low costs of infrastructure.

**IntelligentApps** develops Business Intelligence software for companies which works with Microsoft Excel to deliver flexible and detailed reporting and analytic tools to its customers. The Company was profitable for the second quarter of 2003, with sales to major customers such as Shell, Reckitt Benckiser and The Home Office. The Company is scheduled to release a significantly improved version of its software at the end of 2003, and hopes to secure distribution partnerships with major software vendors.

**Other companies**

**Synaptics** continues to trade profitably and paid a dividend after the year end.

**DX3** concluded a significant development agreement with EUK, the UK's largest distributor of CD's and DVD's for a series of digital media products.

**WCL** has grown its revenues and applications whilst diversifying its customer base and hopes to benefit greatly from the growth of multimedia phones and enhanced mobile content.

**ADVFN** has successfully migrated itself from a consumer financial portal reliant on advertising to a subscription based site.

**Safelogic** has commercialised a series of cutting edge design tools for the Silicon industry.

**Elata** has continued to develop relationships with the major mobile network operators and will play a key part in implementing the service delivery platforms for the next generation of mobile services. It is already one of the incumbent technology platforms for Hutchinson Telecom's '3' service.

**OneEighty Software** has developed its first commercial solutions which are being trialed by several smartcard and embedded systems clients.

**Insurancewide** offers consumers insurance from the broadest range of providers in the market. It continues to increase its revenues and was profitable in the first half of this year.

On a consolidated basis, the Group closed the year with cash balances of £51.989m (2002, £41.782m), an investment portfolio valued at £23.795m (2002, £33.588m), and shareholders' funds of £58.545m (2002, £61.581m). The loss before tax amounted to £9.086m (2002, £105.004m).

During the year, the Group acquired an additional 10.8% of the share capital of Spuetz for consideration of £2,403,000 taking the SPARK stake to 70.03%. The fair values of the assets acquired was £3,580,000 giving rise to negative goodwill of £1,177,000. This negative goodwill, together with the remaining negative goodwill arising out of the acquisition of Spuetz in 2002 (£1.815m) was written back to the profit and loss account in the year.

The sale of Tullett plc for £22.2m, compared with a carrying value at 31 March 2002 of £7.334m was a highly profitable transaction which triggered a year-end bonus liability to directors and key employees of £2.548m (including employer's national insurance). This amount is included within remuneration for the year and is a major component of the Group accruals balance. Of this £2.548m it is anticipated that £1.545m will be paid in cash within nine months of the year end and the balance will be taken as a carried interest in the future success of the portfolio.

In addition to the negative goodwill written back relating to Spuetz (£2.992m), the Group has also written back the negative goodwill still carried relating to the acquisition of Globalnet Financial.com in August 2001 (£2.229m) as a result of the substantial cessation of its operations and has also written off the residual positive goodwill relating to the acquisition of Cell Ventures in 2000 of £1.339m.

As referred to in the Chief Executive Officer's Report, the property in Glasshouse Street is now excessive for our requirements. Accordingly, a provision has been made in the accounts for £1.467m to cover our estimated costs on the property, including re-fit costs, until our serviced office arrangement with Corpnex breaks even. This provision has been charged in the profit and loss account under administrative and operating costs from continuing operations.

In the year to 31 March 2003, Group operating losses from continuing operations, before goodwill amortisation, amounted to £8.200m (2002, £12.123m) while discontinued operations gave rise to operating losses, before goodwill amortisation, of £9.996m. These discontinued operations represent the operations of Spuetz AG, whose trading operations were either sold or discontinued in the year. The financial effects of the sale of Spuetz' principal trading subsidiary, Spuetz Borsenservice Gmbh are given in note 2 to the accounts.

## Financial review

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

**Thomas Teichman** (55)
Chairman
Tom was previously Chairman of NewMedia Investors Ltd, which he founded in 1996. Tom has 30 years of venture capital and investment banking experience with firms including Bankers Trust and CSFB. He has raised over £5bn in debt, equity and convertibles and has backed many successful early stage businesses all the way to flotation. These include Argonaut, ARC and lastminute.com. He has extensive venture capital experience ranging from online information, telecoms, video games and chip design to travel and software for healthcare and retailing. Appointed to the Board on 20 October 1999.

**Michael Whitaker** (48)
Chief Executive Officer
Michael was formerly co-founder and CEO of Collins Stewart, the investment bank. He has been instrumental in advising and funding a substantial number of high technology companies, both private and quoted and has extensive corporate finance and stockbroking experience. Prior to Collins Stewart, Michael was a leading technology analyst with the stockbroking firm Simon & Coates. Appointed to the Board on 27 September 1999.

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

**Joel Plasco** (32)
Executive Director
Joel previously worked in corporate finance at Collins Stewart, specialising in UK smaller quoted company equity fundraising. Joel is a practising solicitor, he qualified at City lawyers Gouldens. He is both a UK FSA and US NASD registered securities representative. Appointed to the Board on 21 January 2000.

**Tony Sarin** (41)
Non-Executive Director
Tony is founder and CEO of Numerica Group plc; previously he was founder and CEO of Softtechnet.com plc, which was acquired by SPARK. Prior to Softtechnet, he was a senior partner at Morley & Scott Chartered Accountants. He sits on various committees including one of the Bank of England's Small Business Panels and the Council of the London Chamber of Commerce and Industry. Appointed to the Board on 21 July 2000.

**John Maples** (60)
Non-Executive Director
John Maples MP, is currently Member of Parliament for Stratford-on-Avon. He is also a Member of the Foreign Affairs Select Committee and Council Member of the Royal Institute of International Affairs (Chatham House). He holds a number of other directorships including non-executive Chairman of Advanced Visual Technology Ltd and non-executive director of Value Retail plc and Agatha Christie Ltd. John is a qualified barrister. He was appointed to the Board on 30 January 2002.

**David Potter** (59)
Non-Executive Director
David is the former Deputy Chairman of Investec Bank UK following their purchase of Guinness Mahon Holdings of which he was Group Chief Executive. Previously he was Managing Director of Midland Global Corporate Banking and of Samuel Montagu. Prior to that he was a Managing Director at CSFB. He is currently a non-executive director of Noble Group, InfoCandy (Chairman), eOn Lifestyle (Chairman) and Atlantic Capital LLP (Chairman). He also serves as a member of the Council of The Centre for the Study of Financial Innovation and is Hon. Treasurer of Kings College London. Appointed to the Board on 20 March 2002.

