SPARK Ventures

Annual Report and Accounts 2013

for the year ended 31 March 2013

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

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

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

The SVML team is very experienced, has been investing in early-stage businesses for 14 years and has a wealth of expertise in backing and developing companies from start-up through to eventual trade sale or IPO. SVML is wholly-owned by SPARK Venture Management Holdings Limited ('SVMH').

About SPARK

Highlights

Net asset value ('NAV') per share increased by 12% to 15.1p when published 31 March 2012 NAV adjusted for 2.5p shareholder return.

Partial disposal of Kobalt to prestigious private investors after the balance sheet date brings in £10.0m of cash proceeds. Kobalt valuation increases by 75% in last 6 months.

£10.3m returned to shareholders in year, taking total amount returned to £26.7m (6.5p per share) over 4 years with NAV remaining of 15.1p. Minimum of a further 2p per share to be approved for return at September AGM.

£6.6m profit for the year, making 4th consecutive profitable year. Profit due to unrealised investment gains (£9.0m) being greater than operating losses.

Unrealised investment gains due primarily to Kobalt, OpenX, IMI and Aspex.

IMI's valuation increase due to 14% EBITDA growth but using a slightly lower multiple.

Continued strong revenue growth in major portfolio companies (IMI, Kobalt, Notonthehighstreet, OpenX and Mind Candy).

Processes under way to sell most of remaining portfolio.

Assets and trade of Aspex successfully sold in year for total expected proceeds of approximately £9m. Of this £4.2m was received in the year with the remaining balance sheet value of £3.6m due to be received in the year to 31 March 2014.

Agreement reached with landlord to vacate the Glasshouse Street premises early which caps liabilities and likely losses that could have been expected in the period after 31 March 2014.

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Chairman's Report

Dear Shareholder,
I am pleased to report continued progress on our triple objective of harvesting the portfolio of investments, continuing to help the remaining companies grow in value and returning cash to our shareholders.

The Investment Manager is working closely with our key investee companies and is aware that there is a benefit of higher realisation values as companies mature. However, there is also a risk that as we approach the end of the realisation period, trade sales may be at risk of not materialising, and we may be obliged to make some secondary market sales which may not realise as much value as trade sales or flotation.

We continued to make progress on portfolio exits. During the year ended March 2013 the assets and trade of Aspex Semiconductor Ltd were sold to Ericsson and the Company sold parts of our stakes in Notonthehighstreet.com and Kobalt Music Group and returned £10.3m to shareholders, representing approximately 25% of our current market capitalisation. Since the year end, the company has sold 65% of its remaining stake in Kobalt for £10m. The Board expects to return a minimum of a further 2.0p per share to shareholders following the next Annual General Meeting which will take place in September.

We have appointed a small corporate finance house to sell our smaller investments (singularly or in a block) and have active exit discussions in train with the larger investments. It would be commercially damaging to give more detail on these at this stage.

The Board has been active in trying to maximise other possible values in the business and has reduced corporate complexity, so as to enhance SPARK's eventual cash value. We sold our 30% stake in the Investment Manager, SVMH, for £0.25m. Various pieces of old litigation were concluded and overseas subsidiaries that were no longer needed have been liquidated.

All of this is against the background of improving values in some of our major investments.

The profit for the year was £6.6m, after incurring operating losses (including legal costs relating to the corporate streamlining process) of £2.4m.

I would like to thank our Manager for their continued diligence in this carefully balanced strategy to harvest value, and I am grateful to all our other stakeholders for their support.

Yours faithfully

David Potter
Chairman
29 August 2013

Investment Manager's Report

Introduction

We are pleased to report that the Group has, for the fourth consecutive year, made a profit for the year on continuing operations. This amounted to £6.6m in 2013 compared to £10.1m in the previous year. This profit is due to net realised and unrealised investment valuation gains of £9.1m being higher than the Group's operating loss, which has increased slightly to £2.4m. Net Asset Value ('NAV') per share would have risen in the period from 16.0p to 17.6p were it not for the shareholder return, but after adjusting for this 2.5p per share return, NAV stands at 15.1p. Since the change in the Board's strategy announced in July 2009, 6.5p per share has been returned to shareholders and there remains 15.1p of NAV to be distributed (amongst ordinary and D shareholders) over the coming year if all the assets can be successfully sold at the level of their current valuations. Following the sale of 65% of the group's remaining stake in Kobalt after the balance sheet date for £10.0m, shareholders can expect to receive a further return of at least 2.0p per share following the forthcoming AGM. Compared with July 2009, when the NAV was at 14.6p (and a share price as low as 5p), the total value growth to 21.6p per share so far vindicates this exit strategy when compared to the other alternatives considered at that time.

Portfolio valuation performance

In the year to 31 March 2013 the Group has made net unrealised gains of £9.0m comprising a gain of £6.6m from an increase in the valuation of the Group's stake in Kobalt music, £0.3m from an increase in the valuation of the Group's stake in IMImobile ('IMI'), a gain of £2.5m from an increase in the valuation of the Group's stake in OpenX, a gain of £0.8m from an increase in the valuation of the Group's stake in Aspex Semiconductor partially offset by a reduction of £0.7m in the valuation of the Group's stake in Firebox and other net unrealised losses of £0.5m. Disposals in the year have been previously referred to in both last year's annual report and the interim report and included partial disposals of Kobalt Music and Notonthehighstreet.com raising £3.5m and £0.8m of proceeds respectively for SPARK, and a repayment of accrued interest and loans by Aspex Semiconductor of £4.3m. Since the balance sheet date a further partial disposal of the group's stake in Kobalt has taken place raising £10.0m and considerable preparations have been made to lead us to expect that several more exits should be achieved before the end of the calendar year. Of the 16 portfolio companies existing at 31 March 2012, four have been revalued upwards, four have been revalued downwards, one was sold (Spark Venture Management Holdings Ltd) with the remainder unchanged. The only funding provided in the year was a secured short term bridge loan of £0.1m to myDeco.

Progress made in the eight portfolio companies valued at £1m or more is as follows:

IMImobile

IMImobile ('IMI') provides the core technology infrastructure for value-added mobile data, voice and video services and customer life cycle management to over 100 mobile operators, media companies and enterprises in Europe, India, the Middle East, Africa and Latin America. IMI's DaVinci Platform™ powers a wide range of services created, delivered and managed by the group which generate additional revenues for its clients and helps them engage with their customers using the latest mobile technologies. The IMI group has over 650 employees worldwide with major offices in Hyderabad, London, and Dubai.

SPARK was the first institutional investor in the company.

The valuation of IMI has increased in the year by £0.3m from £15.9m to £16.2m. For consistency we have again valued the business according to an EBITDA multiple based on comparable trade sales transactions but have used a multiple that is 13% lower than that used at the half year. We have applied the multiple to IMI's actual (unaudited at this stage) results for the year to March 2013. The improved performance is due to a very strong performance in the Middle East and Africa (MEA) more than offsetting a slightly disappointing performance in India in light of the fallout from certain regulatory requirements imposed there. These difficulties are not unique to IMI but have led to a reduction in sales. Fortunately the decision taken to diversify into new products and markets by organic growth and acquisition outside India in 2010 has meant that overall the business has continued to grow. As one of the leading companies in the Indian telecoms market, we expect IMI's Indian business to bounce back strongly as new products are introduced and local regulatory requirements ease.

IMI's revenues for the year to 31 March 2013 were up by 14% to INR 3.5bn but flat in US dollars ($64m). EBITDA reported was up by 12%. Three year compound average growth rates for revenue, gross margin and EBITDA are an impressive 42%, 34% and 30% respectively.

Kobalt Music

Kobalt Music ('Kobalt') is the world's leading independent music publisher offering full services to copyright owners (collection, Sync and creative). Recently it has moved into Label Services for artists and into Neighbouring Rights, again enhancing its position in the industry.

Kobalt uses an advanced, internally developed technology which significantly boosts royalty collection, timing and payout amounts received by rights owners. It has a substantial US presence and is now headquartered in New York with its operational and development base in London. It employs over 180 people worldwide and also has offices in Los Angeles and Nashville, Stockholm, Berlin and Sydney.

SPARK was an early-stage investor in Kobalt in 2001.

Investment Manager's Report (continued)

We have increased the valuation of the Group's stake in Kobalt by £6.6m to £15.5m following the sale in July 2013 of 65% of SPARK's remaining stake as at 31 March 2013 for £10m to a new group of well-funded private investors.

Kobalt has continued to grow revenues and NPS. Revenues grew 27% in the year to June 12 and are on track to grow at a similar rate in the year to June 2013.

