Half Year Report 2012

SPARK Ventures

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 13 years and has a wealth of expertise in backing and developing companies from start-up through to eventual trade sale or IPO. SVML is wholly-owned by SPARK Venture Management Holdings Limited (SVMH), in which SPARK retains a 30% stake.

Highlights

- Net unrealised gains on fair value of investments of £1.8m.
- Profit for the period of £1.0m.
- NAV per ordinary share increases to 16.16p from 15.95p at 31 March 2012.
- Cash balance at period end of £10.0m (31 March 2012: £5.0m).
- Strong revenue performance from several portfolio companies.
- IMI valuation slightly reduced due to foreign exchange differences and share option dilution.
- Aspex sells its trade and intellectual property for anticipated ultimate proceeds of £8.5m to SPARK.
- OpenX doubles in value following conclusion of funding round.
- Partial disposals of Kobalt & Notonthehighstreet.com raise £4.3m in cash.
- Return of 2.5p per share to be proposed shortly for payment in January.

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Chairman's Report

Dear Shareholder,

Since I wrote to you in June further progress has been made in realising positions (and preparing investments for realisation). In addition to the sales made after the year end and referred to in my June statement the situation on Aspex has clarified and an excellent outcome has been achieved. As set out in our announcement of 5 December 2012, if the Aspex liquidator makes payment early in the new year, we intend to approve a payment of 2.5 pence per share (approximately £10.27m in aggregate). This means that since we started the process of winding up the portfolio, and returning cash to the shareholders, you will have received over £26 million whilst the Company still has a significantly higher NAV than when we started in 2009.

I think that these results confirm the original wisdom of seeking a five year work out and avoiding any appearance of a fire sale.

The Board are actively pursuing all avenues for the realisation of investments; trade sale, flotation or secondary and we are hopeful of further substantial realisations during 2013. We are also conscious of the potential value of the ultimate quoted cash shell and the embedded tax losses and will be seeking to maximise the value of these where possible.

I am especially grateful for the support of investee companies (where in many cases we were the first venture capital investor). Our preferred timescale for disposal is not always congruent with that of investee companies and thus great care, trust and goodwill is required for successful realisations.

Hopes of improvement in the economy may prove optimistic especially as clouds seem to be forming over Europe again. Whilst in many cases strongly emerging VC backed companies will be less affected by this, it does have an impact on the mood of potential new investors. Nevertheless our investee companies are on aggregate continuing to achieve strong growth and this encourages us regarding the inherent value of our investment portfolio.

I believe our Manager, SPARK Venture Management Ltd, continues to work on our strategy with diligence and I would like to thank them and all our stakeholders.

Yours faithfully

David Potter
Chairman
12 December 2012

Investment Manager's Report

Introduction

We are pleased to report that the Group has again made a profit for the period on continuing operations of £1.01m compared with £0.24m in the previous half year. This profit is due to net investment valuation gains of £1.87m less the Group's operating loss of £0.86m. Consequently Net Asset Value ('NAV') per share has increased slightly in the period from 15.95p to 16.16p. Compared with the NAV per share following completion of the externalisation of the investment management team in October 2009 (11.63p), the total shareholder return (NAV plus dividends/ capital returns) stands at 18.2p – an increase of 56.1% to date.

Portfolio Valuation Performance

In the half year to 30 September 2012 the Group has made net unrealised gains of £1.8m. This is essentially due to one significant uplift (OpenX) of £2.5m, modest uplifts for Aspex (£0.5m) and for Gambling Compliance (£0.2m) and valuation reductions attributable to IMI (£0.4m), Mblox (£0.25m) and Firebox (£0.73m). Other valuations are unchanged since March 2012 except for some reductions arising from part-disposals at valuations in line with their March 2012 valuations. There were two part disposals in the period – being of 7% of SPARK's stake in Notonthehighstreet.com and 28% of SPARK's stake in Kobalt Music which raised £4.3m but each of these were disposed of at March 2012 valuations and were covered in the 2012 Annual Report. Additionally, £1.75m of debt was repaid by Aspex in the period. Aspex sold its intellectual property and trade to Ericsson in August 2012. The only business to receive further funding in the period from SPARK was myDeco.com, which was given a £100k secured loan to protect shareholder value.