**Andrew Betton** (32)
Company Secretary
Andy has been the Group Financial Controller of NewMedia SPARK plc since December 2000. Prior to joining SPARK he gained six years extensive audit, accountancy and taxation experience in an accountancy practice followed by two years commercial experience in a quoted shipbroking firm. Andy qualified as a Chartered Accountant in 1996 and holds an economics degree from the University of Cambridge.

# Directors

## Officers and professional advisers

**Directors**

| | |
|---|---|
| A.B. Carruthers | |
| B.D.G. Delacave | resigned 31 July 2003 |
| J.C. Maples | |
| J.D. Plasco | |
| D.R.W. Potter | |
| T.D. Sarin | |
| T.A. Teichman | |
| M.K. Whitaker | |

**Secretary**

| | |
|---|---|
| S.E.G. Freeman | resigned 27 August 2003 |
| A.D.N. Betton | appointed 27 August 2003 |

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

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

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

**Auditors**
Deloitte & Touche LLP
London

# DIRECTORS' REPORT

The directors present their Annual Report and audited financial statements for the year ended 31 March 2003.

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

**Review of developments**
In the year ended 31 March 2003, NewMedia SPARK Holdings Gmbh (a wholly owned subsidiary of NewMedia SPARK plc) acquired an additional 10.8% stake in the share capital of Spuetz AG. Decisive steps have been taken to rationalise this business and extract value from the acquisition by closing unprofitable activities and selling non-core assets. This has included selling Spuetz Borsenservice Gmbh in December 2002 and selling all remaining substantial investments, including the 11% stake in Tulletts. Spuetz is now effectively a quoted cash shell with one full-time employee.

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

**Dividends**
The directors do not propose a dividend for the year ended 31 March 2003 (2002, £nil).

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

**Share price**
The average share price of NewMedia SPARK plc quoted ordinary shares in the year ended 31 March 2003 was 8.125 pence. In the year the share price reached a maximum of 10.5 pence and a minimum of 6.5 pence. The closing share price on 31 March 2003 was 7.25 pence.

**Directors and their interests**
The directors serving during the year ended 31 March 2003 had the following interests in the share capital of the Company:

| | Beneficial holdings | | Founder warrants[1] | | Warrants[2] | | Options[3] | |
|---|---|---|---|---|---|---|---|---|
| | 2003 Number | 2002 Number | 2003 % share capital attributable to warrants | 2002 % share capital attributable to warrants | 2003 Number | 2002 Number | 2003 Number | 2002 Number |
| T.A. Teichman[4] | 24,330,954 | 24,330,954 | 1.42 | 1.42 | 964,666 | 964,666 | 840,000 | 840,000 |
| M.K. Whitaker[5] | 18,880,551 | 18,880,551 | 2.40 | 2.40 | 2,813,332 | 2,813,332 | 840,000 | 840,000 |
| A.B. Carruthers[6] | 2,800,000 | 2,800,000 | 0.75 | 0.75 | 280,000 | 280,000 | 840,000 | 840,000 |
| T.D. Sarin | 720,000 | 720,000 | – | – | 2,046,666 | 2,046,666 | 250,000 | – |
| B.D.G. Delacave | 50,000 | 50,000 | 0.25 | 0.25 | – | – | 2,340,000 | 2,340,000 |
| J.D. Plasco | 18,578 | 18,578 | 1.00 | 1.00 | 1,857 | 1,857 | 840,000 | 840,000 |
| J.C. Maples | – | – | – | – | – | – | 250,000 | – |
| D.R.W. Potter | 125,000 | – | – | – | – | – | 250,000 | – |

## DIRECTORS' REPORT CONTINUED

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

2 Warrants entitle the holder to subscribe for ordinary shares at the price of 75 pence per share. They could be exercised at any time between 27 June 2000 and 6 July 2003 and have lapsed since the year end.

3 Options were granted under the SPARK Unapproved Share Option Schemes through the SPARK Employee Benefit Trust with an exercise price of 2.5 pence per option. No directors exercised options during the year.

4 T.A. Teichman is interested in 21,450,954 ordinary shares and 0.92% of the relevant share capital and in 676,666 warrants held in each case by Glasshouse Associates Ltd, a company of which he is the controlling shareholder; and is also interested in 2,880,000 ordinary shares and 0.5% of the relevant share capital and in 288,000 warrants held in each case by the trustees of The Texas Family Trust of which he is a beneficiary.

5 Grey Holdings sprl, in which M.K. Whitaker is beneficially interested, owns 13,133,320 ordinary shares and 1.65% of the relevant share capital and 1,313,332 warrants; and Sun Life Pension Management a/c 380, in which M.K. Whitaker is beneficially interested, owns 5,747,231 ordinary shares and 1,500,000 warrants.

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

**Suppliers**
The Group agrees payment terms and conditions with individual suppliers which vary according to the commercial relationship and the terms of the agreements reached. It is the policy of the Group that, whenever possible, payments to suppliers are made in accordance with the terms agreed. The average time taken to pay purchase invoices by the Company is 28 days (2002, 34 days).

**Auditors**
On 1 August 2003, Deloitte & Touche, the Company's auditors transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 26(5) of the Companies Act 1989. A resolution to re-appoint Deloitte & Touche LLP as the Company's auditor will be proposed at the forthcoming Annual General Meeting.

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

A.D.N. Betton
Company Secretary

25 September 2003

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

Deloitte
& Touche

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

We have audited the financial statements of NewMedia SPARK plc for the year ended 31 March 2003 which comprise the consolidated statement of total recognised gains and losses, the reconciliation of movement in consolidated shareholders' funds, the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement and notes to the consolidated cash flow statement, and the related notes 1 to 24. These financial statements have been prepared under the accounting policies set out therein.

