



**Brainspark** 



**ANNUAL REPORT  
AND ACCOUNTS**

**2004**

**Annual Report and Financial statements for  
the year ended 31 December 2004**

**Brainspark Plc**

**Contents**

<b>Chairman's statement</b>	<b>1</b>
<b>Directors</b>	<b>4</b>
<b>Directors' report</b>	<b>5</b>
<b>Remuneration Committee's report</b>	<b>7</b>
<b>Corporate Governance</b>	<b>9</b>
<b>Auditors' report</b>	<b>12</b>
<b>Financial Statements</b>	<b>14</b>

---

## Company information

**Directors**

Francesco Gardin, Chairman  
Alberto Agosta, CEO  
Don R. Caldwell, Non-Executive Director  
David Meacher, Non-Executive Director  
Edward Burman, Non-Executive Director

**Secretary**

James D. S. Gordon

**Company number**

3926192

**Registered office**

The Lightwell  
12 – 16 Laystall Street  
Clerkenwell  
London  
EC1R 4PF

**Auditors**

Mazars LLP  
19 Goldington Road  
Bedford  
MK40 3JY

**Solicitors**

Gordons  
22 Great James Street  
London  
WC1N 3ES

**Nominated Adviser**

Beaumont Cornish Limited  
Georgian House  
63 Coleman Street  
London  
EC2R 5BB

**Broker**

Hoodless Brennan & Partners Plc  
Docklands  
40 Marsh Wall  
London  
E14 9TP

**Registrar**

Capita IRG Plc  
The Warrant House  
High Street  
Altrincham  
Cheshire  
WA14 1PZ



## Chairman's statement

I am pleased to present the Company report for the year ended 31 December 2004.

The results show a loss of £1,071,000 in the year compared to a loss of £2.9 million for the financial year to 31 December 2003. The improvement in results arises from a combination of a continued reduction in running costs of the Company and the sale of two portfolio companies at higher price than our book value. Of the £1,071,000 loss, £1,186,000 is due our share of operating loss of associated undertakings (goodwill amortisation, and impairment charges to the portfolio). For the first time ever the company has achieved a positive EBITDA of £151,000.

We hope that the result represents a turnaround for the Group and confirms that the strategy implemented so far by the Brainspark Board is heading in the right direction.

The cost cutting measures begun in 2002, having further reduced the net operating expenses to £33,000 per month this year, net of recovery of rent and charges made to the cubs.

In order to preserve cash resources and demonstrate their own belief in Brainspark's future, the Board resolved on 3<sup>rd</sup> June 2004 to reduce directors fees to £5,000 per annum for 2004, with the CEO, Mr. Agosta, being the only director to receive a salary. Mr Agosta's salary was set by the Remuneration Committee at £60,000 with a £20,000 bonus payable on successful sale of two portfolio assets. I have agreed to forgo my salary for the year, whilst Don Caldwell has waived his £5,000 fee.

During 2004 Brainspark sold two of its portfolio holdings:

- Smile-On, a company providing e-learning services to UK dental professionals, for a consideration of £220,000; and
- The Usability Company, a company providing usability testing and consultancy services, for a consideration of £360,000. In addition, the disposal gives the Company the opportunity to exercise 15,680 options (equal to a 7.8% of the company on a fully diluted base) with an exercise price of £1.36. The options are exercisable until 15 February 2006.

Originally, the investment made in these two companies was £1.2 million and the two holdings had a total consolidated net book value at disposal of £22,000. The profit against their book value amounted to £558,000.

The Group's cash situation is still tight, and a cash injection through a share capital issue was agreed by the Board during 2004, after the par values limit below which the trading of Brainspark shares took place during the last 6 months of 2004, technically prevented the possibility to inject money at a price close to the market price. In order to resolve this issue and enable the Company to raise money at, or above par value the Company called a shareholders' meeting on 3 March 2005 which approved a one to one hundred split of existing Brainspark shares. As a result of this a capital increase can now take place.

## Summary Financial Results

The Group's cash reserves at 31 December 2004 stood at £28,000 compared with £68,000 at December 2003. The Group's net asset value (NAV) was £2.8 million at December 2004, compared with £3.8 million at December 2003.

## Market Environment

The market environment in the IT sector remains difficult and although our existing portfolio companies show signs of improvement and are entering into their profitability phase; the ability to maximise our return on sale from our investments might require Brainspark to provide further support to certain of the current portfolio companies over the next two years, whilst we may achieve a profitable exit earlier in the case of others.

## Operational Changes

The Board during 2005 will continue to focus on reducing net operating expenses to below £30,000 per month.

## Board Changes

No Board changes took place in the Company during 2004.

## Investment Committee Changes

No changes have been made to the Investment Committee during the year. The Committee is currently represented by the by Prof. Francesco Gardin, Chairman of the Company, Mr. David Meacher, an Independent Director, and an external advisor Prof. John A. Campbell.