In the last year Kobalt has fully integrated its leading global digital distribution and service provider acquisition – Artists without a Label (AWAL) – into Kobalt Label Services (KLS). Additionally KLS have signed up some big music industry names such as Prince, Pet Shop Boys and Nick Cave. Kobalt's music rights fund has performed ahead of expectations and Kobalt's share of the current singles and airplay charts has continued to impress on both sides of the Atlantic. In the most recently released music publishers market share statistics (Q1 2013) published by BillBoard, Kobalt had a 17.3% (Q1 2012: 14.1%) share of the US airplay chart and was second overall, ahead of both Universal and Warner and would have been first had it not been for Sony buying up EMI's publishing arm. In the UK for 2012, Kobalt achieved a 16.4% share of the singles publishing market, lifting it from fifth to second place in one year, by growing its share of the annual Top 100 sellers by 76%. Recent client wins have included Thom Yorke (Radiohead), Paul McCartney and Disney.

Notonthehighstreet.com

Notonthehighstreet.com ('NOTHS') is an internet marketplace for over 3,000 specialised UK based businesses selling a wide variety of unique personalised gift products. Unlike most online retailers, NOTHS holds no stock. NOTHS is based in London and employs nearly 150 people.

SPARK was the first outside investor in NOTHS.

IMI Mobile's exhibition stand at Mobile World Congress, Barcelona, 2013.

The valuation of SPARK's stake in NOTHS has remained at £10.2m for the last six months, down from £11.0m to £10.2m in the year following the partial disposal of 7% of SPARK's stake in May 2012 as part of the funding round from a major institutional investor – Fidelity Investments Ltd.

NOTHS had an impressive 2012, growing revenues (TTV) by 66% to about £45m and is significantly ahead of its annual budget to deliver 50% top line growth in 2013. Its success at marketing, PR, and product curating is reflected in some extraordinarily positive key performance indicators. The company's large contribution in assisting many small UK businesses has recently been recognised by the award of MBEs to the two founders of NOTHS – Sophie Cornish and Holly Tucker.

Aspex

As reported in the interim statement, on 1 August 2012, Aspex sold its intellectual property and trade to Ericsson. The nature of the sale (of assets rather than shares) means that Aspex remains an investment of SPARK, but it is an asset that is effectively a cash shell. It will take a little time to fully realise cash as the business is now in the hands of a liquidator.

Prior to the sale, Aspex had fully repaid its £2.5m loan from SPARK with interest, of which £1.75m had been repaid in the first half of the year. Since then, the liquidator has made an initial distribution of £2.58m, which was received in January 2013. Further distributions from the liquidator are expected in August '13 and January 14. We have increased our estimate of SPARK's share of these future distributions by £0.4m to £3.6m in the year, taking SPARK's total expected return from Aspex to approximately £9m.

Mind Candy

Mind Candy, through its Moshimonsters product range, has become one of the world's leading developers of social multi-player children's games, helping children around the world to play skill enhancing games and connect with each other safely via its unique children's social network. Mind Candy is headquartered in London and has around 150 staff including freelancers.

SPARK was a founder investor and led the founding round of investment.

We have recouped our original investment cost already.

We have again held the valuation of Mind Candy at the price received when we sold half of SPARK's stake in June 2011 to a third party. The remaining stake is valued at £3.2m.

Mind Candy had a hugely successful 2012 with sales of £49m and was substantially profitable, generating substantial cash deposits in the process. This was largely due to some very successful licensing deals including Nintendo 3DS games and a very successful children's magazine. Increased competition for children's attention from tablet based games, however, has resulted in new challenges for the business, although the overall business continues to grow and remains significantly profitable.

We have seen investment values grow in most of the major portfolio assets and the groundwork has been laid to enable the realisation of SPARK's other significant investments over the rest of the year.

OpenX
OpenX is a business based on an open source ad-serving platform. It is headquartered in California and employs over 250 staff. The investment in OpenX was originally acquired when the business was spun out of Unanimis in late 2007.

We increased the valuation of SPARK's stake in OpenX from £2.5m to £5.0m at the half year based on a recently concluded funding round from Samsung and from Dentsu (a major Japanese advertising and media company).

The company has continued its impressive growth performance. Revenues for the calendar year 2013 were 133% up on the previous year and now run at an annual rate considerably in excess of $100m. The company was recently ranked number 7 on Forbes list of America's most promising companies.

DEM Solutions
DEM Solutions ('DEM') is a leading provider of particle simulation software (using discrete element modelling) for simulating and analysing industrial processes. DEM is based in Scotland and employs 25 staff.

The valuation continues to be held at cost of £1.7m but this level is supported by a relatively low business valuation given SPARK's preferred position in the capital structure, meaning there is little downside risk. DEM has been profitable in its previous 2 financial years but the downturn in its core mining market has depressed current year revenues and generated a loss, meaning that we are not yet able to value the company on an earnings basis.

DEM's software continues to win industry awards and the company itself recently featured in Red Herring's Top 100 of European growth companies.

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

We have reduced the valuation of SPARK's share in the business from £1.8m at 31 March 2012 to £1.6m at 31 March 2013 following the raising of a small funding round after the balance sheet date at a lower valuation than the Enterprise Value implied by SPARK's previous valuation. Previously the business was valued on a sales multiple and it's worth noting that sales growth has continued. The company's revenues have renewal levels in excess of 90%.

Future capital returns and cash balances
At the balance sheet date, SPARK held cash balances of £3.5m of which £1.6m was restricted cash. All of this £1.6m is expected to become unrestricted cash within the next twelve months and it is anticipated that operating costs of approximately £2.0m will be incurred for the year ahead, excluding the costs of a future capital return. Additionally the residual investment value of Aspex of £3.6m should turn into cash prior to the end of January 2014. With the further partial sale after the balance sheet date from selling 65% of the group's stake in Kobalt for £10.0m, the Board intends to seek shareholder approval to return a minimum of 2.0p per share at the forthcoming Annual General Meeting in September. Additional capital returns are dependent upon further sales of assets. A number of processes are under way for completing trade sales of entire companies or of SPARK's stake in businesses where trade sales or IPO's of the whole are not possible. However, it would be premature, and commercially counter-productive to comment on any of these processes at this stage.

Operations
Operating losses of £2.4m (2012: £2.0m) have increased slightly. The largest element of this loss is the management fee paid to SVML, which was £184k higher than in the previous year, as a result of increases in the value of the SPARK portfolio. Property income and costs have remained fairly stable but the absence of defending legacy legal cases in 2013 and the revaluing downwards of a provision made to provide for an old (2003) incentive scheme have both helped to offset the management fee rises. The Company has made a provision of £340k in these results to reflect the fact that SPARK's leases are now considered to be onerous. In August 2013, SPARK has entered into an agreement with the landlord to terminate the Glasshouse leases in Q1 2014 and pay the landlord a lump sum of £0.5m that covers all liabilities which could have arisen under the lease.

Conclusion
These results demonstrate further progress towards fulfilling shareholder ambitions of realising the SPARK portfolio for full value over a 5 year time period. In the last two years, none of SPARK's investments have required any material further investment from SPARK and so our role has been to guide portfolio management teams into helping to provide an exit for SPARK, which has in many cases been the longest holding institutional shareholder. We have seen investment values grow in most of the major portfolio assets and the groundwork has been laid to enable the realisation of SPARK's other significant investments over the rest of the year.

Since August 2009, shareholders have received 6.5p per share in cash and continue to hold shares with a NAV of 15.1p per share, making a total notional shareholder return of 21.6p. At 31 March 2009, the NAV per share was 14.6p, meaning that growth in shareholder value has been 48% over the 4 year period, equating to annual growth of approximately 10% in a recessionary and very challenging economic climate.

SPARK Venture Management Limited
29 August 2013

Board of Directors

David Potter
Chairman
David is the former Deputy Chairman of Investec Bank UK. Prior to this he was Group CEO of Guinness Mahon Group. Between 1981-1989, David was a Managing Director of Samuel Montagu, Midland Montagu and Midland Global Corporate Banking (now HSBC). David was also a Managing Director of CSFB and its predecessor companies (1969-1981). David is currently Chairman of Quercus Publishing and Ortis VCT plc. He is a Council member of The Centre for the study of Financial Innovation, Chairman of the National Film and TV Foundation and a trustee of the Nelson Mandela Children's Fund UK and Worldwide Volunteering for Young People. Appointed to the Board on 21 March 2002.

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

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

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

Andrew Carruthers
Manager Representative
Prior to the management buy-out, Andrew was the Chief Executive Officer of SPARK from September 2004 until October 2009, during which time he led the acquisition of the Quester fund management business, as well as leading SPARK's active participation in the development and sale of a number of portfolio companies, including Footfall, which sold to Experian, and Pricerunner, which sold to Valueclick. More recently, he managed the sale of Aspex Semiconductors to Ericsson and remains on the board of DEM. Over recent years he led the creation of SPARK Impact as a manager of a regional development fund in England's Northwest and is currently working on launching funds in China and Africa. He was previously a Director of NewMedia Investors and prior to that involved in a number of online information, TV and digital distribution companies in the US and UK. He qualified as a chartered accountant with KPMG and holds a degree from the London School of Economics. Appointed to the Board on 27 September 1999.