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

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

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

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

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

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

**Opinion**
In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 March 2003 and of the loss of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London

25 September 2003

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

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

## CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

**year ended 31 March 2003**

| | Note | Year ended 31 March 2003 £'000 | Year ended 31 March 2002 £'000 |
|---|---|---|---|
| Loss for the year | | (9,030) | (104,248) |
| Unrealised loss on investments | 20 | (4,560) | (48,570) |
| Previously unrealised losses now deemed permanent | 20 | 7,704 | 10,036 |
| Deemed remuneration on transfer of founder warrants | | – | 119 |
| Foreign currency translation | | 2,850 | (457) |
| **Total recognised gains and losses for the year** | | (3,036) | (143,120) |

## RECONCILIATION OF MOVEMENTS IN CONSOLIDATED SHAREHOLDERS' FUNDS

**year ended 31 March 2003**

| | Note | Year ended 31 March 2003 £'000 | Year ended 31 March 2002 £'000 |
|---|---|---|---|
| Loss for the year | | (9,030) | (104,248) |
| Other recognised gains/(losses) for the year | | 5,994 | (38,872) |
| Cancellation of shares | 19 | – | (2,987) |
| Proceeds of issues of shares | 19 | – | 4 |
| Net reduction to shareholders' funds | | (3,036) | (146,103) |
| Opening shareholders' funds | | 61,581 | 207,684 |
| **Closing shareholders' funds** | | 58,545 | 61,581 |

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

**year ended 31 March 2003**

| | | Year ended 31 March 2003 | | | Year ended 31 March 2002 | | |
|---|---|---|---|---|---|---|---|
| | Note | Continuing operations £'000 | Discontinued operations £'000 | Total £'000 | Continuing operations £'000 | Discontinued operations £'000 | Total £'000 |
| Turnover | | – | 1,295 | 1,295 | – | 3,008 | 3,008 |
| Administrative expenses: | | | | | | | |
| Salaries and other staff costs | 5 | 5,131 | 3,230 | 8,361 | 5,125 | 3,412 | 8,537 |
| Administrative and operating costs | | 2,122 | 6,048 | 8,170 | 5,312 | 1,683 | 6,995 |
| Amortisation of positive goodwill | 10 | 1,338 | – | 1,338 | 15,661 | – | 15,661 |
| Amortisation of negative goodwill | 10 | – | (5,221) | (5,221) | (719) | (9,288) | (10,007) |
| Depreciation | 11 | 487 | 428 | 915 | 351 | 603 | 954 |
| Other costs | | 1,110 | 1,585 | 2,695 | 2,478 | 1,086 | 3,564 |
| **Total administrative expenses** | | 10,188 | 6,070 | 16,258 | 28,208 | (2,504) | 25,704 |
| Other operating income | | 650 | – | 650 | 1,143 | – | 1,143 |
| Operating loss | 6 | (9,538) | (4,775) | (14,313) | (27,065) | 5,512 | (21,553) |
| Gain/(loss) on investments | | | | 3,943 | | | (85,859) |
| Interest receivable and similar income | 7 | | | 1,284 | | | 2,408 |
| **Loss on ordinary activities before taxation** | | | | (9,086) | | | (105,004) |
| Tax on loss on ordinary activities | 8 | | | 330 | | | (1,090) |
| **Loss on ordinary activities after taxation** | | | | (8,756) | | | (106,094) |
| Equity minority interests | 21 | | | (274) | | | 1,846 |
| **Retained loss for the year** | 20 | | | (9,030) | | | (104,248) |
| **Basic and diluted loss per ordinary share** | 9 | | | (1.96p) | | | (22.32p) |

# CONSOLIDATED BALANCE SHEET

**as at 31 March 2003**

| | Note | 31 March 2003 £'000 | 31 March 2002 £'000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Intangible fixed assets: | | | |
| Positive goodwill | 10 | – | 1,338 |
| Negative goodwill | 10 | – | (4,044) |
| | | – | (2,706) |
| Tangible fixed assets | 11 | 1,372 | 2,442 |
| Investments | 12 | 25,408 | 38,816 |
| | | 26,780 | 38,552 |
| **Current assets** | | | |
| Debtors | 14 | 3,930 | 8,696 |
| Current asset investments | | – | 988 |
| Cash at bank and in hand | | 51,989 | 41,782 |
| | | 55,919 | 51,466 |
| **Creditors: amounts falling due within one year** | 15 | (7,260) | (10,160) |
| **Net current assets** | | 48,659 | 41,306 |
| **Total assets less current liabilities** | | 75,439 | 79,858 |
| **Provisions for liabilities and charges** | 16 | (3,660) | (3,684) |
| Equity minority interests | 21 | (13,234) | (14,593) |
| **Net assets** | 4 | 58,545 | 61,581 |
| **Capital and reserves** | | | |
| Called-up share capital | 19 | 11,799 | 11,799 |
| Share premium account | 20 | 183,365 | 183,365 |
| Revaluation reserve | 20 | (44,192) | (47,336) |
| Capital reserve | 20 | 8,391 | 8,391 |
| Profit and loss account | 20 | (100,818) | (94,638) |
| **Equity shareholders' funds** | | 58,545 | 61,581 |

These financial statements were approved by the Board of directors on 25 September 2003.

Signed on behalf of the Board of directors

M.K. Whitaker
Chief Executive Officer

# COMPANY BALANCE SHEET

**as at 31 March 2003**

| | Note | 31 March 2003 £'000 | 31 March 2002 £'000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Fixed asset investments | 12 | 18,663 | 21,226 |
| Investments in subsidiary undertakings | 13 | 61,143 | 61,143 |
| | | 79,806 | 82,369 |
| **Current assets** | | | |
| Debtors | 14 | 46,934 | 45,194 |
| Cash at bank and in hand | | 5,726 | 16,401 |
| | | 52,660 | 61,595 |
| **Creditors: amounts falling due within one year** | 15 | (108,747) | (109,130) |
| **Net current assets** | | (56,087) | (47,535) |
| **Provisions for liabilities and charges** | 16 | (2,212) | (2,400) |
| **Net assets** | | 21,507 | 32,434 |
| **Capital and reserves** | | | |
| Called-up share capital | 19 | 11,799 | 11,799 |
| Share premium account | 20 | 183,365 | 183,365 |
| Revaluation reserve | 20 | (11,840) | (14,293) |
| Capital reserve | 20 | 8,391 | 8,391 |
| Profit and loss account | 20 | (170,208) | (156,828) |
| **Equity shareholders' funds** | | 21,507 | 32,434 |

These financial statements were approved by the Board of directors on 25 September 2003.