## Business Process

Brainspark continues to monitor and rationalize its operational infrastructure and leverage the knowledge and market potential of the whole investment portfolio.

This is a consequence of the difficult market conditions and is a modification of the Company's original strategy.

At the outset, Brainspark's strategy was to take a role in the initial stages of financing new business ideas. It would find and, develop businesses and then look to exit relatively quickly through a trade sale or flotation.

## Investments Review

Brainspark has holdings in 8 companies, 5 in the UK, two in Italy and one in Israel. Its stake range from nearly 5% to nearly 52% of the relevant portfolio companies. The portfolio covers a wide range of business sectors, including Web Services, application service providers and advanced IT solutions.

All portfolio companies, but one, have managed to reach near profitability or profitability in 2004.

Among the portfolio companies positive signs are emerging basically from all of them although with different levels of performance but all of them are already, or about to be operating, finally, at profit.

- On 24 June 2004 Brainspark sold its stake of 38.3% per cent in Smile On for £220,000.
- On 6 October 2004, Brainspark sold its stake 33% per cent in Usability for £360,000 and as referred to earlier was granted options.

In addition, during the year, the Group increased/decreased its holding as follows:

- In September 2004 Brainspark agreed to a capital increase in Metapack ([www.metapack.co.uk](http://www.metapack.co.uk)), a software and services company, which specialises in the retail supply chain, retaining its percentage holding unchanged (5.89%).
- From June 2004 until June 2005, the company made further investments in Geosim Systems Limited which will ultimately increase our ownership to 51%.
- Brainspark's interest in Ludonet has reduced from 14.875% per cent to nil, as a result of a second capital injection from the new shareholder who injected €230,000 (£162,000) last year. The Company did not participate in the latest funding round and as a result our percentage of ownership is now down to zero.

## Prospects

The combination of cost reduction that will arise when the three year lease at our current premises expires in March 2006, and further cost efficiencies that the Board is considering, together with a proposed capital injection and the sale of an important asset in our portfolio should finally put the Company, in a situation where it can attract new investors in the specific vertical markets Brainspark has been analyzing carefully during the last year.

While there is no guarantee about the successful outcome of all of the above actions, for the first time since the end of 2001 we can look to the future with a plan which is entering, finally, into its strategic phase, after what has been a sustained period of reorganisation.

All portfolio companies plan to be profitable in 2005, whilst this represents only a third party estimate with no guarantee of success nevertheless management of the portfolio companies have never shown such confidence levels in the past. Again this is an indication of the quality of the portfolio and the potential for growth.

At 31 December 2004, Brainspark's mid-market price per share of 0.47p valued the Company at £0.9million against a consolidated net asset value of £2.8 million. The Board believes that this is a conservative valuation of the company's future potential.



Prof. Francesco Gardin  
**Chairman**  
27 June 2005

## Directors

### Francesco Gardin (I)

#### Chairman of Board

Was appointed on 5 February 2002, resigned on 28 October 2002 and re-appointed 14 November 2002. Holds a degree in Theoretical Physics at Padova University in 1979. Since 1984, he has been Associate Professor at Udine, Milano and Siena University lecturing in Artificial Intelligence, Man-Machine Interaction and related topics. His academic writing includes more than 50 individual and joint publications. In 1983, Francesco Gardin founded AISoftw@re S.p.A. Francesco Gardin is now Chairman of AISoftw@re S.p.A. which is listed at the Milan Stock Exchange in 2000. Age 50.

### Alberto Agosta (A, R)

#### Chief Executive Officer

Was appointed 5 February 2002 and he is Board Vice President of AISoftw@re S.p.A, Chairman of Infusion srl and director of GeoSim. Prior to joining AISoftw@re S.p.A. he held various senior executives positions in several information technology companies. Age 60.

### Don Caldwell (A, R)

#### Non-Executive Director

Was appointed 28 February 2001 and is Chairman and Chief Executive Officer of Cross Atlantic Capital Partners which manages two funds which are significant Brainspark shareholders. He is a former President and Chief Operating Officer of Safeguard Scientifics Inc and he is also currently a non-executive Director of several leading companies in the US and Chairman of Crucible Corporation, a seed fund based in Ireland. Age 59.

### David Meacher (A, I, R)

#### Non-Executive Director

Was appointed 5 February 2002. He has over seventeen years of experience in international investment banking and strategic consultancy. He is a partner of City Capital Corporation Limited, a UK based boutique investment bank that focuses on corporate finance and capital markets for mid-sized UK and continental European corporates. Age 41.

### Edward Burman (A)

#### Non-Executive Director

Was appointed on 7 November 2002. He is Director of Ambrosetti Stern Stewart Italy and is responsible for the E-Services area which provides consulting programs on the use of Internet for e-commerce and e-business. He is Professor of the new e-business course in the Economics division at the University of Bologna. Between 1994 and 2000 he lectured at the Canterbury Business School of the University of Kent. Currently he is a lecturer at Henley Management College (UK). Age 57.