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

Investment Manager
The Company's Manager is SPARK Venture Management Ltd, a company owned by Andrew Carruthers, Jay Patel, Thomas Teichman and Andrew Betton. The responsibilities of both Andrew Carruthers and Andrew Betton are covered above. Thomas Teichman, (Chairman of SVML and former Chairman of SPARK) is responsible for the investments in Kobalt, notonthehighstreet.com, Mind Candy and MyDeco. Jay Patel is now the CEO of IMImobile but remains responsible for the investments in OpenX and Gambling Compliance.

Directors' Report

The Directors present their annual report and the audited financial statements for the year ended 31 March 2013.

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

Activities

The principal activity of SPARK Ventures plc as the parent company of the Group is the managing and making of investments in early stage companies in the financial services, technology, media and telecommunications sectors, primarily in the UK. Following the General Meeting of the Company which took place in August 2009, the Company resolved to make no more new investments and to sell off its existing investments over a five year period. The Company has no full-time employees but has a Board consisting of four non-executive directors and two representatives of the Company's manager – SPARK Venture Management Ltd. SPARK Venture Management Ltd is a company controlled by its former executive directors and is responsible for looking after all the administration of the Company and for managing the Company's investment portfolio. In February 2013, SPARK sold its 30% stake in the group containing its Manager.

Business Review

Net asset value per share would have risen in the year to March 2013 from 15.95p to 17.56p had it not been for the 2.5p per share capital return/dividend to shareholders. As it was, NAV per share declined to 15.06p. Net investment gains of £9.0m were higher than the Group's operating loss of £2.4m, thereby resulting in a profit for the year of £6.6m (2012: £10.1m). The investment gains were largely due to increases in the value of four companies, Kobalt (£6.6m), IMI Mobile (£0.3m), Aspex Semiconductor (£0.8m) and OpenX (£2.5m) which were partially offset by a £0.7m fall in the valuation attributable to Firebox and other net valuation reductions of £0.5m.

The Group closed the year with cash balances of £3.5m (2012, £7.0m), £1.9m (2012: £5.0m) of which is unrestricted, an investment portfolio valued at £59.1m (2012, £58.8m), and equity shareholders' funds of £61.8m (2012, £65.4m). Subsequent to the year end, cash balances have been boosted by £10.0m following the sale of part of the Company's stake in Kobalt.

SPARK's serviced office arrangement with the Executive Offices Group continued to perform well with revenues of £1.6m versus £1.5m in the previous year with occupancy close to 100% at many times in the year. However a loss is still made on the serviced office business as the costs are higher than the serviced office rental market will bear, hence an onerous lease provision of £340k being made in the year.

In August 2013 the Group concluded an agreement with its landlord to terminate the Glasshouse Street leases a few months early for the payment of a lump sum that wraps up any liabilities for repairs or dilapidations that could have arisen and brings to an end the loss making serviced office business. As a result of this, and the provision made for the onerous lease, property losses are expected to be significantly lower in 2013/14 than in 2012/13.

Purchase of own shares

During the year SPARK did not buy back any of its own shares. SPARK continues to hold 39,245,220 shares in Treasury.

Dividends and Capital returns

Following the return of £8.2m in 2009, £4.1m in 2010 and £4.1m in 2011 shareholders approved the return of a further £10.3m on 18 January 2013. Again, shareholders were given the choice of choosing to receive 1 B share or 1 C share for each ordinary share held. In the event, 299,923,552 B Shares were issued and 150,076,448 C shares were issued. The C shares issued in respect of the shares held in Treasury were not eligible to receive the C share dividend. On 21 January 2013, the Company bought back the B shares at 2.5p each from the shareholders and paid 2.5p per share as a dividend on the C shares. After payment of the dividend, the C shares became deferred, having no value and were cancelled as were the B shares. The total amounts returned to shareholders amounted to £7.5m through the B shares and £2.8m through the C shares.

Following the receipt of £10.0m in July 2013, the Board intends to seek shareholder approval at the forthcoming Annual General Meeting to return a further 2p per share to shareholders in a similar method to prior years.

Future prospects

SPARK Ventures plc continues on its strategy of securing the best possible exits from the current portfolio over the period to March 2014. The majority of the Group's investments have performed very well over the previous twelve months. Whilst it is very difficult to predict when SPARK's stake in certain investments can be sold, continued strong trading performance can only be of benefit in making the investments attractive to potential buyers.

Risks

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

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

Directors' Report (continued)

Share price
The average share price of SPARK Ventures plc quoted ordinary shares in the year ended 31 March 2013 was 9.06 pence. In the year the share price reached a maximum of 14 pence and a minimum of 6 pence. The closing share price on 31 March 2013 was 10 pence.

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

Directors and their interests
The Directors serving during the year ended 31 March 2013 had the following interests in the share capital of the Company:

	Ordinary shares		Options[1]		D shares[2]	
	2013 Number	2012 Number	**2013 Number**	2012 Number	**2013 Number**	2012 Number
Current directors						
M.K. Whitaker[3]	**22,832,153**	22,832,153	**–**	–	**–**	–
C.R. Berry	**287,968**	287,968	**–**	–	**–**	–
H.R. Sinclair	**242,400**	242,400	**–**	–	**–**	–
A.B. Carruthers	**6,587,240**	6,587,240	**2,727,273**	2,727,273	**580,000**	580,000
A.D.N. Betton	**334,000**	334,000	**1,818,182**	1,818,182	**180,000**	180,000
D.R.W. Potter	**556,331**	480,000	**–**	–	**–**	–

(1) Options were granted in the year ended 31 March 2006 under the 2005 Unapproved Executive Share Option Scheme adopted by the company at the 2005 Annual General Meeting on 15 September 2005. These options vest in five equal annual instalments subject to the meeting of the performance target for the year in question. As at the date of the EGM on 7 August 2009, 40% of these options had vested. The remaining options were cancelled. These options expire on 29 September 2015 and originally had an exercise price of 11p, which was the market price of SPARK shares on 30 September 2005 – the date when these awards were made. Following the return of 2p per ordinary share to shareholders in 2009, 1p per share in 2010 and 2011 and 2.5p per share in 2013, the exercise price of these options has now been reduced to 4.5p per share.
(2) The D shares were created following the approval by shareholders at the General Meeting on 2 October 2009. See Note 15 for details of their rights.
(3) The Michael Whitaker Life Interest Settlement, in which M.K. Whitaker is beneficially interested, owns 13,133,320 ordinary shares and a SIPP managed by James Hay Pension Trustees Ltd, in which M.K. Whitaker is beneficially interested, owns 8,858,833 ordinary shares. The remaining 840,000 shares are held directly.

Suppliers
The Company agrees payment terms and conditions with individual suppliers which vary according to the commercial relationship and the terms of the agreements reached. It is the policy of the Group and Company that, whenever possible, payments to suppliers are made in accordance with the terms agreed. The average time taken by the Group to pay purchase invoices is 12 days (2012, 10 days).

Subsequent events
There are no material events after the balance sheet date other than those detailed in Note 17 to the financial statements.

Auditor
As a result of PKF (UK) LLP entering into a business combination with BDO LLP on 28 March 2013, PKF (UK) LLP resigned as auditor on 13 May 2013 and BDO LLP was appointed to fill the casual vacancy. A resolution to re-appoint BDO LLP as auditor of the Company will be proposed at the forthcoming Annual General Meeting.

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

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

A.D.N. Betton
Director and Company Secretary
29 August 2013

Directors' Responsibilities

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

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

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

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

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

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

We have audited the financial statements of SPARK Ventures plc for the year ended 31 March 2013 which comprise the Group Statement of Comprehensive Income, the Group and parent company Statements of Financial Position, the Group and parent company Statements of Cash Flows, the Group and parent company Statements of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:
- the financial statements give a true and fair view of the state of the Group's and the parent company's affairs as at 31 March 2013 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Nick Whitaker (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom
29 August 2013

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

Group Statement of Comprehensive Income for the year ended 31 March 2013

	Note Ref	Year ended 31 March 2013 £'000	Year ended 31 March 2012 £'000
Continuing operations			
Gains on investments at fair value through profit or loss			
Realised gains/(losses)		**98**	(185)
Unrealised gains	9	**8,953**	12,261
		9,051	12,076
Revenue			
Bank interest receivable		**72**	46
Management fee income		**605**	1,092
Portfolio dividends and interest		**167**	565
Other income		**1,560**	1,458
		2,404	3,161
Administrative expenses			
Salaries and other staff costs	3	**(90)**	(263)
Depreciation of property, plant and equipment	8	**(78)**	(86)
Amortisation and impairment of other intangible assets		**–**	(360)
Other costs	4	**(4,639)**	(4,404)
Total administrative expenses		**(4,807)**	(5,113)
Profit before taxation		**6,648**	10,124
Taxation	5	**–**	–
Profit and total comprehensive income for the financial year		**6,648**	10,124
Attributable to:			
– Equity shareholders of the parent		**6,648**	10,124
Basic earnings per ordinary share for profit from continuing operations and for profit for the year	6	**1.62p**	2.47p
Diluted earnings per ordinary share for profit from continuing operations and for profit for the year	6	**1.59p**	2.42p