Signed on behalf of the Board of directors

M.K. Whitaker
Chief Executive Officer

# CONSOLIDATED CASH FLOW STATEMENT

**year ended 31 March 2003**

| | Note | Year ended 31 March 2003 £'000 | Year ended 31 March 2002 £'000 |
|---|---|---|---|
| Net cash outflow from operating activities | A | (12,693) | (9,369) |
| **Returns on investments and servicing of finance** | | | |
| Interest received | | 1,284 | 2,407 |
| **Net cash inflow from returns on investments and servicing of finance** | | 1,284 | 2,407 |
| **Taxation** | | | |
| UK Corporation Tax recovered/(paid) | | 118 | (93) |
| **Net cash inflow/(outflow) from taxation** | | 118 | (93) |
| **Capital expenditure and financial investment** | | | |
| Payments to acquire tangible fixed assets | | (68) | (904) |
| Proceeds from disposal of fixed assets | | 264 | – |
| Payments to acquire investments | | (8,347) | (27,688) |
| Receipts from sales of investments | | 28,351 | 27,723 |
| **Net cash inflow/(outflow) from investing activities** | | 20,200 | (869) |
| **Acquisitions and disposals** | | | |
| Purchase of subsidiary undertakings | | – | (28,412) |
| Sale of subsidiary undertaking | | 3,517 | – |
| Purchase of minority interest | | (2,645) | – |
| Net cash (sold)/acquired with subsidiaries | | (2,901) | 1,550 |
| **Net cash outflow from acquisitions and disposals** | | (2,029) | (26,862) |
| **Increase/(decrease) in cash in the year** | B,C | 6,880 | (34,786) |

# NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
**year ended 31 March 2003**

## Note A
**Reconciliation of operating loss to net cash outflow from operating activities**

| | Year ended 31 March 2003 £'000 | Year ended 31 March 2002 £'000 |
|---|---|---|
| Operating loss | (14,313) | (21,553) |
| Depreciation charge | 915 | 954 |
| Amortisation | (3,883) | 5,654 |
| Decrease in debtors | 5,612 | 5,101 |
| (Decrease)/increase in creditors | (1,639) | 294 |
| Loss on disposal of current asset investments | – | 177 |
| Non-cash remuneration | 615 | 544 |
| Loss on loans to Spanish operation | – | (540) |
| Net cash outflow from operating activities | (12,693) | (9,369) |

## Note B
**Reconciliation of net cash flow to movement in net funds**

| | Year ended 31 March 2003 £'000 | Year ended 31 March 2002 £'000 |
|---|---|---|
| Increase/(decrease) in cash in the year | 6,880 | (34,786) |
| Foreign exchange differences | 3,327 | – |
| Movement in net funds in the year | 10,207 | (34,786) |
| Opening net funds | 41,782 | 76,568 |
| Closing net funds | 51,989 | 41,782 |

## Note C
**Analysis of changes in net funds**

| | 31 March 2002 £'000 | Cash flows £'000 | Foreign exchange differences £'000 | 31 March 2003 £'000 |
|---|---|---|---|---|
| Cash at bank and in hand | 41,782 | 6,880 | 3,327 | 51,989 |
| | 41,782 | 6,880 | 3,327 | 51,989 |

## Note D
Of the consolidated group cash balances at 31 March 2003 of £51.989m, £45.893m is held within our 70% owned German subsidiary, Spuetz AG. After allowing for the minority interest in the cash, the cash attributable to SPARK shareholders was approximately £38.221m. Until the cash balances in Spuetz are repatriated to the UK, we are unable to use these funds to finance central share buy-backs.

# NOTES TO THE ACCOUNTS

**for the year ended 31 March 2003**

## 1. ACCOUNTING POLICIES

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

### Accounting convention

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

### Subsidiary and associated undertakings

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

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

Further, the directors believe that consolidating such investments that fall within the definition of subsidiary undertakings would again not give a true and fair view of the value generated from the investment activities of the Group, since this is better measured by the inclusion of profits or losses on the disposal of such investments in the profit and loss account. This treatment represents the application of the true and fair override to the requirements of Financial Reporting Standard 2 – Accounting for subsidiary undertakings. It is impracticable to quantify the effect of these departures on the profit and loss account and balance sheet for the years ended 31 March 2003 and 31 March 2002.

### Acquisitions, disposals and goodwill

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

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

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

### Tangible fixed assets

Depreciation is provided on cost in equal instalments over the estimated useful lives of the assets. The annual rates of depreciation are as follows:

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

# NOTES TO THE ACCOUNTS CONTINUED
for the year ended 31 March 2003

## 1. ACCOUNTING POLICIES CONTINUED

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

### Leases
Operating lease rentals are charged to the profit and loss account in equal annual amounts over the lease term.

### Investments
Investments are included at valuation on the following bases:

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

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

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

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

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

## 2. ACQUISITIONS AND DISPOSALS

### Spuetz AG
During the year, the Group acquired an additional 10.8% of the share capital of Spuetz for consideration of £2,403,000 taking the SPARK stake to 70.03%. The fair values of the assets acquired were £3,580,000 giving rise to negative goodwill of £1,177,000. The acquisition has been accounted for using the acquisition method of accounting. The negative goodwill arising on the transaction has been capitalised in the consolidated balance sheet and subsequently written off to the profit and loss account following the sale of the Spuetz stake in Tulletts plc.

### Spuetz Borsenservice Gmbh
On 31 December 2002, Spuetz AG sold its principal trading subsidiary, Spuetz Borsenservice Gmbh, for consideration of €5,602,000 (£3,863,000) of which €5,102,000 (£3,517,000) had been received before the year end. The net assets sold at 31 December 2002 totalled €4,602,000 (£3,174,000) leading to a group profit on disposal of €1,000,000 (£689,655).

Included within the net assets sold were cash balances of €4,078,000 (£2,812,000). In the year to 31 December 2002, Spuetz Borsenservice Gmbh made a loss of €1,170,000 (£807,000).

# NOTES TO THE ACCOUNTS CONTINUED

**for the year ended 31 March 2003**

## 3. COMPANY PROFIT AND LOSS ACCOUNT

The Group has taken advantage of the exemption conferred by s230 CA 1985 to not disclose a full profit and loss account for the parent Company. The parent Company's loss for the year was £13.380m (2002, loss of £155.539m).