#### Key:

- A** Member of the Audit Committee during the year
- I** Member of the Investment Committee during the year
- R** Member of the Remuneration Committee during the year

## Directors' report

The Directors present their report together with the audited financial statements for the year ended 31 December 2004.

### Principal Activity

The principal activity of the Group is the investment in, and provision of incubation services to technology start up businesses and advanced technology business.

### Review of business

A full review of the business and assessment of future prospects is provided in the Chairman's Statement.

### Directors

The present members of the Board of Directors together with brief biographies are shown on page 4.

No Director had a material interest in any contract of significance to the Company or any of its subsidiaries during the period and as at 31 December 2004. Nor did any Directors of the Company have any beneficial interests in the shares of its subsidiary companies, associates and investments other than two of the Cross Atlantic Funds which hold a portion of MetaPack. Directors' interests in the shares of the Company are as shown below.

### Directors' interests

The Directors' interests in the ordinary share capital of the Company at 31 December 2004 and 1 January 2004, or if later, the date of appointment were as follows:

	Beneficial holdings		
	Number of shares		
	31 December 2004	%	1 January 2004
<b>Executive Directors</b>			
F. Gardin	31,903,278	16.59	31,903,278
A. Agosta	2,527,273	1.31	2,527,273
<b>Non-Executive Directors</b>			
D. Meacher	-	-	-
E. Burman	681,818	0.35	681,818
D. R. Caldwell	-	-	-

D. Meacher and Cross Atlantic have interests in share warrants, further information of which is provided in the Remuneration Committee Report.

The market price of the ordinary shares at 31 December 2004 was 0.47p and the highest and lowest mid price during the year were 1.25p and 0.28p respectively.

There have been no changes in the Directors' interests between the year end and 27 June 2004.



## Dividends

The Directors' are unable to recommend the payment of a dividend.

## Substantial shareholder interests

As at 30 May 2005, substantial interests of 3 per cent or more in the ordinary shares of the Company notified to the Company in accordance with Sections 198-208 of the Companies Act 1985, were as follows:

	Number of shares	% of shares
Cross Atlantic Technology Fund	33,916,050	17.64
F. Gardin	31,903,278	16.59

Following an Extraordinary General Meeting held on 3<sup>rd</sup> March 2005, resolutions were passed to effect the sub-division of each of the existing issued ordinary shares of 1p into one new ordinary share of 0.01p ("New Ordinary Shares") and 99 new deferred shares of 0.01p ("Deferred Shares"). The Deferred shares shall carry no effective rights.

## Corporate Governance

Details of the Company's corporate governance policy and its compliance with the principles of the Combined Code are set out in pages 9 to 11.

## Creditor payment policy

The Group's policy is to settle all trade creditor balances in accordance with the terms of business agreed with the supplier. The Group's average creditor payment period at 31 December 2004 was 75 days (2003: 79 days).

## Charitable and political contributions

There were no charitable or political donations made during the year (2003 - nil).

## Auditors

Mazars LLP succeeded to Mazars as the independent auditor to the Company during the period. A resolution to reappoint Mazars LLP as auditors to the Company and to authorise the Director to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board.



James D. S. Gordon  
**Company Secretary**  
27 June 2005

## Remuneration Committee's report

The Remuneration Committee of the Board (the Committee) is comprised of two non-executive Directors of the Company, D. R. Caldwell and D. Meacher, and the Chief Executive Officer of the Company A. Agosta. The Committee is responsible for setting the remuneration of the executive Directors.

### Remuneration policy

The Committee reviews remuneration levels annually and attempts to ensure that they are set at a level which is in line with packages available in comparable companies in the industry, are capable of attracting, retaining and motivating Directors of appropriate calibre, are consistent with the performance of the Company and at the same time are aligned with the best interests of the shareholders.

The Committee receives advice from external remuneration advisers where appropriate.

The Chairman is responsible for maintaining contact with the principal shareholders about remuneration matters.

### Service contracts

None of the executive directors have formal service contracts; their remuneration is fixed by the Remuneration Committee.

### Remuneration

Remuneration receivable by each Director during the year was as follows:

	<b>Board fees</b>	<b>Salary</b>	<b>Bonus</b>	<b>2004 Total</b>	<b>2003 Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Executive Directors</b>					
F. Gardin	5	-	-	5	52
A. Agosta	5	60	20	85	107
<b>Non-executive Directors</b>					
D R Caldwell (Cross Atlantic)	-	-	-	-	4
D. Meacher	-	-	-	-	-
E. Burman	5	-	-	5	15
Total	15	60	20	95	178

None of the Directors had any pension entitlement.