Group Statement of Financial Position as at 31 March 2013

	Note Ref	31 March 2013 £'000	31 March 2012 £'000
Non-current assets			
Property, plant and equipment	8	**99**	177
Investments at fair value through profit and loss	9	**59,123**	58,782
Restricted cash	11	**–**	2,035
		59,222	60,994
Current assets			
Trade and other receivables	11	**996**	491
Restricted cash	11	**1,581**	–
Cash and cash equivalents		**1,900**	4,992
		4,477	5,483
Total assets		**63,699**	66,477
Current liabilities			
Trade and other payables	12	**(1,516)**	(1,113)
Total liabilities		**(1,516)**	(1,113)
Net current assets		**2,961**	4,370
Provision for liabilities			
Onerous lease provision	13	**(340)**	–
Net assets		**61,843**	65,364
Equity attributable to the shareholders of the parent			
Issued capital	15	**1,585**	1,810
Share premium		**9**	9
Revenue reserve		**50,006**	53,702
Capital redemption reserve		**10,243**	10,018
Own shares		**–**	(175)
Total equity		**61,843**	65,364
Net asset value per share		**15.06p**	15.95p
Adjusted net asset value per ordinary share	15	**13.09p**	14.31p

		Number '000	Number '000
Ordinary shares in issue	15	**450,000**	450,000
Shares held in Treasury		**(39,245)**	(39,245)
Shares held by Employee Benefit Trust	15	**–**	(918)
Shares in issue for net asset value per share calculation		**410,755**	409,837

These financial statements were approved and authorised for issue by the Board of Directors on 29 August 2013. Signed on behalf of the Board of Directors.

A.D.N. Betton
Director

Company Statement of Financial Position as at 31 March 2013

	Note Ref	31 March 2013 £'000	31 March 2012 £'000
Non-current assets			
Investments at fair value through profit and loss	9	**42,288**	33,200
Investments in subsidiary undertakings	10	**108,231**	108,231
Restricted cash	11	**–**	2,035
Deferred tax	5	**899**	928
		151,418	144,394
Current assets			
Trade and other receivables	11	**4,199**	8,505
Restricted cash	11	**1,581**	–
Cash and cash equivalents		**1,120**	4,594
		6,900	13,099
Total assets		**158,318**	157,493
Current liabilities			
Trade and other payables	12	**(116,576)**	(112,055)
Total liabilities		**(116,576)**	(112,055)
Net current liabilities		**(109,676)**	(98,956)
Provisions for liabilities			
Onerous lease provision	13	**(340)**	–
Net assets		**41,402**	45,438
Equity			
Issued capital – ordinary shares	15	**1,585**	1,810
Share premium		**9**	9
Revenue reserve		**29,565**	33,601
Capital Redemption Reserve		**10,243**	10,018
Total equity		**41,402**	45,438

These financial statements were approved and authorised for issue by the Board of Directors on 29 August 2013. Signed on behalf of the Board of Directors.

A.D.N. Betton
Director

Group Statement of Cash Flows for the year ended 31 March 2013

	Group Year ended 31 March 2013 £'000	Group Year ended 31 March 2012 £'000
Cash flows from operating activities		
Cash flow from operations	**(1,912)**	(1,131)
Net cash outflow from operating activities	**(1,912)**	(1,131)
Cash flows from investing activities		
Purchase of financial investments	**(100)**	(20)
Sale of financial investments	**8,773**	5,206
Receipt of deferred consideration	**37**	333
Net cash inflow from investing activities	**8,710**	5,519
Cash flows from financing activities		
Dividend paid (C shares)	**(2,771)**	(1,011)
Share buy backs (B shares)	**(7,573)**	(3,127)
Net cash outflow from financing activities	**(10,344)**	(4,138)
Management of liquid resources		
Decrease in restricted cash	**454**	–
Change in cash and cash equivalents	**(3,092)**	250
Opening cash and cash equivalents	**4,992**	4,742
Closing cash and cash equivalents	**1,900**	4,992

Reconciliation of operating loss to net cash outflow from operations

	£'000	£'000
Bank interest receivable	**72**	46
Portfolio dividends and interest	**167**	565
Other revenue	**2,165**	2,550
Total revenue	**2,404**	3,161
Administrative expenses	**(4,807)**	(5,113)
Operating loss	**(2,403)**	(1,952)
(Increase)/decrease in trade and other receivables	**(505)**	282
Increase in trade and other payables	**743**	93
Non cash expense relating to own share write-off	**175**	–
Depreciation of property, plant and equipment	**78**	86
Amortisation and impairment of other intangible assets	**–**	360
Net cash outflow from operations	**(1,912)**	(1,131)

Company Statement of Cash Flows for the year ended 31 March 2013

	Company Year ended 31 March 2013 £'000	Company Year ended 31 March 2012 £'000
Cash flows from operating activities		
Cash flow from operations	**4,380**	(410)
Net cash inflow/(outflow) from operating activities	**4,380**	(410)
Cash flows from investing activities		
Purchase of financial investments	**(3,275)**	(20)
Sale of financial investments	**2,902**	5,206
Receipt of loan from subsidiary undertaking	**2,372**	–
Receipt of deferred consideration	**37**	333
Net cash inflow from investing activities	**2,036**	5,519
Cash flows from financing activities		
Dividend paid (C shares)	**(2,771)**	(1,011)
Share buy backs (B shares)	**(7,573)**	(3,127)
Net cash outflow from financing activities	**(10,344)**	(4,138)
Management of liquid resources		
Decrease in restricted cash	**454**	–
Change in cash and cash equivalents	**(3,474)**	971
Opening cash and cash equivalents	**4,594**	3,623
Closing cash and cash equivalents	**1,120**	4,594

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

	£'000	£'000
Bank interest receivable	**72**	46
Portfolio dividends and interest	**163**	1,565
Total revenue	**235**	1,611
Administrative expenses	**(2,651)**	(365)
Operating (loss)/profit	**(2,416)**	1,246
Decrease/(increase) in trade and other receivables	**1,934**	(1,881)
Increase in trade and other payables	**4,862**	225
Net cash inflow/(outflow) from operations	**4,380**	(410)

Group Statement of Changes in Equity

	D shares £'000	C Shares/ Deferred shares £'000	B shares £'000	Ordinary share capital £'000	Share premium £'000	Revenue reserve £'000	Capital redemption reserve £'000	Own shares £'000	Total equity £'000
Balance at 31 March 2011	10	–	–	2,025	9	47,716	9,793	(175)	59,378
Profit and total comprehensive income for the year	–	–	–	–	–	10,124	–	–	10,124
New B & C shares issued – 2011	–	50	175	(225)	–	–	–	–	–
Share buy-backs – 2011 B Shares	–	–	(175)	–	–	(3,127)	175	–	(3,127)
Dividend – 2011 C Shares	–	–	–	–	–	(1,011)	–	–	(1,011)
Cancellation of deferred C shares	–	(50)	–	–	–	–	50	–	–
Balance at 31 March 2012	10	–	–	1,800	9	53,702	10,018	(175)	65,364
Profit and total comprehensive income for the year	–	–	–	–	–	6,648	–	–	6,648
Release of own share reserve following closure of EBT	–	–	–	–	–	–	–	175	175
New B & C shares issued – 2013	–	75	150	(225)	–	–	–	–	–
Share buy-backs – 2013 B Shares	–	–	(150)	–	–	(7,573)	150	–	(7,573)
Dividend – 2013 C Shares	–	–	–	–	–	(2,771)	–	–	(2,771)
Cancellation of deferred C shares	–	(75)	–	–	–	–	75	–	–
Balance at 31 March 2013	10	–	–	1,575	9	50,006	10,243	–	61,843

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

Company Statement of Changes in Equity

	D shares £'000	C Shares/ Deferred shares £'000	B shares £'000	Ordinary share capital £'000	Share premium £'000	Revenue reserve £'000	Capital redemption reserve £'000	Own shares £'000	Total equity £'000
Balance at 31 March 2011	10	–	–	2,025	9	24,554	9,793	–	36,391
Profit and total comprehensive income for the year	–	–	–	–	–	13,185	–	–	13,185
New B & C shares issued – 2011	–	50	175	(225)	–	–	–	–	–
Share buy-backs – 2011 B Shares	–	–	(175)	–	–	(3,127)	175	–	(3,127)
Dividend – 2011 C Shares	–	–	–	–	–	(1,011)	–	–	(1,011)
Cancellation of deferred C shares	–	(50)	–	–	–	–	50	–	–
Balance at 31 March 2012	10	–	–	1,800	9	33,601	10,018	–	45,438
Profit and total comprehensive income for the year	–	–	–	–	–	6,308	–	–	6,308
New B & C shares issued – 2013	–	75	150	(225)	–	–	–	–	–
Share buy-backs – 2013 B Shares	–	–	(150)	–	–	(7,573)	150	–	(7,573)
Dividend – 2013 C Shares	–	–	–	–	–	(2,771)	–	–	(2,771)
Cancellation of deferred C shares	–	(75)	–	–	–	–	75	–	–
Balance at 31 March 2013	10	–	–	1,575	9	29,565	10,243	–	41,402

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

Notes to the Consolidated Financial Statements

1 Basis of preparation and significant accounting policies

SPARK Ventures plc ('the Company') is a company incorporated in the United Kingdom and registered in England and Wales. The consolidated financial statements for the year ended 31 March 2013 include the financial statements of the Company and its subsidiaries (together 'the Group'). Separate financial statements of the Company are also presented except that a company statement of comprehensive income and supporting notes is not included. The same accounting policies were applied in preparing the financial statement of the Company. The accounting policies applied are consistent with the prior year.