## 4. SEGMENTAL ANALYSIS

The Group's activities are carried on both in the UK and outside the UK. At 31 March 2003, Europe includes Sweden, Spain and Germany. The Group exercises the same principal activity across all these regions, making investments for long-term gains.

| | Year ended 31 March 2003 | | | Year ended 31 March 2002 | | |
|---|---|---|---|---|---|---|
| | UK £'000 | Europe and other £'000 | Total £'000 | UK £'000 | Europe and other £'000 | Total £'000 |
| (Loss)/profit before tax | (17,380) | 8,293 | (9,087) | (45,840) | (59,164) | (105,004) |
| Net assets | 23,227 | 35,318 | 58,545 | 55,585 | 5,996 | 61,581 |

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

## 5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

| | 31 March 2003 £'000 | 31 March 2002 £'000 |
|---|---|---|
| Directors' remuneration | | |
| Fees | 61 | 59 |
| Other emoluments | | |
| Basic salaries | 370 | 624 |
| Other cash emoluments | 1,214 | 319 |
| Non-cash emoluments | 1,049 | 128 |
| | 2,694 | 1,130 |
| Total attributable to highest paid director | 800 | 317 |

Included within the total emoluments of the highest paid director shown above are pension contributions of £5,812 (2002, £8,750) and non-cash emoluments of £342,000 (2002, £46,000). The highest paid director for the year ended 31 March 2003 is no longer employed by the Company.

| | 31 March 2003 £'000 | 31 March 2002 £'000 |
|---|---|---|
| Staff costs (including directors) | | |
| Wages and salaries | 6,766 | 6,855 |
| Social security costs | 695 | 642 |
| Pension costs | 138 | 147 |
| | 7,599 | 7,644 |

Three directors benefit from the Company's pension contributions to money purchase pension schemes.

| | Year ended 31 March 2003 Number | Year ended 31 March 2002 Number |
|---|---|---|
| Average number of persons employed (including directors) | | |
| Administration | 89 | 93 |

The average number of persons employed as shown above does not give a fair reflection of the numbers employed by the Group as at 31 March 2003. At 31 March 2003 the Group employed 20 persons, with 16 of these based in the UK, and three of these 16 being the non-executive directors.

Since the year end, the UK head-count has reduced by four leaving seven full-time employees and two part-time executive directors employed in the UK.

# NOTES TO THE ACCOUNTS CONTINUED
for the year ended 31 March 2003

## 6. OPERATING LOSS

| | Year ended 31 March 2003 £'000 | Year ended 31 March 2002 £'000 |
|---|---|---|
| Operating loss is after charging/(crediting): | | |
| Depreciation and amortisation – owned assets | 915 | 954 |
| Goodwill amortisation | | |
| Arising on positive purchased goodwill | 1,338 | 15,661 |
| Arising on negative purchased goodwill | (5,221) | (10,007) |
| Rentals under operating leases | | |
| Other operating leases | 1,338 | 1,494 |
| Auditors' remuneration | | |
| Audit fees (Company £50,000; 2002, £40,000) | 185 | 162 |
| Other services | 244 | 175 |

## 7. INTEREST RECEIVABLE AND SIMILAR INCOME

| | Year ended 31 March 2003 £'000 | Year ended 31 March 2002 £'000 |
|---|---|---|
| Bank deposits | 1,284 | 2,408 |

## 8. TAX ON LOSSES ON ORDINARY ACTIVITIES

| | Year ended 31 March 2003 £'000 | Year ended 31 March 2002 £'000 |
|---|---|---|
| United Kingdom Corporation Tax at 30% based on the loss for the year | – | – |
| Adjustments in respect of prior years | (116) | (115) |
| Foreign tax for current period | (93) | (975) |
| Adjustments in respect of prior years | 539 | – |
| | 330 | (1,090) |

The tax assessed for the year is higher than that resulting from applying the standard rate of Corporation Tax in the UK: 30% (2002, 30%). The differences are explained below:

| | Year ended 31 March 2003 £'000 | Year ended 31 March 2002 £'000 |
|---|---|---|
| Loss on activities in the year | (9,086) | (105,004) |
| Tax at 30% thereon: | 2,726 | 31,501 |
| Effects of: | | |
| Permanent differences | 1,102 | (2,085) |
| Impairment of investments | (3,121) | (25,758) |
| Short-term timing differences | 401 | 988 |
| Non taxable profit on disposals | 5,287 | – |
| Chargeable gains | – | (1,590) |
| Higher tax on overseas gains | – | (340) |
| Utilisation of losses brought forward | – | 260 |
| Unutilised losses | (6,488) | (3,951) |
| Adjustments in respect of prior years | 423 | (115) |
| Current tax charge for the year | 330 | (1,090) |

### Deferred tax
No deferred tax asset has been recognised on unutilised taxable losses; the potential unrecognised asset is £26.024m (2002, £14.083m).

# NOTES TO THE ACCOUNTS CONTINUED

**for the year ended 31 March 2003**

## 9. LOSS PER ORDINARY SHARE

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

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

| | Year ended 31 March 2003 £'000 | Year ended 31 March 2002 £'000 |
|---|---|---|
| Loss for the year | (9,030) | (104,248) |
| Basic and diluted losses attributable to ordinary shareholders | (9,030) | (104,248) |
| Weighted average number of ordinary shares ('000) | 460,966 | 467,109 |
| Loss per share | (1.96p) | (22.32p) |
| Diluted loss per share | (1.96p) | (22.32p) |

## 10. INTANGIBLE FIXED ASSETS

| Group | Positive goodwill £'000 | Negative goodwill £'000 | Total £'000 |
|---|---|---|---|
| Cost: | | | |
| At 1 April 2002 | 19,213 | (14,107) | 5,106 |
| Additions in year | – | (1,177) | (1,177) |
| As at 31 March 2003 | 19,213 | (15,284) | 3,929 |
| Accumulated depreciation: | | | |
| At 1 April 2002 | 17,875 | (10,063) | 7,812 |
| Charge/(credit) for the period | 1,338 | (5,221) | (3,883) |
| As at 31 March 2003 | 19,213 | (15,284) | 3,929 |
| Net book value: | | | |
| As at 31 March 2002 | 1,338 | (4,044) | (2,706) |
| As at 31 March 2003 | – | – | – |

The negative goodwill relating to Spuetz was written back to the profit and loss account in the year following the sale of Tullett plc to Collins Stewart which represented Spuetz' last substantial non-cash asset. The negative goodwill relating to Globalnet Financial.com Inc was written back to the profit and loss account as operations have substantially ceased in the year.