Progress made in the ten most significant portfolio companies was 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 reduces their operational costs by using the latest mobile technologies. The IMI group has over 650 employees worldwide with major offices in Hyderabad, London, and Dubai.

SPARK's total valuation of its stake in IMI has reduced in the six months by £0.4m from £15.9m to £15.5m. This is due to a slight increase in the enterprise value being more than offset by dilution from the exercise of share options and from a weakening of the Indian Rupee against Sterling. For consistency we have again valued the business according to an EBITDA multiple based on comparable trade sales transactions. We have applied this multiple to recent reforecasts of the results for the year to March 2013 prepared after reviewing the trading for the six months to September 2012. The first half results were slightly behind budget due to the continuing adverse impact of the new regulatory requirements in India. Fortunately a very strong performance in the Middle East and Africa, following a planned diversification in recent years, together with satisfactory performance in Europe have meant overall performance of the IMI group has not been too badly affected.

One very positive consequence of the decision to expand the IMI business outside India in recent years is that in the six months to September 2012, India accounted for only 27% of total revenues and 8% of total EBITDA compared to 41% and 45% for the corresponding period in the prior year.

Investment Manager's Report continued

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 has also significantly added to its top management team in the USA.

Kobalt uses internally developed unique and advanced technology which significantly boosts royalty collection, timing and payout amounts received by rights owners. It has a very substantial US presence and is now headquartered in New York with its operational and development base in London. It employs almost 150 people worldwide and also has successful offices in Stockholm, Berlin and Sydney.

SPARK was the founder investor in Kobalt Music in 2000.

Although business has been growing strongly with a succession of high quality client wins, we have held our view of the enterprise valuation of Kobalt in the last six months but have reduced SPARK's value from £12.3m to £8.8m following the sale of 28% of SPARK's stake to one of the other Kobalt shareholders for £3.5m.

Kobalt grew its revenues by 29% in the year to June 2012 and grew its Net Publisher Share by 33%. Client renewals remain high at 98%. Growth has been maintained since then and some major writers and artists have been added to Kobalt's impressive roster.

Kobalt's investment advisory arm, Kobalt Capital Ltd, has raised further capital for Kobalt Music Royalties SCA, the Luxembourg investment fund it advises which is becoming a meaningful investor in music rights.

In the most recently released music publishers market share statistics (Q3 2012) published by BillBoard, Kobalt was second overall and had an unprecedented 17.5% share of the US airplay chart (compared with 15.5% in the equivalent period in 2011). In Q3 2012 Kobalt was the third largest publisher in the UK singles market with a 16.3% share and had a 42% share of the Independent publishers' singles market, cementing its status as by far the leading Independent music publisher.

Notonthehighstreet.com

Notonthehighstreet.com ('NOTHS') is an internet marketplace for over 3,000 specialised UK based businesses selling a wide variety of unique 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.

As reported in the 2012 Annual Report, the valuation of SPARK's stake in NOTHS has reduced by £0.8m from £11.0m to £10.2m as a consequence of selling approximately 7% of SPARK's stake as part of the funding round concluded with Fidelity Investments Ltd.

NOTHS has maintained very impressive growth in 2012 and revenue is roughly 70% up on the prior year as at 30 September, although is slightly behind an ambitious budget. As with many retailers the final three months of the year will be crucial to the success of the year as a whole.

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.

Revenues to October 2012 are up 125% and profits are up by 204% over the previous year.

The business has strong cash flow, a very strong balance sheet with significant cash held for expansion internationally. It now has over 65 million registered monsters and sells in over 100 countries.

We have held the valuation of Mind Candy at £3.1m based on the price received when we sold half of SPARK's stake in June 2011 to a third party.

Moshimonsters (the main product of Mind Candy) has continued to perform exceptionally well in terms of revenues and profits from its licensing spin offs with leading brands such as Heinz and McDonalds, its magazine (number one children's magazine in UK), books with Penguin and from its computer games (number one Nintendo DS game currently). It has struck over 125 licensing deals including one with the leading Japanese mobile games developer.