Basis of preparation

The consolidated financial statements for the year ended 31 March 2013 have been prepared in accordance with International Financial Reporting Standards ('IFRS') approved by the International Accounting Standards Board ('IASB'), as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

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

The following standards and interpretations have become mandatory for the Company and the Group during the current accounting period, but where relevant to the Company and the Group they have not had a material impact on the financial statements:

	Effective for the period beginning on or after
IFRS 7 Financial Instruments: Disclosure (amended – transfers of financial assets)	01-Jul-11
IFRS 1 First-time adoption of international financial reporting standards (amended – severe hyperinflation and removal of fixed dates for first-time adopters)	01-Jul-11
IAS 12 Income taxes (amended)	01-Jan-12

The Group has not adopted any standards or interpretations in advance of the required implementation date. At the date of authorisation of these financial statements the following standards and interpretations were in issue but not yet effective.

	Effective for the period beginning on or after
IAS 1 Presentation of financial statements (amended)	01-Jul-12
Annual Improvements to IFRSs (2009–2011 Cycle)	01-Jan-13
IFRS 1 First-time adoption of international financial reporting standards (amended – government loans)	01-Jan-13*
IFRS 7 Financial Instruments: Disclosure (amended – offsetting financial assets and financial liabilities)	01-Jan-13
IFRS 13 Fair Value Measurement	01-Jan-13
IAS 19 Employee Benefits	01-Jan-13
IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine	01-Jan-13*
IFRS 10 Consolidated Financial Statements	01-Jan-14
IFRS 11 Joint Arrangements	01-Jan-14
IFRS 12 Disclosure of Interests in Other Entities	01-Jan-14
IAS 27 Separate Financial Statements	01-Jan-14
IAS 28 Investments in Associates and Joint Ventures	01-Jan-14
IAS 32 Financial instruments: Presentation (amended)	01-Jan-14
IFRS 9 Financial Instruments (issued October 2010)	01-Jan-15

* These Standards and interpretations are not applicable to the Company or the Group.

The Directors anticipate that the adoption of these standards and interpretations will have no material impact on the financial statements in the period when they become applicable. None of these standards have been adopted early.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' report and Investment Manager's report. The key risks facing the business and management's policy and practices to manage these are further discussed in note 14. In assessing the Group as a going concern, the Directors have considered the forecasts which reflect the Directors proposed strategy for portfolio investments and the current uncertain economic outlook. The Group's forecasts and projections, taking into account reasonably possible changes in performance, show that the Group is able to operate within its available working capital.

The directors have considered the use of the going concern basis for the preparation of these financial statements within the context of the company's stated strategy of realising its remaining portfolio over the period to 31 March 2014, now less than 12 months away. Although one possible scenario is the piecemeal disposal of the portfolio and the company then ceasing to trade, essentially becoming a cash shell, other alternative ways forward are under consideration which do not involve the cessation of trade. The Board has made no decision in this regard but will seek the most beneficial route to enhance shareholder value. Accordingly the directors remain of the view that the going concern basis of preparation is appropriate.

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

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

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

Non-controlling interests
All the subsidiaries consolidated in these accounts are 100% owned (Note 10), except for Wycombe AH Realisations Ltd (formerly Aspex Semiconductor Holdings Ltd) where the group holds 99%. We have netted off the minority interest in Aspex Semiconductor Holdings Ltd against the investment valuation of Wycombe AS Realisations Ltd (formerly Aspex Semiconductor Ltd) as the minority interest is not material.

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

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

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements (continued)

1 Basis of preparation and significant accounting policies (continued)

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

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

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

Revenue

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

Taxation

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

Leases

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

Foreign exchange

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

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

Share options

Executive Share Option Scheme

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

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

2010 and October 2011, the exercise price of these options was further reduced to 8p, then 7p respectively. The exercise price was reduced by a further 2.5p to 4.5p per share following the capital distribution made in January 2013. All share-based payments are equity settled. There has been no charge or credit to the statement of comprehensive income in the current or prior year.

Critical accounting judgements and key sources of estimation uncertainty
The preparation of financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities relate to the valuation of unlisted financial investments held at fair value through profit and loss (£59,123,000), which are valued on the basis noted above.

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

2 Company Statement of Comprehensive Income

The Group has taken advantage of the exemption conferred by s408 CA 2006 to not disclose a full statement of comprehensive income for the Company. The Company's profit for the year was £6.308m (2012: £13.185m).

The Company has recognised realised and unrealised investment gains/losses through the statement of comprehensive income of £2.482m (2012: £12.145m).

3 Information regarding Directors and employees

	Year ended 31 March 2013 £'000	Year ended 31 March 2012 £'000
Directors' remuneration summary		
Basic salaries	**155**	155
Social security costs	**7**	34
Other emoluments	**(72)**	74
	90	263

	Year ended 31 March 2013				Year ended 31 March 2012			
	Emoluments £'000	**Bonus accrual (see note below) £'000**	**Social security costs £'000**	**Total £'000**	Emoluments £'000	Bonus accrual (see note below) £'000	Social security costs £'000	Total £'000
Directors' remuneration analysed								
C.R. Berry	**35**	**(3)**	**–**	**32**	35	3	–	38
D.R.W. Potter	**50**	**–**	**–**	**50**	50	–	–	50
H.R. Sinclair	**35**	**–**	**–**	**35**	35	–	–	35
M.K. Whitaker	**35**	**–**	**–**	**35**	35	–	–	35
A.B. Carruthers	**–**	**(19)**	**–**	**(19)**	–	19	–	19
J.R. Patel (former director)	**–**	**(16)**	**–**	**(16)**	–	16	–	16
A.D.N. Betton	**–**	**(1)**	**–**	**(1)**	–	1	–	1
Change in bonus accrual for former directors	**–**	**(33)**	**(10)**	**(43)**	–	35	–	35
Social security costs	**–**	**–**	**17**	**17**	–	–	34	34
	155	**(72)**	**7**	**90**	155	74	34	263

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

Notes to the Consolidated Financial Statements (continued)

3 Information regarding Directors and employees (continued)

The Company may have a potential liability under an incentive scheme established in 2003. The scheme pays out up to 20% of realised profit on Spark's 2003 investment portfolio, less an annual hurdle and subject to unrealised gains exceeding unrealised losses. No payments have been made under the scheme since 2007 as profitable disposals have not been sufficient to trigger any payment. However, the better than expected recent performance of the 2003 portfolio companies (which include Aspex, IMI and Kobalt, but not more recent investments such as Notonthehighstreet or OpenX) might trigger payments under the scheme. It is not possible to quantify what (if anything) the potential liability may be at this stage. This scheme was originally created to incentivise the executive directors and senior investment personnel at the time and those forming the MBO team cancelled their entitlements in it as part of the MBO process in 2009 leaving the only potential recipient as Michael Whitaker.

Details of directors share options can be found within the 'Directors and their interests' section of the Directors' report on page 8.