# NOTES TO THE ACCOUNTS CONTINUED
for the year ended 31 March 2003

## 11. TANGIBLE FIXED ASSETS

| Group | Leasehold improvements £'000 | Furniture, fixtures and equipment £'000 | Office equipment and software £'000 | Motor vehicles £'000 | Total £'000 |
|---|---|---|---|---|---|
| **Cost:** | | | | | |
| At 1 April 2002 | 1,704 | 703 | 5,293 | 328 | 8,028 |
| Additions | 16 | 37 | 15 | – | 68 |
| Disposals | (789) | – | (5,013) | (272) | (6,074) |
| Asset re-classification | – | 188 | (188) | – | – |
| Foreign exchange difference | 104 | 40 | 590 | 40 | 774 |
| **At 31 March 2003** | **1,035** | **968** | **697** | **96** | **2,796** |
| **Accumulated depreciation:** | | | | | |
| At 1 April 2002 | 829 | 252 | 4,311 | 194 | 5,586 |
| Charged for the year | 104 | 299 | 470 | 42 | 915 |
| Released on disposal | (751) | – | (4,785) | (184) | (5,720) |
| Asset re-classification | – | 37 | (37) | – | – |
| Foreign exchange difference | 89 | 14 | 517 | 23 | 643 |
| **At 31 March 2003** | **271** | **602** | **476** | **75** | **1,424** |
| **Net book value:** | | | | | |
| At 31 March 2002 | 875 | 451 | 982 | 134 | 2,442 |
| **At 31 March 2003** | **764** | **366** | **221** | **21** | **1,372** |

The Group and Company do not hold any assets under finance leases.

# NOTES TO THE ACCOUNTS CONTINUED

**for the year ended 31 March 2003**

## 12. INVESTMENTS

| Portfolio company name | Country of incorp. | % equity 31 March 2003 | Value at 31 March 2002 £'000 | Forex adjustment[1] £'000 | Year ended 31 March 2003 Additions £'000 | Disposals £'000 | Revaluations £'000 | Value at 31 March 2003 £'000 |
|---|---|---|---|---|---|---|---|---|
| ASPEX Technology | UK | 14.06 | 2,375 | – | 1,881 | – | – | 4,256 |
| Synaptics | UK | 38.46 | 2,885 | – | – | – | – | 2,885 |
| Footfall | UK | 17.46 | 1,740 | – | 250 | – | 460 | 2,450 |
| Rok Group Ltd | UK | 21.10 | – | – | 2,050 | – | 395 | 2,445 |
| Mergermarket | UK | 34.72 | 2,625 | – | – | – | (281) | 2,344 |
| SPARK idea holding SA | Belgium | 50.60 | 380 | – | – | – | 921 | 1,301 |
| Pricerunner | Sweden | 40.70 | 969 | 99 | – | – | – | 1,068 |
| OneEighty Software | UK | 39.25 | 712 | – | 78 | – | 45 | 835 |
| DX3 | UK | 80.34 | 1,607 | – | 1,112 | – | (1,917) | 802 |
| Firebox | UK | 29.43 | 70 | – | – | – | 578 | 648 |
| Digital Animations | UK | 11.46 | 1,215 | – | – | – | (592) | 623 |
| Elata | UK | 4.84 | 500 | – | – | – | – | 500 |
| WCL | UK | 31.70 | – | – | 459 | – | (9) | 450 |
| Kobalt Music Group | UK | 8.35 | – | – | 400 | – | 20 | 420 |
| NewMedia Heads | UK | 46.50 | 374 | – | – | – | – | 374 |
| IMI | India | 35.72 | 300 | – | – | – | – | 300 |
| ADVFN.com | UK | 9.52 | 813 | – | – | – | (535) | 278 |
| Berry Birch & Noble | UK | 0.74 | 599 | – | – | – | (326) | 273 |
| Safelogic | Sweden | 40.00 | 379 | – | 219 | – | (330) | 268 |
| Freesourcing | Sweden | 8.41 | 233 | – | – | – | – | 233 |
| EO PLC | UK | 39.52 | 1,600 | – | – | (1,563) | 164 | 201 |
| Touch Clarity | UK | 14.50 | 252 | – | 201 | – | (263) | 190 |
| Start and Run | Sweden | 41.17 | 140 | 14 | 23 | – | – | 177 |
| Intelligent Apps | UK | 16.67 | 1,259 | – | – | – | (1,134) | 125 |
| Insurancewide | UK | 30.00 | 53 | – | – | – | 62 | 115 |
| Cyber Initiatives (India) Ltd | India | 12.41 | 81 | – | – | – | – | 81 |
| Travelstore | UK | 3.51 | 64 | – | – | – | (1) | 63 |
| Jetweb | Sweden | 0.80 | 50 | – | 25 | (36) | – | 39 |
| Advanced Visual Technology | UK | 0.81 | 32 | – | – | – | – | 32 |
| QSA Limited | UK | 3.24 | 439 | – | – | – | (425) | 14 |
| Sutton Online | USA | 2.00 | – | – | – | – | 4 | 4 |
| Redbus | UK | 0.04 | 4 | – | – | – | (3) | 1 |
| | | | 21,750 | 113 | 6,698 | (1,599) | (3,167) | 23,795 |
| Other companies with nil value (including those sold in the year) | | | 11,839 | 412 | 542 | (11,257) | (1,536) | – |
| TOTAL portfolio | | | 33,589 | 525 | 7,240 | (12,856) | (4,703) | 23,795 |
| NewMedia SPARK plc[2] | | | 2,206 | – | – | – | (1,290) | 916 |
| Spuetz AG (own shares held as Treasury Stock) | | | 840 | 108 | 686 | (948) | – | 686 |
| German company and government bonds | | | 2,171 | 279 | – | (2,450) | – | – |
| Sundry other investments[3] | | | 10 | – | 1 | – | – | 11 |
| TOTAL | | | 38,816 | 912 | 7,927 | (16,254) | (5,993) | 25,408 |

1 Adjustment of opening foreign currency balance for closing exchange rate.
2 Held by the NewMedia SPARK Employee Benefit Trust.
3 Sundry other investments includes dormant Swedish companies Adress Direkt, Cell ICD 1 I stockholm ab, Cell site, Cell ventures and Handelspats 1 pa Natet as well as SPARK inversiones as and SPARK BV.