Mind Candy's core game is in the process of being enhanced both in content and technology for release in 2013. The business has received much acclaim in the press as a leader of the UK's digital industry.

OpenX

OpenX is a business based on an open source ad-serving platform. It is headquartered in California and employs over 125 staff. The investment in OpenX was originally acquired when the business was spun out of Unanimis in late 2007.

We have increased the valuation of SPARK's stake in OpenX from £2.5m to £5.0m based on a recently concluded funding round with a prestigious new investor.

Revenue growth has remained very impressive with trailing twelve month revenue figures significantly in excess of $100m and for the second year running revenues are over two and a half times the level for the equivalent period twelve months ago. The new funds raised are expected to fuel further growth.

Firebox

Firebox is a retail website selling the latest gadgets, toys and games. Firebox is based in London and employs around 40 staff.

We have reduced the valuation of SPARK's stake in Firebox from £1.0m at 31 March 2012 to £0.25m following a disappointing year.

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.

Despite a difficult trading environment in the year to June 2012, DEM managed to maintain its revenues and deliver a profit. Meanwhile transactions taking place in their sector suggest growing interest in discrete element modelling. Nevertheless the valuation has been left unchanged at £1.7m.

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.

The valuation of SPARK's share in the business is based on a sales multiple and has been increased from £1.8m at 31 March 2012 to £2.0m at 30 September based on growing revenues. The business is cash flow breakeven.

Investment Manager's Report continued

Aspex

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 for now, but it is an asset that is effectively a cash shell and will take a little time to fully realise cash as the business is now in the hands of a liquidator.

Prior to the sale to Ericsson, Aspex was trading profitably. As a consequence Aspex had fully repaid its £2.5m loan from SPARK, with interest, prior to the sale, with £1.75m of this being repaid in the period to 30 September 2012. Due to the completion of the sale some uncertainty surrounding the total proceeds expected to be received by SPARK has been removed and consequently we have recognised a further £0.5m of value at 30 September 2012, increasing the residual value from £5.25m to £5.75m. £2.5m of this £5.75m is expected to be received in early 2013 with the balance in late 2013/early 2014.

Academia

Academia is a social networking site for the academic research community. We have held the valuation of SPARK's stake in Academia in the period at £0.9m based on the funding round concluded in Autumn 2011 with Spark Capital in the US (not connected).

Academia's revenues remain low but its user base has been growing impressively with 300% growth year on year in the number of user profiles on its site and in the number of unique monthly visitors.

Cash Balances

Cash balances have risen in the period from £5.0m to £10.0m as a result of the receipt of £4.3m from part disposals of Kobalt and Notonthehighstreet and the receipt of £1.75m following loan repayments by Aspex, offset by cash outflows from operations of £0.9m. It is now clear that the Company does not need to hold the same level of cash balances as we previously did due to very few portfolio companies needing further funding. Additionally, now that there is only just over 18 months remaining on the leases of the Glasshouse Street offices, the Company is able to pay the remaining rental payments out of the restricted cash and consequently its annual operating cash-flows from the free cash balance are significantly reduced.

The Company will therefore be calling a general meeting shortly to return at least 2p per share to shareholders (£8.2m) and most likely also return an additional 0.5p per share (£2.05m) if the first payment from the liquidator of Aspex is received when expected. This would take the total cash returned to shareholders to 6.5p per share since the Board embarked upon its realisation strategy in 2009.

Operations

Operating losses of £0.86m have decreased by £70k from that reported for the half year to 30 September 2011 (£0.93m). Investment Management fees have been higher than for the equivalent period last year due to the increase in value of the portfolio. Additionally, property losses are lower than last year due to continuing high occupancy rates.

Conclusion

After the next proposed capital returns, shareholders will have received 6.5p per share (£26.65m) in cash since the change of strategy was implemented in August 2009 – and 13.7p of value will remain on the balance sheet – a healthy position when one considers the 7p share price in early July 2009 before the strategic change was implemented.