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

During the prior year SPARK Ventures plc made a payment of £191k to the NewMedia SPARK Employee Benefit Trust ('EBT') being part of the option exercise proceeds that had been collected by SPARK Ventures over the years since the 2001 option scheme was created. Additionally, the EBT made distributions in the current and prior years to SPARK Ventures plc and to SPARK Venture Management Ltd to be paid over to certain former employees and certain current directors of SPARK Ventures plc. There was no effect on the group or company income statements from these awards and consequently the amounts awarded are not included in directors remuneration or management fees payable in the current or prior year. Details of these awards are as follows:

	Year ended 31 March 2013 £'000	Year ended 31 March 2012 £'000
C.R. Berry	**8**	21
D.R.W. Potter	**8**	21
H.R. Sinclair	**8**	21
M.K. Whitaker	**8**	21
A.B. Carruthers	**8**	21
A.D.N. Betton	**8**	21
J.R. Patel (former director)	**8**	21
T. Teichman (former director)	**8**	190
Other SPARK Venture Management employees	**42**	85
	106	422

	Year ended 31 March 2013 No.	Year ended 31 March 2012 No.
Average number of persons employed (including directors)		
Investment and related administration	**4**	4
	4	4

4 Profit for the year

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

	Year ended 31 March 2013 £'000	Year ended 31 March 2012 £'000
Depreciation of property, plant and equipment – owned assets	**78**	86
Amortisation and impairment of intangible assets – continuing activities	**–**	360
Operating lease rentals		
Land and buildings	**713**	713
Auditors remuneration		
Fees payable to the current auditor for the audit of the Company's annual accounts	**24**	19
Fees payable to the Company's current auditor and its associates for other services:		
The audit of the Company's subsidiaries, pursuant to legislation	**14**	14
Other services relating to taxation	**10**	10
Analysis of other costs:		
Property costs	**1,971**	1,977
Onerous lease provision	**340**	–
Professional fees	**329**	238
Professional fees and settlement provision in relation to defending US legal case	**20**	253
Management fee of Quester Venture Partnership	**538**	819
Management and secretarial fee of SPARK Ventures plc	**1,089**	905
Non-cash elimination of own share debit balance reserve	**175**	–
Other general overheads	**177**	212
	4,639	4,404

5 Tax credit on losses on ordinary activities

	Year ended 31 March 2013 £'000	Year ended 31 March 2012 £'000
UK corporation tax		
Corporation tax liability at 24% (2012: 26%)	**–**	–
Total current tax	**–**	–
Deferred tax	**–**	–
Tax on profit on ordinary activities	**–**	–

Notes to the Consolidated Financial Statements (continued)

5 Tax credit on losses on ordinary activities (continued)

Factors affecting the tax charge for the current period

The tax assessed for the year is different than that resulting from applying the standard rate of corporation tax in the UK: 24% (2012: 26%). The differences are explained below:

	Year ended 31 March 2013 £'000	Year ended 31 March 2012 £'000
Current tax reconciliation		
Profit before taxation	**6,648**	10,124
Current tax charge at 24% (2012: 26%)	**1,596**	2,632
Effects of:		
Permanent differences, including goodwill impairments	**49**	93
Capital allowances in excess of depreciation	**–**	(40)
Non-taxable income	**(18)**	(787)
Movement in short-term timing differences	**(165)**	23
Profit on investment realisations	**(11)**	–
Gains on investment revaluations	**(2,077)**	(784)
Non-taxable overseas investment revaluation	**(72)**	(284)
Net capital gains	**156**	–
Utilisation of capital losses on investment revaluations	**(156)**	(2,018)
Unutilised losses carrried forward	**698**	1,071
Amortisation of intangibles	**–**	94
Tax for the year	**–**	–

Deferred tax

There remains an unrecognised deferred tax asset in respect of tax losses and other temporary differences. The unrecognised deferred tax asset is £34.7m (2012: £37.2m), for the Group and £34.5m (2012: £36.9m) for the Parent Company. The reduction in the balances for unrecognised deferred tax is due to the reduction in future corporate tax rates and an increase to management expenses carried forward available for deduction against future income. The assessed loss on which no deferred tax has been recognised amounts to £154m (2012: £155m).

	£'000
Company deferred tax asset	
Balance at 1 April 2012	928
Movement in the year	(29)
Balance at 31 March 2013	**899**
Balance at 1 April 2011	949
Movement in the year	(21)
Balance at 31 March 2012	928

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

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

6 Earnings per share

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

	Year ended 31 March 2013 £'000	Year ended 31 March 2012 £'000
Earnings		
Net profit for the year	**6,648**	10,124
Number of shares		
Weighted average number of ordinary shares in issue for basic EPS	**410,456**	409,837
Weighted average number of ordinary shares in issue for diluted EPS	**418,547**	417,928
Earnings per share		
Basic EPS	**1.62p**	2.47p
Diluted EPS	**1.59p**	2.42p

Under the 2005 Executive Share Option Scheme, 8,090,909 options are in issue with an exercise price of 7.0p up to 18 January 2013 and 4.5p from this date.

7 Dividends

	Year ended 31 March 2013 £'000	Year ended 31 March 2012 £'000
Dividend paid on C shares in respect of year to 31 March 2013: 2.5p per share paid 25 January 2013	**2,771**	–
Dividend paid on C shares in respect of year to 31 March 2012: 1.0p per share paid 25 August 2011	**–**	1,011

Notes to the Consolidated Financial Statements (continued)

8 Property, plant and equipment

Group

	Leasehold improvements £'000	Furniture, fixtures and equipment £'000	Office equipment and software £'000	Total £'000
Cost:				
Balance at 1 April 2012	1,264	617	59	1,940
Acquisitions	–	–	–	–
Balance at 31 March 2013	1,264	617	59	1,940
Depreciation:				
Balance at 1 April 2012	1,093	611	59	1,763
Depreciation charge for the year	76	2	–	78
Balance at 31 March 2013	1,169	613	59	1,841
Carrying amount at 31 March 2013	95	4	–	99
Cost:				
Balance at 1 April 2011	1,264	617	58	1,939
Acquisitions	–	–	1	1
Balance at 31 March 2012	1,264	617	59	1,940
Depreciation:				
Balance at 1 April 2011	1,009	610	58	1,677
Depreciation charge for the year	84	1	1	86
Balance at 31 March 2012	1,093	611	59	1,763
Carrying amount at 31 March 2012	171	6	–	177

9 Investments at fair value through profit and loss

Group

Portfolio company name	Note ref	Country of incorp.	% equity 31 March 2013 (8)	Value at 31 March 2012 £'000	Year ended 31 March 2013 Additions £'000	Disposals at valuation £'000	Revaluations £'000	Value at 31 March 2013 £'000
IMImobile	(2)	India	27%	15,900	–	–	300	16,200
Notonthehighstreet.com	(6)	UK	18%	11,000	–	(800)	–	10,200
Kobalt Music	(6)	UK	17%	12,336	–	(3,500)	6,627	15,463
OpenX	(3)	UK	2%	2,500	–	–	2,500	5,000
Aspex Semiconductor	(5)	UK	49%	7,000	–	(4,212)	812	3,600
Mind Candy	(6)	UK	3%	3,153	–	–	–	3,153
Gambling Compliance	(3)	UK	28%	1,776	–	–	(131)	1,645
DEM Solutions	(4)	UK	24%	1,722	–	–	–	1,722
Academia	(3)	UK	10%	924	–	–	–	924
Firebox	(7)	UK	26%	975	–	–	(725)	250
				57,286	–	(8,512)	9,383	58,157
Other investments (no single investment value greater than £500,000)	(1)			1,496	100	(200)	(430)	966
Total investments at fair value through profit and loss				58,782	100	(8,712)	8,953	59,123

(1) Other investments include Crocus, Mblox, Market Clusters, MyDeco, Symbrio AB, SVMH (now sold) and a share in Quester Venture Partnership.
(2) IMImobile has been valued according to a directors' valuation based on appropriate earnings multiples applied to the most recent results.
(3) OpenX, Gambling Compliance and Academia have been valued on the basis of recent third party funding events. In the case of Gambling Compliance, the funding event was after the balance sheet date.
(4) DEM Solutions has been valued at cost with this cost being considered to be its fair value by referencing other valuation guidelines.
(5) Aspex is at directors' valuation, being the expected recoverable amount from the solvent liquidation of Aspex Semiconductor Ltd (now renamed as Wycombe AS Realisations Ltd).
(6) Kobalt Music, Notonthehighstreet and Mind Candy have been valued at the share price that SPARK has recently sold shares at, being July 2013, May 2012 and June 2011 respectively.
(7) Firebox has been valued at a directors' valuation being an impaired cost based on the estimated recoverable amount.
(8) % equity represents fully diluted holding in investee companies.

Company

	31 March 2013 £'000	31 March 2012 £'000
Opening valuation	**33,200**	26,409
Acquisitions	**3,275**	20
Unrealised and realised valuations	**8,653**	12,145
Disposals	**(2,840)**	(5,374)
Closing valuation	**42,288**	33,200

Included within acquisitions above are £3.175m of Kobalt shares transferred in the year from NewMedia Spark B.V, the company's Dutch subsidiary.