# NOTES TO THE ACCOUNTS CONTINUED
**for the year ended 31 March 2003**

## 12. INVESTMENTS CONTINUED

Five investments held at 31 March 2003 (2002, nine) were listed and, at that time, had a market value of £1.179m (2002, £4.021m).

Of the total net revaluation differences the realised profit of £3.943m (2002, £85.859m loss) has been accounted for in the Profit and Loss Account and the unrealised gain of £3.144m (2002, £38.534m loss) has been accounted for in the Statement of Total Recognised Gains and Losses.

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

The Group owns certain investments, (namely DX3 Holding Limited, eTV Solutions AB, SPARK idea holding SA, SPARK idea management S.A. and ASPEX Technology Ltd), that Financial Reporting Standard 2 requires to be treated as subsidiary undertakings and therefore accounted for using the acquisition method of accounting. The directors believe that acquisition accounting for such investments would not give a true and fair view, as these investments are held and managed in order to maximise capital return and it is the directors' intention to crystallise this return via a suitable exit route when appropriate. This treatment represents the application of the true and fair override to the requirements of Financial Reporting Standard 2. It is impractical to quantify the impact of these departures on the profit and loss account and the balance sheet for the years ended 31 March 2003 and 31 March 2002.

As at 31 March 2003, DX3 Holding Limited has a loss before tax of £1.800m for the year ended 31 March 2003 and a total shareholders deficit of £1.068m; eTV Solutions AB had a loss for the year ended 31 December 2002 of £0.034m and a total shareholders deficit of £0.026m; and ASPEX Technology Ltd had a loss for the year ended of £1.344m and negative total capital and reserves of £3.359m. SPARK idea holding S.A. and SPARK idea management S.A. are not material to the Group.

| **Investments (Company)** | 31 March 2003 £'000 | 31 March 2002 £'000 |
|---|---|---|
| **Cost:** | | |
| At 1 April | 21,226 | 52,132 |
| Additions | 6,722 | 20,093 |
| Unrealised and realised revaluation | (6,499) | (46,430) |
| Disposals | (2,786) | (4,569) |
| Cost at 31 March | 18,663 | 21,226 |

## 13. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

| **Company** | 31 March 2003 £'000 | 31 March 2002 £'000 |
|---|---|---|
| **Cost:** | | |
| At 1 April | 61,143 | 171,404 |
| Additions | – | 9,546 |
| Write-down of subsidiary undertakings | – | (119,807) |
| Cost at 31 March | 61,143 | 61,143 |

# NOTES TO THE ACCOUNTS CONTINUED

**for the year ended 31 March 2003**

## 13. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS CONTINUED

The Company's principal subsidiary undertakings as included in the consolidation at 31 March 2003, 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 Sweden AB | Sweden | Investment | Ordinary | 100 |
| Softtechnet.com plc | UK | Investment | Ordinary | 100 |
| SPARK Investors Ltd | UK | Investment | Ordinary | 100 |
| SPARK Services Ltd | UK | Business services | Ordinary | 100 |
| Internet Indirect plc | UK | Investment | Ordinary | 100 |
| GlobalNet Financial.com Inc | USA | Finance | Ordinary | 100 |
| SPARK GmbH | Germany | Investment | Ordinary | 100 |
| NewMedia SPARK Holdings GmbH | Germany | Investment | Ordinary | 100 |
| NewMedia SPARK BV | Holland | Investment | Ordinary | 100 |
| NewMedia SPARK Holdings GmbH owns: | | | | |
| Spuetz AG | Germany | Finance | Ordinary | 70.03 |

## 14. DEBTORS

| | Group 31 March 2003 £'000 | Group 31 March 2002 £'000 | Company 31 March 2003 £'000 | Company 31 March 2002 £'000 |
|---|---|---|---|---|
| Trade debtors | 439 | 805 | 605 | 38 |
| Prepayments and accrued income | 518 | 513 | 62 | – |
| Other debtors | 1,640 | 1,636 | 45 | 18 |
| Amounts owed by subsidiary undertakings | – | – | 45,755 | 42,459 |
| Restricted cash | 413 | 5,547 | 413 | 2,613 |
| Overseas taxation | 593 | – | – | – |
| Other taxation and social security | 327 | 195 | 54 | 66 |
| | 3,930 | 8,696 | 46,934 | 45,194 |

The Group restricted cash represents amounts deposited with third parties as security for trading operations £nil (2002, £4.984m), security for property leases £0.413m (2002, £0.413m) and a guarantee to the liquidator of SPARK inversiones s.l. of £nil (2002, £0.15m).

The restricted cash includes lease deposits recoverable in greater than five years of £0.413m.

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

| | Group 31 March 2003 £'000 | Group 31 March 2002 £'000 | Company 31 March 2003 £'000 | Company 31 March 2002 £'000 |
|---|---|---|---|---|
| Trade creditors | 883 | 1,761 | 90 | 97 |
| Corporation tax | 274 | 25 | – | – |
| Overseas taxation | – | 1,100 | – | – |
| Other taxation and social security | 77 | 69 | 31 | 64 |
| Other creditors | 526 | 2,835 | 125 | 24 |
| Amounts owed to fellow subsidiary companies | – | – | 108,315 | 108,667 |
| Accruals and deferred income | 5,500 | 4,370 | 186 | 278 |
| | 7,260 | 10,160 | 108,747 | 109,130 |

# NOTES TO THE ACCOUNTS CONTINUED
for the year ended 31 March 2003

## 16. PROVISIONS FOR LIABILITIES AND CHARGES

| Group | Onerous leases £'000 | Claims and associated legal costs £'000 | Total £'000 |
|---|---|---|---|
| Provision as at 1 April 2002 | – | 3,684 | 3,684 |
| Provision made in year | 1,467 | – | 1,467 |
| Utilisation of provision | – | (680) | (680) |
| Release of provision | – | (975) | (975) |
| Foreign exchange differences | – | 164 | 164 |
| Provision as at 31 March 2003 | 1,467 | 2,193 | 3,660 |

| Company | Onerous leases £'000 | Claims and associated legal costs £'000 | Total £'000 |
|---|---|---|---|
| Provision as at 1 April 2002 | – | 2,400 | 2,400 |
| Provision made in year | 1,467 | – | 1,467 |
| Utilisation of provision | – | (680) | (680) |
| Release of provision | – | (975) | (975) |
| Provision as at 31 March 2003 | 1,467 | 745 | 2,212 |

The provision made for onerous leases covers the fit-out costs and an estimate of the likely future losses until the new serviced office arrangement breaks even at 33 Glasshouse Street.