We believe that these results demonstrate further strong progress in the SPARK portfolio. A major investment (Aspex) has been sold for anticipated ultimate proceeds of around £8.5m, which is a successful outcome compared with the £1m value attributable to this investment as recently as 31 March 2011.

It is clear that SPARK shareholders have benefitted from the orderly sales process that the Manager has been undertaking. As the Manager, we feel confident that the next 12-18 months will see a great deal of exit activity as we work to meet the targets set for us by the Board and shareholders of returning cash by March 2014. In the meantime though, significant value across the portfolio as a whole has continued to accrue to SPARK shareholders with many companies demonstrating very strong growth in the most difficult economic times in living memory. This has been reflected in growing investment valuations and an improvement in the share price.

SPARK Venture Management Limited
12 December 2012

Independent Review Report To SPARK Ventures plc

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2012 which comprises the Group Statement of Comprehensive Income, Group Statement of Financial Position, Group Statement of Changes in Equity, Group Statement of Cash Flows and related Notes 1 to 5. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with the terms of our engagement. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Directors' Responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the AIM Rules of the London Stock Exchange.

As disclosed in Note 2, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared using accounting policies consistent with those to be applied in the next annual financial statements.

Our Responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2012 is not prepared, in all material respects, in accordance with the AIM Rules of the London Stock Exchange.

PKF (UK) LLP
London, UK
12 December 2012

Group Statement of Comprehensive Income (condensed)

Six months to 30 September 2012

	Six months to 30 Sep 2012 £'000 Unaudited	Six months to 30 Sep 2011 £'000 Unaudited	Year to 31 Mar 2012 £'000 Audited
Continuing operations			
Gains and losses on investments at fair value through profit or loss			
Realised gain/(losses)	**37**	(187)	(185)
Unrealised gains	**1,835**	1,356	12,261
	1,872	1,169	12,076
Revenue			
Bank interest receivable	**33**	85	46
Fund management revenue	**380**	557	1,092
Portfolio dividends and interest	**58**	27	565
Other income	**794**	725	1,458
	1,265	1,394	3,161
Administrative expenses			
Salaries and other staff costs	**(84)**	(86)	(263)
Investment management fees	**(497)**	(394)	(905)
Fund management costs	**(313)**	(418)	(819)
Depreciation and amortisation	**(41)**	(223)	(446)
Property costs	**(991)**	(991)	(1,977)
Other costs	**(201)**	(214)	(703)
Total Administrative expenses	**(2,127)**	(2,326)	(5,113)
Profit before taxation	**1,010**	237	10,124
Taxation	–	–	–
Profit and total comprehensive income for the financial period	**1,010**	237	10,124
Attributable to:			
– Equity shareholders' funds of the parent	**1,010**	237	10,124

Group Statement of Financial Position (condensed)

At 30 September 2012

	30 Sep 2012 £'000 Unaudited	30 Sep 2011 £'000 Unaudited	31 Mar 2012 £'000 Audited
Non-current assets			
Property, plant and equipment	**136**	219	177
Investments at fair value through profit and loss	**54,667**	49,181	58,782
Intangible assets	**–**	180	–
Restricted cash	**1,821**	2,035	2,035
	56,624	51,615	54,532
Current assets			
Trade and other receivables	**513**	487	491
Cash and cash equivalents	**10,039**	4,412	4,992
	10,552	4,899	5,483
Current liabilities			
Trade and other payables	**(802)**	(1,037)	(1,113)
	(802)	(1,037)	(1,113)
Net current assets	**9,750**	3,862	4,370
Net assets	**66,374**	55,477	65,364
Equity attributable to the shareholders of the parent			
Issued capital – ordinary shares	**1,800**	1,800	1,800
Issued capital – C shares	**–**	50	–
Issued capital – D shares	**10**	10	10
Share premium	**9**	9	9
Revenue reserve	**54,712**	43,815	53,702
Capital redemption reserve	**10,018**	9,968	10,018
Own shares	**(175)**	(175)	(175)
Total Equity	**66,374**	55,477	65,364