## Directors' interests in share options and warrants

At 31 December 2004, the following Directors had outstanding share options and warrants in the Company; these remain exercisable at any time on or before 31 July 2005, as follows:

### Interests in warrants

	Exercise Price	1 January 2004	Number of warrants	
			Granted during the year	31 December 2004
<b>Non-Executive Directors</b>				
D. Meacher	1.32p per share	2,904,545	-	2,904,545
D. R. Caldwell (Cross Atlantic)	1.1p per share	1,745,455	-	1,745,455

D. R. Caldwell assigned his entitlement in the share warrants to Cross Atlantic Technology Fund LLP.



Don Caldwell  
Chairman of the Remuneration Committee  
27 June 2005

## Corporate Governance

### Combined Code

The Board of Directors is accountable to the Company's shareholders for ensuring good corporate governance and the Directors support the principles of the Combined Code.

Since scaling down of the Company's operations the Directors believe it is impracticable to comply with the full provision of the Code. However, it is the Directors' intention that as the Company refocuses its operations appropriate Corporate Governance measures will be reintroduced in order to move towards full compliance with the Code.

### Board of Directors

During the year, the Board comprised two executive Directors including the Chief Executive Officer and three non-executive Directors. Don Caldwell is the representative of Cross Atlantic Capital Partners, a major shareholder. The other Directors are independent.

The composition of the Board during the year is shown on pages 4 and 5.

The Board is responsible for the overall management of the Group. The Board received regular reports from management on key issues such as investment strategy, financial performance and operational matters for which there is a prescribed timetable.

Directors had access to the advice and services of the Company Secretary who is responsible for ensuring the Board procedures are followed and could also have taken advice from the Company's lawyer at the Company's expense.

On appointment and as necessary thereafter Directors received technical information about their responsibilities and duties from the Company's legal adviser.

### Board Committees

During the year, the Board had delegated responsibilities to its committees which had fixed terms of reference. The main committees established were the Investment, Audit and Remuneration Committees.

### Investment Committee

The Investment Committee meets whenever significant investment matters arise which are not dealt with in the normal course of Board business.

### Audit Committee

The Audit Committee is responsible for dealing with accounting matters, ensuring the independence of the external auditors', financial reporting and internal controls and comprises the three non-executive Directors with the Chief Executive Officer.

The Committee reviewed the interim and annual financial statements and received reports from the external auditors on internal controls and accounting issues before they are submitted to the Board for approval. The Committee also monitored the effectiveness of the external audit process and set the remuneration of the auditors.

## Remuneration Committee

The Remuneration Committee is responsible for the approval of the remuneration for the executive Directors in accordance with the Group's remuneration policy framework.

The Committee is comprised of two non-executive Directors and the Chief Executive Officer. In framing its remuneration policy full consideration had been given to the provisions of Section 1B and Schedule A to the Combined Code.

## Nominations Committee

There was no plan for any recruitment and appointment. It was decided at Board level not to set up a Nominations Committee.

## Corporate Governance

The size of the management team has necessitated a reduction in compliance with the Combined Code.

The Board confirms that it will reassess its compliance with the Combined Code in the event of any significant transactions which would result in a substantial expansion of the Company.

## Relations with shareholders

The executive Directors meet with representatives of institutional investors and analysts to discuss their views and ensure that the corporate objectives and strategies of the Group are well understood. The Company's shareholders are sent interim and annual reports and accounts and all shareholders are entitled to attend the Annual General Meeting and receive a Notice of the Meeting.

Members of the Board will be in attendance at the Annual General Meeting and will be available to meet shareholders informally after the meeting. The Company will advise shareholders attending the AGM of the number of proxy votes lodged for and against each resolution after each resolution has been dealt with by a show of hands.

## Statement of Directors' responsibilities

Company law requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

In preparing those financial statements the Directors are required to:

- a) select suitable accounting policies and then apply them consistently,
- b) make judgements and estimates that are reasonable and prudent,
- c) state whether applicable and accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are also responsible for the maintenance and integrity of the website and acknowledge that legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

### **Internal control**

The Board recognises its responsibilities for ensuring the Group has effective internal controls in place throughout the year, as well as procedures necessary for reviewing the Group's system of internal control and assessing the nature and extent of the risks facing the Group.

### **Going concern**

The Directors are satisfied that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and accordingly have adopted the going concern basis for preparing the financial statements.

## Independent auditors' report to the members of Brainspark plc

We have audited the financial statements for the year ended 31 December 2004 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses and related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

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

### Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities, the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatement within it.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, the Chairman's Statement, the Directors' Remuneration Committee's Report and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### Basis of audit opinion

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

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

## Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's and the Group's affairs as at 31 December 2004, and of the Group's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink that reads "Mazars LLP".