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

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

## 17. OPERATING LEASE COMMITMENTS

At 31 March 2003 the Group was committed to making the following payments during the next year in respect of operating leases:

| Buildings | 31 March 2003 £'000 | 31 March 2002 £'000 |
|---|---|---|
| Leases which expire: | | |
| Within one year | 66 | – |
| In one to two years | – | 59 |
| In two to five years | 542 | 578 |
| After five years | 703 | 703 |
| Total | 1,311 | 1,340 |

## 18. FINANCIAL INSTRUMENTS

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

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

# NOTES TO THE ACCOUNTS CONTINUED
**for the year ended 31 March 2003**

## 18. FINANCIAL INSTRUMENTS CONTINUED

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

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

**(c) Maturity profile of the Group's financial liabilities**
All of the Group's financial liabilities as at 31 March 2003 mature within one year.

**(d) Interest rate profile of the Group's financial assets and liabilities**
The weighted average interest rate applicable to cash deposits was 3.9% (2002, 5.2%) for the year.

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

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

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

## 19. CALLED-UP SHARE CAPITAL

| | 31 March 2003 | | 31 March 2002 | |
|---|---|---|---|---|
| | Number of shares | £'000 | Number of shares | £'000 |
| Authorised: | | | | |
| Ordinary shares of 2.5 pence each | 950,000,000 | 23,750 | 950,000,000 | 23,750 |
| Called-up, allotted and fully paid: | | | | |
| Ordinary shares of 2.5 pence each | 471,977,815 | 11,799 | 471,977,642 | 11,799 |

In the year ended 31 March 2003, 173 ordinary shares were issued (2002, 5,077) of nominal value £4 (2002, £127) and consideration of £131 (2002, £3,808). In the year ended 31 March 2002 26,399,973 ordinary shares were cancelled in accordance with the Court order of 27 March 2002 resulting in an adjustment to consolidated shareholders' funds of £2.987m, being £0.66m of nominal value, £0.445m adjustment to the fair value attributed to the cancelled shares at the time of the GlobalNet Financial.com Inc acquisition and an adjustment to the Share Premium account of £2.772m.

Under the Group's share warrant scheme, at 31 March 2003 warrants were held for 47,197,781 un-issued ordinary shares (2002, 47,197,764), equivalent to 10% of the issued ordinary share capital, all exercisable at 10 pence at any time between 20 October 2000 and 20 October 2004.

Under the Group's share warrant scheme, at 31 March 2003 warrants were held for 90,104,770 un-issued ordinary shares (2002, 90,104,873), all exercisable at 75 pence at any time between 27 June 2000 and 6 July 2003.

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

The Group's shares and 75 pence warrants are listed on London's AIM market, respectively under references NMS and NMSW.

# NOTES TO THE ACCOUNTS CONTINUED
**for the year ended 31 March 2003**

## 20. RESERVES

| **Reserves: Group** | Share premium account £'000 | Revaluation reserve £'000 | Capital reserve £'000 | Profit and loss account £'000 |
|---|---|---|---|---|
| Reserves at 1 April 2002 | 183,365 | (47,336) | 8,391 | (94,638) |
| Unrealised losses on investments | – | (4,560) | – | – |
| Previously unrealised losses now deemed permanent | – | 7,704 | – | – |
| Foreign currency translation | – | – | – | 2,850 |
| Loss for the year | – | – | – | (9,030) |
| Reserves at 31 March 2003 | 183,365 | (44,192) | 8,391 | (100,818) |

| **Reserves: Company** | Share premium account £'000 | Revaluation reserve £'000 | Capital reserve £'000 | Profit and loss account £'000 |
|---|---|---|---|---|
| Reserves at 1 April 2002 | 183,365 | (14,293) | 8,391 | (156,828) |
| Unrealised losses on investments | – | (5,209) | – | – |
| Previously unrealised losses now deemed permanent | – | 7,662 | – | – |
| Loss for the year | – | – | – | (13,380) |
| Reserves at 31 March 2003 | 183,365 | (11,840) | 8,391 | (170,208) |

The Capital reserve arises from the deemed proceeds received on the issue of 75 pence warrants in connection with the acquisition by the Company of Softtechnet.com plc and Internet Indirect plc.

## 21. EQUITY MINORITY INTERESTS

The minority interest comprises 1,603,548 (2002, 2,132,284) ordinary shares in Spuetz AG.

## 22. CONTINGENT LIABILITIES

| | 31 March 2003 | | 31 March 2002 | |
|---|---|---|---|---|
| | Group £'000 | Company £'000 | Group £'000 | Company £'000 |
| Commitments to invest in existing investee companies subject to investment criteria being satisfied | 1,552 | – | – | – |

# NOTES TO THE ACCOUNTS CONTINUED

**for the year ended 31 March 2003**

## 23. RELATED PARTY TRANSACTIONS

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

In the year to 31 March 2003 SPARK Services Ltd charged:

- DX3 Holdings Ltd licence fees and other operating costs of £214,332. All of which was converted into debt and written off at the year end;

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

## 24. SUBSEQUENT EVENTS

The following Group investee companies are listed on an open market; their values have therefore been determined using their closing share prices as at 31 March 2003. Since that date their share prices have changed as follows:

| | 31 March 2003 pence | 17 Sept 2003 pence | % change |
|---|---|---|---|
| ADVFN.com plc | 2.28 | 2.25 | -1.10 |
| Berkeley Berry Birch PLC | 42.00 | 27.50 | -34.52 |

On 5 August 2003, Spark announced that it had sold 2,169,000 shares in ADVFN.com plc. The gross proceeds of this sale were £57,097.

On 20 August 2003, Digital Animations Group held an EGM to ratify a share tender offer under which SPARK disposed of its entire holding in the Company for £770,000.

## COMPANY INFORMATION

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