



Interim Report  
Six months to 30 September  
**2003**

NewMedia  
**SP\*RK**



## OVERVIEW

SPARK's net asset value at 30th September 2003 was 11.6p per share (2002: 13.4p). Following limited further investment in certain portfolio companies, and after funding administrative, legal and reorganisation costs during the period, consolidated cash balances at 30th September 2003 were £46.4m. In addition to cash balances, the book value of SPARK's investment portfolio as at 30th September 2003 was £24.8m (2002: £51.275m) excluding the value of shares held in the Employee Benefit Trust and Spuetz shares held within Spuetz itself.

A number of the companies in SPARK's investment portfolio have continued to make strong progress during the period and the Board continues to believe that, taken as a whole, the portfolio is carried in SPARK's books at conservative valuations with significant potential for capital appreciation. The fact that the book value of the investment portfolio has shown relatively little change during the period reflects SPARK's conservative accounting policies, which do not allow investments to be written up in SPARK's books unless they are subject to specific valuation events such as flotation, sale or third party investment.

The investment climate for technology companies has shown some improvement in recent months, and in particular the IPO market has shown signs of recovery. SPARK is monitoring these developments closely and will consider flotations of portfolio companies during 2004 if appropriate and possible. However we would caution that the timing of any flotations cannot be predicted with certainty. Whilst a number of our portfolio companies have now reached profitability and

are making strong progress, it is important that we do not float companies prematurely as that may damage both the companies themselves and investor sentiment towards further flotations from SPARK.

We have continued the process of rationalisation of SPARK's costs during the period. In particular, staff numbers are now down to 12 people (of whom three are part time), including three in Germany. We are also making good progress with our joint venture with Corpnex to turn our 18,000 square foot Soho offices into serviced office space. The fit out for this is now complete and tenant demand has been strong. Approximately two thirds of the space is now tenanted, and we are optimistic that this venture will in due course very substantially reduce our central property costs, which had been running at over £1m p.a..

The sale and closure of operations at Spuetz, our 70% owned quoted German subsidiary, is also now largely complete. Spuetz and SPARK GmbH now employ only three executive staff between them, and Spuetz's assets consist largely of over Euro 60m of cash. Following the period end, Spuetz has launched a tender offer to buy back 7.3% of its share capital at Euro 9.90 per share, and if SPARK were to tender into this offer pro-rata then it will receive approximately Euro 2.8 m cash whilst maintaining its majority stake. Spuetz has also restated its 2002 accounts, which has put it into a position where it will be able to propose the payment of a dividend in excess of Euro 20m once its 2003 accounts are finalised. If such a dividend proposal were approved by the shareholders it could be payable following the company's annual general meeting in Spring 2004.

Overall, whilst we are encouraged by the underlying progress at a number of our portfolio companies, we share our own shareholders' frustration that this has not yet been reflected in our book valuations. However, early stage venture capital is a long-term business. Unlike the more mature buy-out market where quicker exits are possible, early stage portfolios can typically take five years or more to mature. Failure rates, as we have experienced during the last few years, are typically high in the early years of a portfolio and therefore the long-term performance of such portfolios typically depends on the emergence of a relatively few "star" investments. This has certainly been our experience, and although we believe we are now passing the bottom of the "J" curve the eventual returns we achieve will be crucially dependent on the timing and valuation of our exits from our investments. We are monitoring exit opportunities carefully, but it would be foolish to exit prematurely from our most successful investments simply to establish higher short-term valuations.

We are also aware of shareholder disappointment that the resolving of issues relating to our UK property lease and the repatriation of cash from our German investments has taken some time, and that this has to date blocked our stated aim to institute a share buy-back programme. However, these have been highly complex issues to resolve and as mentioned above we are now making good progress in both of these areas. As matters evolve we hope to report further to shareholders in the coming months.