Net assets per share

	30 Sep 2012 Number '000 Unaudited	30 Sep 2011 Number '000 Unaudited	31 Mar 2012 Number '000 Audited
Ordinary shares in issue	**450,000**	450,000	450,000
Shares held in Treasury	**(39,245)**	(39,245)	(39,245)
Shares held by Employee Benefit Trust	**–**	(918)	(918)
Shares in issue for net asset per share calculation	**410,755**	409,837	409,837
NAV per ordinary share (pence)	**16.16**	13.54	15.95
Diluted NAV per ordinary share (pence) – see Note 4	**14.48**	12.38	14.31

Group Statement of Changes in Equity (condensed)

For the six months ending 30 September 2012

	D shares £'000	C Shares/ Deferred shares £'000	B shares £'000	Ordinary share capital £'000	Share premium £'000	Revenue reserve £'000	Capital redemption reserve £'000	Own shares £'000	Total equity £'000
Balance at 1 April 2011	10	–	–	2,025	9	47,716	9,793	(175)	59,378
Profit and total comprehensive income for the financial period						237			237
New share split into 2011 B & C shares		50	175	(225)					–
Share buy-backs of 2011 (B shares)			(175)			(3,127)	175		(3,127)
Dividend on 2011 C Shares						(1,011)			(1,011)
Balance at 30 September 2011	**10**	**50**	**–**	**1,800**	**9**	**43,815**	**9,968**	**(175)**	**55,477**
Balance at 1 April 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 share split into 2011 B & C shares		50	175	(225)					–
Share buy-backs of 2011 B shares			(175)			(3,127)	175		(3,127)
Dividend on 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 financial period						1,010			1,010
Balance at 30 September 2012	**10**	**–**	**–**	**1,800**	**9**	**54,712**	**10,018**	**(175)**	**66,374**

At the AGM held on 28 September 2011, the Company received shareholder approval to split its share capital. For each existing ordinary share held of 0.45p each, a shareholder received one new ordinary share of 0.40p together with 1 B share or 1 C share depending on what the shareholder elected to receive. The new B shares were bought back by the Company for 1p per share prior to the Balance Sheet date and subsequently cancelled on 7 October 2011. The new C shares were paid a dividend of 1p per share on 29 September 2011 after which the shares were deferred and subsequently bought back for one penny for the whole class and cancelled on 7 October 2011.

Group Statement of Cash Flows (condensed)

Six months to 30 September 2012

	Six months to 30 Sep 2012 £'000 Unaudited	Six months to 30 Sep 2011 £'000 Unaudited	Year to 31 Mar 2012 £'000 Audited
Cash flows from operating activities			
Cash outflow from operations	**(1,154)**	(406)	(1,131)
Net cash outflow from operating activities	**(1,154)**	(406)	(1,131)
Cash flows from investing activities			
Purchase of financial investments	**(100)**	(20)	(20)
Sale of financial investments	**6,050**	3,902	5,206
Receipt of deferred consideration	**37**	332	333
Net cash inflow from investing activities	**5,987**	4,214	5,519
Cash flows from financing activities			
Dividends paid (C shares)	**–**	(1,011)	(1,011)
Share buy backs (B shares)	**–**	(3,127)	(3,127)
Net cash outflow from financing activities	**–**	(4,138)	(4,138)
Management of liquid resources			
Decrease in restricted cash	**214**	–	–
Change in cash and cash equivalents	**5,047**	(330)	250
Opening cash and cash equivalents	**4,992**	4,742	4,742
Closing cash and cash equivalents	**10,039**	4,412	4,992

Reconciliation of operating loss to net cash outflow from operations

Revenue	**1,265**	1,394	3,161
Administrative expenses	**(2,127)**	(2,326)	(5,113)
Operating loss	**(862)**	(932)	(1,952)
(Increase)/decrease in trade and other receivables	**(22)**	286	282
(Decrease)/increase in trade and other payables	**(311)**	17	93
Depreciation and amortisation	**41**	223	446
Net cash outflow from operations	**(1,154)**	(406)	(1,131)

Notes to the Half Year Report

Note 1 – General Information

SPARK Ventures plc is a company incorporated in the UK. The information set out in this unaudited Half Year Report for the periods ended 30 September 2012 and 30 September 2011 does not constitute statutory accounts as defined in section 435 of Companies Act 2006. Comparative figures for 31 March 2012 are derived from the financial statements for that year. The financial statements for the year ended 31 March 2012 have been delivered to the Registrar of Companies and contain an unqualified audit report, did not contain a statement under matter of emphasis and no statements under section 498(2) or (3) of the Companies Act 2006. This Half Year Report has been prepared in accordance with the AIM rules.