Notes to the Consolidated Financial Statements (continued)

10 Investments in Subsidiary undertakings

Company

	31 March 2013 £'000	31 March 2012 £'000
Cost:		
Balance at 1 April and 31 March	**120,824**	120,824
Additions	**–**	–
Disposal	**–**	–
Balance at 31 March	**120,824**	120,824
Impairment:		
Balance at 1 April and 31 March	**12,593**	12,593
Impairment losses	**–**	–
Disposal	**–**	–
Balance at 31 March	**12,593**	12,593
Net book value at 31 March	**108,231**	108,231

The Company's principal subsidiary undertakings are included in the consolidation at 31 March 2013 their principal activities and countries of incorporation are set out below:

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

11 Trade and other receivables

	Group 31 March 2013 £'000	Group 31 March 2012 £'000	**Company 31 March 2013 £'000**	Company 31 March 2012 £'000
Trade debtors	**158**	170	**27**	27
Amounts owed by subsidiary undertakings	**–**	–	**3,604**	8,225
Social security and other taxes	**92**	65	**85**	65
Other debtors	**6**	6	**1**	1
Prepayments and accrued income	**740**	250	**482**	12
Amounts due from EBT	**–**	–	**–**	175
	996	491	**4,199**	8,505
Restricted cash	**1,581**	2,035	**1,581**	2,035

The restricted cash represents £1.168m (2012: £1.622m) held in a separate bank account to satisfy the Court that the share premium reduction did not adversely affect creditors of SPARK Ventures plc and £0.413m (2011: £0.413m) security for property leases which is recoverable in 2014. In accordance with the court order granted, the restricted cash balances have started to be used to pay amounts due under the lease. Following the agreement with the landlord in August 2013 to surrender the Glasshouse Street leases in the first quarter of 2014, all the remaining restricted cash balances are expected to be recovered within 12 months.

12 Trade and other payables

	Group 31 March 2013 £'000	Group 31 March 2012 £'000	**Company 31 March 2013 £'000**	Company 31 March 2012 £'000
Trade creditors	**395**	161	**58**	61
Amounts owed to group subsidiary undertakings	**–**	–	**115,569**	111,211
Social security and other taxes	**8**	48	**7**	47
Other creditors	**170**	166	**3**	3
Accruals and deferred income	**943**	738	**939**	733
	1,516	1,113	**116,576**	112,055

Included within accruals for the Group and Company is the reverse premium of £0.469m to be paid to the landlord in Q1 2014 to settle all potential liabilities arising under the Glasshouse leases. A corresponding prepayment has been made as part of prepayments in Note 11 in order to defer the expenditure to Q1 2014.

13 Operating leases

At 31 March 2013 the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	31 March 2013 £'000	31 March 2012 £'000
Non-cancellable operating lease rentals are payables as follows:		
Land and buildings:		
Less than one year	**595**	711
Between one and five years	**–**	889
More than five years	**–**	–
	595	1,600

The Group leases one property under three operating leases that were due to expire on 30 September 2014 with no early termination option. The total minimum lease payments over the next one and a half years was expected to be approximately £1.1m. To avoid significant costs at the end of the lease arising from under occupation and end of lease repairs, the Company has come to an agreement to make a payment to the landlord of £0.469m to settle all these issues in return for an early surrender of the lease, currently expected to be in the first quarter of 2014. The lease payments do not include contingent rentals.

An onerous lease provision of £340k has also been made during the year to reflect the unavoidable losses expected to be incurred in the period to the date of surrender of the lease. The provision is expected to be utilised within the next 12 months.

Notes to the Consolidated Financial Statements (continued)

14 Financial instruments and financial risk management

As a venture capital investor the Group invests in unquoted companies in accordance with the investment policy. In addition to its venture capital portfolio, which is invested mainly in technology-related companies in the TMT (technology, media and telecoms) sector, the Group maintains liquidity balances in the form of cash held for follow-on financing and debtors and creditors that arise directly from its operations. £59.1m of the Group's net assets were invested in venture capital investments and £1.9m in liquid balances (31 March 2012: £58.8m in investments and £5.0m in liquidity).

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

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

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

Market risk

Market price risk arises from uncertainty about the future valuations of financial instruments held in accordance with the Group's investment objectives. These future valuations are determined by many factors but include the operational and financial performance of the underlying investee companies, as well as market perceptions of the future of the economy and its impact upon the economic environment in which these companies operate. This risk represents the potential loss that the Group might suffer through holding its investment portfolio in the face of market movements, which was a maximum of £59.1m (2012: £58.8m).

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

The Board's strategy in managing the market price risk is determined by the requirement to meet the Group's investment objective. Risk is mitigated to a certain extent by the fact that the Group holds investments in several companies: At 31 March 2013, the Group held interests in 15 companies (31 March 2012: 17 companies). The management of risk within the venture capital portfolio is addressed through careful investment selection, by diversification across different industry segments within the TMT sector, by maintaining a wide spread of holdings in terms of financing stage and by limitation of the size of individual holdings. The Directors monitor compliance with the investment policy, review and agree policies for managing this risk and monitor the overall level of risk on the investment portfolio on a regular basis.

Market price risk sensitivity

The Board considers that the value of investments in equity and loan stock instruments are ultimately sensitive to changes in quoted share prices, insofar as such changes eventually affect the enterprise value of unquoted companies. The table below shows the impact on the return and net assets if there were to be a 20% (2012: 20%) movement in overall share prices.

	31 March 2013 £'000s Profit and net assets	31 March 2012 £'000s Profit and net assets
Decrease if overall share prices fell by 20% (2012: 20%), with all other variables held constant	**(11,825)**	(11,756)
Decrease in earnings, and net asset value per Ordinary share (in pence)	**(2.88)p**	(2.87)p
Increase if overall share prices rose by 20% (2012: 20%), with all other variables held constant	**11,825**	11,756
Increase in earnings, and net asset value per Ordinary share (in pence)	**2.88p**	2.87p

The impact of a change of 20% (2012: 20%) has been selected as this is considered reasonable given the current level of volatility observed both on a historical basis and market expectations for future movement.

Currency risk

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

	31 March 2013 £'000s	31 March 2012 £'000s
IMImobile	**16,200**	15,900
	16,200	15,900

Currency risk sensitivity
A sensitivity analysis on movements in the exchange rate has been conducted, showing the effect in value of investments denominated in foreign currency and the change in earnings per Ordinary share. A change of 15% (2012: 15%) has been selected as this is considered reasonable based on last year's movement in Indian Rupees to Sterling.

	31 March 2013 £'000s	31 March 2012 £'000s
If the Sterling exchange rate fell by 15% (2012: 15%) against Rupee:	**(2,430)**	(2,385)
Decrease in earnings	**(0.59)p**	(0.58)p
If the Sterling exchange rate increased by 15% (2012: 15%) against Rupee:	**2,430**	2,385
Increase in earnings	**0.59p**	0.58p

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

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

The Group's maximum exposure to credit risk is:

	31 March 2013 £'000s	31 March 2012 £'000s
Loan stock investments	**100**	1,750
Cash at bank	**1,900**	4,992
Restricted cash balances	**1,581**	2,035
Trade and other debtors	**256**	241
	3,837	9,018

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

The Group's cash balances are maintained by major UK clearing banks.

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

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

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

All investments fall into the category 'Level 3' under the IRFS 7 fair value hierarchy. A reconciliation of fair value measurements in Level 3 is set out in note 9 to the accounts.

Notes to the Consolidated Financial Statements (continued)

14 Financial instruments and financial risk management (continued)

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

	31 March 2013 £'000s	31 March 2012 £'000s
Cost (reviewed for impairment)	**2,678**	2,469
Recent investment price	**6,023**	3,924
Industry valuation benchmark (earnings or sales multiples)	**17,845**	31,235
Actual sales proceeds (applied to entire stake)	**32,577**	21,154
	59,123	58,782

The unquoted equity and loan stock investments had the following movements between valuation methodologies between 31 March 2012 and 31 March 2013:

Change in investment methodology	Carrying value as at 31.03.13 £'000s	Explanatory note
Industry valuation benchmark to actual sales proceeds	25,663	More appropriate basis

IFRS7 requires disclosure if the effect of changing one or more inputs to reasonably possible alternative assumptions would result in a significant change to fair value measurement. The portfolio has been reviewed and both downside and upside reasonable possible alternative assumptions have been identified and applied to the valuation of each of the unquoted investments.

Capital disclosures

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

The capital subscribed to the Group has been managed in accordance with the Group's objectives. The available capital at 31 March 2013 is £61.8m (31 March 2012: £65.4m) as shown in the statement of financial position, which includes the Group's share capital and reserves.

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

15 Called up share capital

	Group 31 March 2013 £'000	Group 31 March 2012 £'000	Company 31 March 2013 £'000	Company 31 March 2012 £'000
Called up, allotted and fully paid:				
450,000,000 (2012: 450,000,000) ordinary shares of 0.35p (2012: 0.40p)	**1,575**	1,800	**1,575**	1,800
2,000,000 D shares of 0.5p	**10**	10	**10**	10
	1,585	1,810	**1,585**	1,810

During the year the ordinary shares of 0.40p per share were re-classified as ordinary shares of 0.35p per share. At the same time the shareholders were issued with either 1 B share or 1 C share depending on the shareholder preference in an election. If a shareholder did not make an election, they received C shares by default. Each B share was re-purchased by the Company at 2.5p per share and then sold on to the Company and cancelled on 21 January 2013. Each C share received a dividend of 2.5p per share on 18 January 2013, after which the shares were deferred and subsequently bought back for 1.0p for the whole class and cancelled on 21 January 2013. The total amount returned to shareholders holding B or C shares amounted to £10.3m.