### **Mazars LLP**

Chartered Accountants and Registered Auditors  
19 Goldington Road  
Bedford  
MK40 3JY  
29 June 2005



## Financial Statements

### Consolidated profit and loss account For the year ended 31 December 2004

	Notes	2004 £'000	2003 £'000
<b>Turnover</b>	2	-	-
Net operating expenses – recurring	3	(395)	(680)
Net operating expenses – exceptional	3	-	(39)
<b>Total net operating expenses/Group operating loss</b>		(395)	(719)
Share of operating loss of associated undertakings	4	(1,186)	(1,915)
<b>Total operating loss: Group and share of associated undertakings</b>		(1,581)	(2,634)
Profit on disposal of associated undertakings	14	558	-
<b>Loss on ordinary activities before interest</b>		(1,023)	(2,634)
Net interest (payable) receivable	7	(11)	39
Amounts written off investments	15	(37)	(311)
<b>Loss on ordinary activities before taxation</b>	8	(1,071)	(2,906)
<b>Tax on loss on ordinary activities</b>	9	-	-
<b>Loss on ordinary activities after taxation</b>		(1,071)	(2,906)
<b>Retained loss for the financial year</b>	22	(1,071)	(2,906)
<b>Loss per 1p ordinary share</b>			
Basic and diluted earnings per share	11	(0.56p)	(1.55p)

The loss for the year is derived wholly from continuing activities.

## Consolidated statement of total recognised gains and losses For the year ended 31 December 2004

	Notes	2004 £'000	2003 £'000
Loss for the financial year	22	(1,071)	(2,906)
Total recognised gains and losses for the year		(1,071)	(2,906)

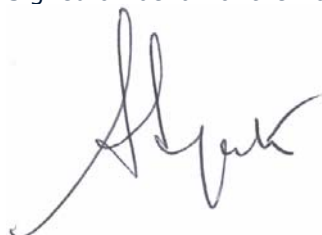
There are no differences between the results disclosed and the historical cost equivalents.

## Balance sheets at 31 December 2004

	Notes	Group 2004 £'000	Group 2003 £'000	Company 2004 £'000	Company 2003 £'000
<b>Fixed assets</b>					
Tangible assets	12	44	80	-	-
Investments in subsidiary undertakings	13	-	-	1,617	3,291
Investments in associated undertakings	14	1,451	2,639	-	-
Other investments	15	1,549	1,567	-	-
		3,044	4,286	1,617	3,291
<b>Current assets</b>					
Debtors (amounts falling due within one year)	16	352	295	1,127	1,338
Debtors (amounts falling due after more than one year)	16	110	-	-	-
Cash at bank and in hand	17	28	68	-	-
		490	363	1,127	1,338
<b>Creditors: amounts falling due within one year</b> (including convertible debt)	18	(645)	(689)	(364)	(268)
<b>Net current (liabilities)/assets</b>		(155)	(326)	763	1,070
<b>Total assets less current liabilities</b>		2,889	3,960	2,380	4,361
<b>Provisions for liabilities and charges</b>	20	(122)	(122)	-	-
<b>Net assets</b>		2,767	3,838	2,380	4,361
<b>Capital and reserves</b>					
Called up share capital	21	1,923	1,923	1,923	1,923
Share premium account	22	28,562	28,562	28,562	28,562
Other reserves	22	6,813	6,813	-	-
Profit and loss account (deficit)	22	(34,531)	(33,460)	(28,105)	(26,124)
<b>Total equity shareholders' funds</b>		2,767	3,838	2,380	4,361

These financial statements were approved by the Board of Directors on 27 June 2005.

Signed on behalf of the Board.



Alberto Agosta  
**Chief Executive Officer**

## Reconciliation of movements in shareholders' funds For the year ended 31 December 2004

	Notes	Group 2004 £'000	Group 2003 £'000	Company 2004 £'000	Company 2003 £'000
Loss for the period	22	(1,071)	(2,906)	(1,981)	(2,586)
New share capital issued		-	53	-	53
<b>Net reduction in shareholders' funds</b>		(1,071)	(2,853)	(1,981)	(2,533)
<b>Opening shareholders' funds</b>		3,838	6,691	4,361	6,894
<b>Closing shareholders' funds</b>		2,767	3,838	2,380	4,361

## Consolidated cash flow statement For the year ended 31 December 2004

	Notes	2004 £'000	2003 £'000
Net cash outflow from operating activities	23	(240)	(967)
<b>Returns on investments and servicing of finance</b>			
Interest received		-	39
Interest paid on 5% Convertible bond		(2)	-
Net cash (outflow)/inflow from returns on investments and servicing of finance		(2)	39
<b>Capital expenditure and financial investment</b>			
Purchase of other investments	15	-	(15)
Sale of other investments / own shares	15	-	77
Net cash inflow from capital expenditure and financial investment		-	62
<b>Acquisitions and disposals</b>			
Sale of investments in associated undertakings	14	360	-
Purchase of investments in associated undertaking		(70)	(165)
Loans to associated undertakings		(110)	(15)
Net cash inflow (outflow) from acquisitions and disposals		180	(180)
<b>Net cash outflow before financing</b>		(62)	(1,046)
<b>Financing</b>			
5% Convertible bond issue		-	50
Repayment of 5% Convertible bond issue		(50)	-
Loan from major shareholders and others		110	200
Partial repayment of loan to major shareholders and others		(38)	(100)
<b>Net cash inflow from financing</b>		22	150
<b>Decrease in net cash for the period</b>		(40)	(896)
<b>Reconciliation of cash flow to movement in net funds</b>			
Net cash at beginning of period		68	964
Decrease in net cash in the period		(40)	(896)
<b>Net cash at end of period</b>	17	28	68