Note 2 – Basis of Accounting

The Annual Group financial statements are prepared under International Financial Reporting Standards (IFRS) as adopted by the European Union. The financial information set out in this Half Year Report has been prepared using accounting policies, methods of computation and presentation consistent with those applied in the preparation of the accounts for the Group for the year ended 31 March 2012. This report does not itself contain sufficient information to comply with IFRS. These condensed consolidated interim financial statements have been prepared on the basis of IFRSs in issue that are effective at the Group's annual reporting date as at 31 March 2013.

Note 3 – Going Concern

After making inquiries, the directors have reasonable expectations that the Group has sufficient funds to continue in operational existence for the foreseeable future. In assessing the Group as a going concern, the Directors' have considered the forecasts which reflect the Directors' strategy for portfolio investments and the current uncertain economic outlook. The Group's forecast projections, taking into account reasonably possible changes in performance, show that the Group is able to operate within its available working capital for a period of at least twelve months from the date of this Half Year Report.

Accordingly, the Directors continue to adopt the going concern basis in preparing the Half Year Report.

Note 4 – D Shares and Fully Diluted NAV Per Share

The Company's D shares were created in 2009 to incentivise the manager to maximise the value of the portfolio in cash and make this cash available to shareholders.

The D shares of SPARK receive no returns until the lower hurdle of returns due to ordinary shareholders has been reached. This hurdle was originally set at £49.3m but could be reduced by amounts made available for distribution to shareholders prior to 31 March 2012. We have estimated that this lower hurdle should be £45.1m. Once the lower hurdle has been reached D shareholders receive 15% of further distributions to shareholders up to the upper hurdle. The upper hurdle was fixed in 2009 at £57.5m. Once total amounts made available to be returned to shareholders has exceeded the upper hurdle, the D shareholders receive 20% of distributions above this upper hurdle.

As at 30 September 2012, 31 March 2012 and 30 September 2011, the total amount already returned to shareholders stands at £16.4m. 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 £6.9m, £6.7m and £4.7m 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 £59.5m, £58.6m and £50.7m. Dividing these latter numbers by the number of ordinary shares in issue gives the fully diluted 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.

Note 5 – Investments at Fair Value Through Profit and Loss

Portfolio Company Name	Value at 31 Mar 2012 £'000	Additions £'000	Disposals £'000	Revaluations £'000	Value at 30 Sep 2012 £'000	Value at 30 Sep 2011 £'000
IMImobile	**15,900**	0	0	(400)	15,500	17,656
Notonthehighstreet.com	**11,000**	0	(800)	0	10,200	4,461
Kobalt Music	**12,336**	0	(3,500)	0	8,836	11,103
Aspex	**7,000**	0	(1,750)	500	5,750	3,000
OpenX	**2,500**	0	0	2,500	5,000	2,500
Mind Candy	**3,153**	0	0	0	3,153	3,153
Gambling Compliance	**1,776**	0	0	210	1,986	1,416
DEM Solutions	**1,723**	0	0	0	1,723	1,723
Academia	**924**	0	0	0	924	924
Firebox	**975**	0	0	(725)	250	1,100
	57,287	0	(6,050)	2,085	53,322	47,036
Other investments (see Note 1 below)	**1,495**	100	0	(250)	1,345	2,145
Total portfolio	**58,782**	100	(6,050)	1,835	54,667	49,181

(1) Other investments include myDeco, Mblox, Crocus, Symbrio AB, Market Clusters, Quester Venture Partnership and SPARK Venture Management Holdings Limited.

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