The deferred shares of 0.35p each carried no rights to dividends, had no rights to a return of capital on a winding up and had no rights to attend, speak at or vote at a General Meeting of the Company.

During the year there were no purchases or cancellations of Treasury shares.

Under the Group's 2001 Unapproved Share Option Scheme, 15,841,000 options had been granted to employees, with an exercise price of 2.5 pence, to be exercised in accordance with the Share Option Scheme rules before 31 December 2011. As at 31 March 2011, 14,922,608 of these options had been exercised, leaving 918,392 shares still held by the NewMedia Spark Employee Benefit Trust. All these options lapsed on 31 December 2011. Consequently the EBT distributed 76,331 shares to David Potter and sold all the remaining shares for cash between 25 July and 1 August 2012 with the cash distributed to all the other remaining beneficiaries of the scheme as set out in Note 3.

Under the Group's 2005 Executive Share Option Scheme, 20,227,273 options had been granted to employees, with an exercise price of 11.0 pence, to be exercised in accordance with the Share Option Scheme rules before 30 September 2015. The options vest over five years subject to achieving growth in net assets per share in excess of required targets. None of these options had been exercised by 31 March 2013. As at 31 March 2013 (and 31 March 2012), 40% of these options had vested with the remainder cancelled following the completion of the management buy-out on 9 October 2009. The repayment to shareholders of 2p per share in August 2009, 1p per share in October 2010 and October 2011 and 2.5p per share in January 2013 have reduced the exercise price of these options to 4.5 pence per share.

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

The average share price of SPARK Ventures plc quoted ordinary shares in the year ended 31 March 2013 was 9.06 pence. In the year the share price reached a maximum of 14 pence and a minimum of 6 pence. The closing share price on 31 March 2013 was 10 pence.

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

The holders of D shares are not entitled in their capacity as holders of such shares to attend, speak at or vote at a General Meeting of the Company. The D shares have no conversion rights into other classes of share. The D share holders have no rights to distributions other than D share distributions and only have rights to D share distributions once the initial target has been reached. The D shareholders only accrue value up to and including the year ending 31 March 2014 after which they accrue no further value except that this deadline is extended to 30 September 2014 if the entire company is sold by this latter date.

As at 31 March 2013 and 31 March 2012, the total amount already returned to shareholders stands at £26.6m and £16.4m respectively. To this number we have added the net assets of the company at each balance sheet date to calculate the maximum potential payment due to the D shareholders if all assets are realised at their current values and returned to shareholders. Using this method, the resulting potential payments have been estimated at £8.1m and £6.7m respectively. These potential payments have then been deducted from the net assets at each respective balance sheet date to arrive at adjusted net assets attributable to the ordinary shareholders of £53.8m and £58.6m. Dividing these latter numbers by the number of ordinary shares in issue gives the adjusted NAV per share to ordinary shareholders.

As payments to D shareholders are conditional upon returns to ordinary shareholders they are accounted for as equity and not accrued for on the balance sheet as a liability. The ultimate payments to D shareholders could be anywhere from zero up to an amount greater than the potential payments referred to above if total realisation proceeds before 31 March 2014 exceed the net assets reported in these accounts.

Notes to the Consolidated Financial Statements (continued)

15 Called up share capital (continued)

As at 30 June 2013, the major shareholders of the Group are as follows:

	Number of shares held	% of Issued shares
M&G Investment Management	86,257,053	21.00%
Majedie Asset Management	39,966,724	9.73%
Michael Whitaker	22,832,153	5.56%
Thomas Teichman	16,434,138	4.00%
Peter Lobbenberg	16,350,000	3.98%
Henderson Global Investors	16,312,500	3.97%
River & Mercantile Asset Management	15,163,466	3.69%
Ennismore Fund Management	14,293,950	3.48%
RWC Partners	13,508,631	3.29%
Ingot Capital Management	13,020,000	3.17%

The percentage holdings shown above are based on the total number of issued shares, less those shares held in Treasury at 30 June 2013 (39,245,220). The number of shares held in Treasury at 31 March 2013 and 31 March 2012 was the same as at 30 June 2013.

16 Related party transactions

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

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

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

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

In the year ended 31 March 2013, SPARK Ventures plc paid management fees of £989k (2012: £805k) and secretarial fees of £100k (2012: £100k) to SPARK Venture Management Ltd (SVML) for the management of its portfolio and paid £538k (2012: £819k) for the management of Quester Venture Partnership. Quester Venture GP Ltd is the general partner of Quester Venture GP Partnership which is the General Partner of Quester Venture Partnership. SVML is wholly owned by Querist Limited which in turn is wholly owned by SPARK Venture Management Holdings Limited (SVMH) – a company owned and controlled by Andrew Carruthers (33.33%), Jay Patel (33.33%), Thomas Teichman (22.22%) and Andrew Betton (11.12%). In addition, SVML paid £100k (2012: £136k) to SPARK Services Ltd for office space and related services within 33 Glasshouse Street on short-term leases which expired in February 2013. All these transactions were negotiated at arms length. At 31 March 2013, Spark Ventures plc had a balance of £30k owing to SPARK Venture Management Limited for secretarial fees.

On 27 February 2013, SPARK sold its 30% holding in SVMH for £250k, making a profit of £50k compared with the book value prior to the disposal.

For the period from 1 April 2012 to 19 February 2013, Jay Patel represented SPARK on the Board of IMImobile and is a director and shareholder in that company holding 3.0% of its issued share capital along with persons connected to Jay. In this same period, and at the request of IMImobile, Jay Patel assumed certain operating and executive responsibilities within IMImobile on secondment from SVML at a rate of £120k per annum (plus VAT) for approximately 80% of Jay's time. During the year £100k was billed to IMI. In February 2013, Jay formally joined IMI as its new Chief Executive Officer and the secondment arrangements ceased. At the same time, Jay resigned from the Board of SPARK. Additionally, in the year to 31 March 2013 IMImobile leased an office in 33 Glasshouse Street from SPARK Services Ltd at a rate of £210k per annum The rental negotiation with Spark Services Ltd was negotiated at arms length. There are no amounts owing under this agreement at 31 March 2013.

Thomas Teichman, the Chairman of SVMH, represents Spark Ventures plc on the Board of Kobalt Music and is the chairman of that company. As an alternative to cash directors' fees, Kobalt Music Group Ltd has previously granted Thomas Teichman 6,666 options @ £2.30 per Kobalt share, 5,000 options @ £3.00 per Kobalt share and 5,000 options @ £3.25 per Kobalt share. In total these options amount to 0.34% of the issued share capital of Kobalt. These options are limited to a maximum value of £6 per share. Additionally, Tom bought 21,666 BA ordinary shares in Kobalt in the prior year for a total consideration of £108. These BA ordinary shares only have value at share prices in excess of £6. In the year to 31 March 2013, Kobalt paid cash directors fees of £10k (2012:£10k) to Tom.

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

There are no other related party transactions of which we are aware in the year ended 31 March 2013.

	2013 £'000	2012 £'000
The balances owed by subsidiary undertakings to the Company are as follows:		
Spark India	**2,527**	2,527
Spark BV	**–**	2,405
Spark Services Ltd	**449**	293
Aspex Semiconductor Holdings Ltd	**628**	3,000
	3,604	8,225

	2013 £'000	2012 £'000
The balances owed to subsidiary undertakings by the Company are as follows:		
Internet Indirect Ltd	**79,315**	79,315
NewMedia Spark Ltd (formerly Softtechnet.com Ltd)	**26,608**	26,608
Globalnet Financial.com Inc	**3,034**	3,034
NewMedia Spark Holdings GmbH	**722**	682
Quester Venture GP Ltd	**1,663**	1,572
Spark BV	**4,227**	–
	115,569	111,211

During the year the Company provided Spark Services with funds of £485k (2012: £602k) to enable the company to meet its debts as they fell due.

17 Subsequent events

On 24 July 2013 the Company sold approximately 65% of its stake in Kobalt for £10.0m.

On 8 August 2013, the Company entered into an agreement with its landlord to terminate the Glasshouse Street leases a few months early and pay the landlord a lump sum in return for the landlord agreeing to cap SPARK's potential liability to external works planned at Glasshouse Street and waiving the dilapidations provisions in the leases.

Notes

Officers and Professional Advisers

Directors
C.R. Berry
A.D.N Betton (appointed 19 February 2013)
A.B. Carruthers
J.R. Patel (resigned 19 February 2013)
D.R.W. Potter
H.R. Sinclair
M.K. Whitaker

Secretary
A.D.N. Betton

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