## Notes to the financial statements

### 1 Basis of preparation

#### Principal accounting policies

The financial statements have been prepared under the historical cost convention modified to include certain investments at valuation, and in accordance with applicable accounting standards. A summary of the more important Group accounting policies is set out below.

#### Going Concern

These financial statements have been prepared on a going concern basis as the Directors are satisfied that the Company and the Group have adequate resources to meet liabilities when they fall due.

In making their assessment the Directors have taken into account cash that they expect to generate from offers for sale of certain of the Group's investments. The Directors are confident that these sales will proceed and generate funds in excess of those required to meet ongoing operating costs and other financial commitments that are expected to arise over the year following the adoption of these financial statements. The financial statements do not include any adjustments that would result if the directors' plans were not successful.

#### Consolidation

The Group accounts include the financial statements of the Company and its subsidiaries together with its equity share of associated undertakings.

The profits and losses of the subsidiary and associated undertakings are consolidated from the date control is achieved to the date control is relinquished.

#### Group Reorganisation

The Company applied the Companies Act merger relief provisions when it issued shares to acquire the entire share capital of Brainspark Associates Limited in previous years. Accordingly no share premium was recorded relating to the Company's issue of these shares.

#### Goodwill

On the acquisition of a business, fair values are ascribed to the net assets acquired and where the cost of acquisition exceeds the fair values attributable to such net assets, the difference is treated as goodwill and capitalised as an asset within the balance sheet. Goodwill, being the excess of the fair value of consideration paid for associated undertakings over the fair value of their net assets at the date of acquisition, is capitalised and included together with the Group's share of the net assets in the investments in associated undertakings. Goodwill arising is amortised over its useful economic life, which is estimated to be between three and five years.

#### Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost and depreciated on a straight line basis over their estimated useful lives. The rates of depreciation charged are as follows:

Leasehold improvements	Over the period of the lease
Office furniture and equipment	33%
Computer software and equipment	33% - 50%

## Notes to the financial statements

### Foreign Currencies

Assets, liabilities, revenues and costs expressed in foreign currencies are translated into sterling at rates of exchange ruling on the date on which transactions occur except for monetary assets and liabilities, which are translated at the rate ruling at the balance sheet date.

Financial statements of overseas associates are translated at the rate ruling at the balance sheet date. Exchange differences are dealt with through reserves.

### Associated undertakings

In the consolidated balance sheet the investments in associated undertakings are carried at share of net assets plus unamortised goodwill. Investments in associated undertakings are carried in the subsidiary's balance sheet at cost or valuation. Cost is based on the fair value of the consideration paid for the investment, including acquisition costs. Where a different value is demonstrated by a significant third party event, the investment is carried at a correspondingly revalued amount and in the case of a permanent impairment in the carrying value of the asset a write-down provision is made in the profit and loss account.

### Investments

Investments in subsidiary undertakings are carried at underlying net asset value which includes assets and liabilities at historical net book value and at revalued amounts. The revalued amounts relate to other investments and investments in associated undertakings held by the subsidiaries. Investments in unlisted companies are carried at cost or valuation.

### Operating lease rentals

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

### Related party transactions

The Company has taken advantage of the exemptions provided by FRS 8 not to disclose transactions between the Company and its subsidiaries.

### Deferred taxation

Deferred tax is provided in respect of all timing differences at the rates of tax expected to apply when the timing differences reverse. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset. Deferred tax assets are recognised to the extent that it is regarded more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

## Notes to the financial statements

### 2 Segment analysis

The Group carries on its business in three geographical locations namely the UK, Italy and Israel. Its principal activity is the provision of incubation services to technology start up businesses.