Andrew Carruthers  
17 December 2003

## **INDEPENDENT REVIEW REPORT TO NEWMEDIA SPARK PLC**

### **Introduction**

We have been instructed by the company to review the financial information for the six months ended 30 September 2003 which comprises the profit and loss account, the balance sheet, the cash flow statement and related notes 1 to 4. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company, in accordance with Bulletin 1999/4 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

### **Directors' responsibilities**

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are also responsible for ensuring that the accounting policies and presentation applied to the interim figures are consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

### **Review work performed**

We conducted our review in accordance with the guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom auditing standards and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

### **Review conclusion**

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 September 2003.

Deloitte & Touche LLP  
Chartered Accountants  
London  
17 December 2003

**Deloitte  
& Touche**

Notes: A review 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 information 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 information differs from legislation in other jurisdictions.

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

Interim Report to 30 September 2003

	Six months to 30 September 2003 £'000 Unaudited	Six months to 30 September 2002 £'000 Unaudited	Year to 31 March 2003 £'000 Audited
Turnover	–	1,392	1,295
Administrative expenses:			
Salaries and other staff costs	(1,642)	(3,768)	(8,361)
Other administrative and operating costs	(2,280)	(3,671)	(8,170)
Amortisation of positive goodwill	–	(1,340)	(1,338)
Amortisation of negative goodwill	–	1,072	5,221
Depreciation	(469)	(462)	(915)
Other costs	(1,321)	(2,350)	(2,695)
<b>Total administrative expenses</b>	<b>(5,712)</b>	<b>(10,519)</b>	<b>(16,258)</b>
Other operating income	802	478	650
Operating loss	(4,910)	(8,649)	(14,313)
Amounts written off investments	(549)	(9,932)	3,943
Interest receivable and similar income	533	692	1,284
Loss on ordinary activities before taxation	(4,926)	(17,889)	(9,086)
Tax (charge)/credit on loss on ordinary activities	(14)	928	330
Loss on ordinary activities after taxation	(4,940)	(16,961)	(8,756)
Equity minority interests	545	1,647	(274)
Retained loss for the period	(4,395)	(15,314)	(9,030)
Basic loss per ordinary share	(0.95p)	(3.24p)	(1.96p)
Diluted loss per ordinary share	(0.95p)	(3.24p)	(1.96p)

## CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Interim Report to 30 September 2003

	Six months to 30 September 2003 £'000 Unaudited	Six months to 30 September 2002 £'000 Unaudited	Year to 31 March 2003 £'000 Audited
Loss for the financial period	(4,395)	(15,314)	(9,030)
Unrealised (loss)/gain on investments	(523)	14,690	(4,560)
Previously unrealised losses now deemed permanent	983	6,455	7,704
Minority interest share of unrealised gain on investments	–	(4,722)	–
Unrealised exchange differences	96	611	2,850
<b>Total recognised (losses)/gains in the period</b>	<b>(3,839)</b>	<b>1,720</b>	<b>(3,036)</b>

## CONSOLIDATED BALANCE SHEET

Interim Report to 30 September 2003

	30 September 2003 £'000 Unaudited	30 September 2002 £'000 Unaudited	31 March 2003 £'000 Audited
<b>Fixed assets</b>			
Goodwill	–	–	–
Negative goodwill	–	(4,136)	–
Intangible assets	–	(4,136)	–
Tangible assets	1,090	2,015	1,372
Investments	26,182	53,297	25,408
	<b>27,272</b>	<b>51,176</b>	<b>26,780</b>
<b>Current assets</b>			
Debtors	3,516	4,312	3,930
Cash at bank and in hand	46,357	31,374	51,989
	<b>49,873</b>	<b>35,686</b>	<b>55,919</b>
<b>Creditors: amounts falling due within one year</b>	<b>(6,395)</b>	<b>(5,147)</b>	<b>(7,260)</b>
Net current assets	43,478	30,539	48,659
<b>Total assets less current liabilities</b>	<b>70,750</b>	<b>81,715</b>	<b>75,439</b>
<b>Provision for liabilities and charges</b>	<b>(3,207)</b>	<b>(3,870)</b>	<b>(3,660)</b>
<b>Equity minority interest</b>	<b>(12,832)</b>	<b>(14,544)</b>	<b>(13,234)</b>
<b>Net assets</b>	<b>54,711</b>	<b>63,301</b>	<b>58,545</b>
<b>Capital and reserves</b>			
Called up share capital	11,799	11,799	11,799
Capital reserve	8,391	8,391	8,391
Share premium account	183,371	183,365	183,365
Revaluation reserve	(43,732)	(30,913)	(44,192)
Profit and loss account	(105,118)	(109,341)	(100,818)
<b>Equity shareholders funds</b>	<b>54,711</b>	<b>63,301</b>	<b>58,545</b>
<b>Net Asset Value per share</b>	<b>11.6p</b>	<b>13.4p</b>	<b>12.4p</b>
	Number '000	Number '000	Number '000
Ordinary shares in issue	471,986	471,978	471,978