Activity	2004 Turnover £'000	2004 Operating (loss) £'000	2004 Net assets £'000	2003 Turnover £'000	2003 Operating (loss) £'000	2003 Net assets £'000
<b>Continuing Operations</b>						
Business incubation	669	(395)	1,326	884	(719)	1,049
Share of associated undertakings	-	(1,186)	1,451	-	(1,915)	2,789
Less share of associated undertakings	(669)	-	-	(884)	-	-
	-	(1,581)	2,767	-	(2,634)	3,838

### 3 Net operating expenses

	2004 £'000	2003 £'000
<b>Recurring</b>		
Administrative expenses	395	680
<b>Exceptional administrative expenses</b>		
Profit on disposal of other investments	-	(77)
Impairment of tangible fixed assets	-	116
<b>Total administrative expenses</b>	<b>395</b>	<b>719</b>

### 4 Share of operating loss of associated undertakings

	2004 £'000	2003 £'000
Share of operating loss of associated undertakings	(11)	(523)
Amortisation of goodwill on acquisition	(836)	(836)
Impairment of goodwill	(339)	(556)
	(1,186)	(1,915)



## Notes to the financial statements

### 5 Employee information

	2004 Number	2003 Number
<b>The average number of employees during the period were as follows:</b>		
Incubation management and operations	2	2
	<b>2004 £000</b>	<b>2003 £000</b>
<b>Staff costs during the period including directors comprise:</b>		
Wages and salaries	95	187
Social security costs	-	2
Other pension costs	-	-
	95	189

### 6 Directors' remuneration

	2004 £'000	2003 £'000
Aggregate emoluments	95	178
	95	178

There are no retirement benefits accruing to the Directors (2003: Nil) under a defined contribution pension scheme.

#### Highest paid Director

The emoluments of Directors disclosed above include the following amounts paid to the highest paid director.

	2004 £'000	2003 £'000
Aggregate emoluments	85	107
	85	107

## Notes to the financial statements

### 7 Net interest (payable) / receivable

	2004 £'000	2003 £'000
Bank deposits	-	39
Interest payable on 5% Convertible bond	(2)	-
Interest payable on loan from major shareholder	(9)	-
	(11)	39

### 8 Loss on ordinary activities before taxation

	2004 £'000	2003 £'000
<b>Loss on ordinary activities before taxation is stated after charging:</b>		
Depreciation of owned tangible fixed assets	36	226
Amortisation of goodwill re associated undertakings	1,175	1,392
<b>Operating lease rentals:</b>		
Land and buildings	170	277
Office equipment	25	25
<b>Auditors' remuneration:</b>		
Audit of parent undertaking	2	2
Audit of subsidiary undertakings	13	13
<b>Non audit services:</b>		
Other services	1	-

## Notes to the financial statements

### 9 Tax on loss on ordinary activities

	2004 £'000	2003 £'000
<b>Current Tax:</b>		
UK Corporation tax	-	-
Deferred taxation	-	-
Tax on loss on ordinary activities	-	-

The Group has no tax charge for the year due to losses incurred and has a potential deferred tax asset arising from unutilised management expenses available for carry forward and relief against future taxable profits. The deferred tax asset has not been recognised in the financial statements in accordance with the Group's accounting policy for deferred tax.

The Group's unutilised management expenses carried forward at 31 December 2004 amount to approximately £12 million (2003: £12 million).

The standard rate of tax for the current year, based on the UK standard rate of corporation tax is 30% (2003 – 30%). The actual tax for the current and previous year varies from the standard rate for the reasons set out in the following reconciliation:

	2004 £'000	2003 £'000
<b>Loss on ordinary activities before tax</b>	(1,071)	(2,906)
Tax on ordinary activities at standard rate	321	872
<b>Effects of:</b>		
Expenses not deductible for tax purposes	(344)	(528)
Unutilised losses	2	(318)
Capital allowances in excess of depreciation	21	(26)
<b>Current tax</b>	-	-

### 10 Company profit and loss account

A profit and loss account for Brainspark Plc is not presented in accordance with the exemption allowed by Section 230 of the Companies Act 1985. The parent company's loss for the financial year amounted to £1,981,000 (2003: £2,586,000).

## Notes to the financial statements

### 11 Loss per share

The loss per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares.

Reconciliation of the loss and weighted average number of shares used in the calculation are set out below:

	(Loss) £'000	2004 Weighted average no of shares 000's	Per share Amount pence	(Loss) £'000	2003 Weighted average no of shares 000's	Per share Amount pence
<b>Basic loss per share</b>						
Loss attributable to ordinary shareholders	(1,071)	192,273	(0.56)	(2,906)	187,487	(1.55)

Financial Reporting Standard No14 requires presentation of diluted earnings per share when a company could be called upon to issue shares that would decrease net profit or increase net loss per share. For a loss making company with outstanding share options and warrants, net loss per share would only be increased by the exercise of out-of-the money options and warrants. Since it seems inappropriate that option holders would act irrationally, no adjustment has been made to diluted earnings per share for out-of-the money options and warrants as there are no other diluting share issues, diluted earnings per share equals basic earnings per share.

### 12 Tangible fixed assets

Group	Leasehold improvements £'000	Office furniture and equipment £'000	Computer software and equipment £'000	Total £'000
<b>Cost</b>				
At 1 January 2004	288	401	821	1,510
At 31 December 2004	288	401	821	1,510
<b>Accumulated depreciation</b>				
At 1 January 2004	243	378	809	1,430
Charge for the year	20	12	4	36
At 31 December 2004	263	390	813	1,466
<b>Net book amount</b>				
At 31 December 2004	25	11	8	44
At 31 December 2003	45	23	12	80

The Group does not hold any tangible fixed assets under hire purchase or finance lease agreements.