## CONSOLIDATED CASH FLOW STATEMENT

Interim Report to 30 September 2003

	Six months to 30 September 2003 £'000 Unaudited	Six months to 30 September 2002 £'000 Unaudited	Year to 31 March 2003 £'000 Audited
Net cash outflow from operating activities	(5,039)	(6,690)	(12,693)
<b>Return on investments and servicing of finance</b>			
Interest received	537	692	1,284
<b>Net cash inflow from returns on investments and servicing of finance</b>	<b>537</b>	<b>692</b>	<b>1,284</b>
<b>Taxation</b>			
UK corporation tax paid	–	–	118
Overseas tax paid	(273)	–	–
<b>Net cash (outflow)/inflow from taxation</b>	<b>(273)</b>	<b>–</b>	<b>118</b>
<b>Capital expenditure and financial investment</b>			
Payments to acquire tangible fixed assets	(174)	(54)	(68)
Proceeds from disposal of fixed assets	–	–	264
Payments to acquire investments	(2,033)	(6,077)	(8,347)
Receipts from sales of investments	1,159	4,138	28,351
<b>Net cash (outflow)/inflow from investing activities</b>	<b>(1,048)</b>	<b>(1,993)</b>	<b>20,200</b>
<b>Acquisitions and disposals</b>			
Sale of subsidiary undertakings	–	–	3,517
Purchase of minority interest	–	(2,417)	(2,645)
Net cash sold with subsidiaries	–	–	(2,901)
<b>Net cash outflow from acquisitions and disposals</b>	<b>–</b>	<b>(2,417)</b>	<b>(2,029)</b>
<b>Net cash (outflow)/inflow before financing</b>	<b>(5,823)</b>	<b>(10,408)</b>	<b>6,880</b>
<b>Financing</b>			
Issue of ordinary share capital	6	–	–
<b>Net cash inflow from financing</b>	<b>6</b>	<b>–</b>	<b>–</b>
<b>Net cash (outflow)/inflow in the period</b>	<b>(5,817)</b>	<b>(10,408)</b>	<b>6,880</b>
<b>Analysis of changes in net funds</b>			
Net cash (outflow)/inflow in the period	(5,817)	(10,408)	6,880
Foreign exchange differences	185	–	3,327
<b>(Decrease)/increase in cash in the period</b>	<b>(5,632)</b>	<b>(10,408)</b>	<b>10,207</b>

## NOTES TO THE INTERIM REPORT TO 30 SEPTEMBER 2003

- 1) The information relating to the six month periods ended 30 September 2003 and 30 September 2002 is unaudited. The information relating to the period ended 31 March 2003 is extracted from the audited accounts of the Company which have been filed at Companies House and on which the auditors issued an unqualified opinion.
- 2) The above financial information does not constitute statutory accounts within the meaning of Section 240 Companies Act 1985.
- 3) Loss per share is based on the weighted average number of shares in issue during the six months ended 30 September 2003 of 460,445,113 (31 March 2003: 460,966,000). These weighted average numbers exclude shares held by the Employee Benefit Trust.
- 4) Of the consolidated group cash balances at 30 September 2003 of £46.357m (2002: £31.374m), £42.076m (2002: £23.524) 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 £33.734m (2002: £24.317m). Until the cash balances in Spuetz are repatriated to the UK, SPARK is unable to use these funds to finance share buy-backs.

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