## Notes to the financial statements

### 13 Investment in subsidiary undertakings

Company	Shares £'000
<b>Cost</b>	
At 1 January 2004	5,976
At 31 December 2004	5,976
<b>Provisions</b>	
At 1 January 2004	(2,685)
Adjustments to carrying value	(1,674)
At 31 December 2004	(4,359)
<b>Net book amount</b>	
At 31 December 2004	1,617
At 31 December 2003	3,291

The Company's investments in its subsidiaries are held at net asset value and accordingly the movements in the reserves of the Company's subsidiaries are reflected in the adjustments to the carrying value of the Company's investments in subsidiaries.

The Company's subsidiary undertakings at 31 December 2004 were as follows:

Subsidiaries	Country of incorporation	% owned	Nature of Business
Brainspark Associates Limited	England	100	Internet incubation
Brainspark Private Equity Limited	England	100	Not trading
Brainspark Services Limited	England	100	Not trading
Infusion 2002 Limited	England	100	Holding company for a portfolio of incubation and hi-tec investments
Abbotcrown Limited	England	100	Not trading

## Notes to the financial statements

### 14 Investments in associated undertakings

Group	Investments in associated undertakings £'000	Loans to associated undertakings £'000	Total £'000
<b>Share of net assets</b>			
At 1 January 2004	61	-	61
Disposal	(22)	-	(22)
Share of loss for the year	(11)	-	(11)
At 31 December 2004	28	-	28
<b>Goodwill</b>			
At 1 January 2004	2,578	-	2,578
Adjustment	(90)	-	(90)
Amortisation of goodwill	(1,175)	-	(1,175)
At 31 December 2004	1,313	-	1,313
<b>Cost</b>			
At 1 January 2004	-	300	300
Further advances in the year	-	110	110
At 31 December 2004	-	410	410
<b>Provisions</b>			
At 1 January 2004 and at 31 December 2004	-	(300)	(300)
<b>Net book amount</b>			
At 31 December 2004	1,341	110	1,451
At 31 December 2003	2,639	-	2,639

## Notes to the financial statements

### 14 Investments in associated undertakings (continued)

Name	Number of shares held	% owned	Class of shares	Country of incorporation	Business Activity
EasyArt	54,690	22.1	1p A Ordinary	England	Artwork supplies
Fortune Cookie	62,600	29.4	1p A Ordinary	England	Web development
GeoSim	235,566	51.7	.001 NIS	Israel	3D Geographic modelling cities
Impression	50,000	20.0	€ 1 Ordinary	Italy	In liquidation
Kerb	30,167	25.0	1p A Ordinary	England	Web development
TraderServe	1,250,000	34.6	0.1p A Ordinary	England	Proprietary trading services

On 24 June 2004 Brainspark sold its stake of 38.3% per cent in Smile On, a UK company providing online training services for dentists and other medical sectors, for £220,000.

On 6 October 2004, Brainspark sold its stake 33% per cent in Usability, a company providing usability analysis services, for £360,000, of which £180,000 was received in the year. The Group has been granted 15,680 options over the company's 10p ordinary shares (equal to a 7.8% of the company on a fully diluted base) with an exercise price of £1.36 and terminating February 15, 2006.

The sale of Brainspark's stake in Smile-On and Usability will generate proceeds of £580,000 which after deducting the groups share of net assets in the associates, amounting to £22,000, gives rise to a profit on disposal of £558,000.

GeoSim has not been treated as a subsidiary on consolidation as the company had outstanding share options that were exercisable at the year end. The exercise of these options would dilute the group's interest to 49.79 per cent. At 31 December 2004 the company had an un-provided funding commitment of \$400,000. The final tranche of this funding will be completed by November 2005. At that time the company will receive an additional 1% of the fully diluted share capital in GeoSim. Amounts advanced to the balance sheet date amounting to £110,000 (\$200,000) have been disclosed under loans to associated undertakings until completion of the funding commitment and formal issuance of the share certificates.

The Group's share of the turnover and its share of the net assets of associated undertakings were as follows:

	2004 £'000	2003 £'000
Turnover	669	884
Fixed assets	21	29
Current assets	240	1,087
Liabilities due within one year	(366)	(248)
Liabilities due after one year	(72)	(820)

## Notes to the financial statements

### 14 Investments in associated undertakings (continued)

The group's share of GeoSim is as follows:

	2004 £'000	2003 £'000
Turnover	98	91
Loss before and after tax	(218)	(314)
Fixed assets	7	124
Current assets	55	452
Liabilities due within one year	(232)	(545)
Liabilities due after one year	(5)	(2)
Share of net assets	(102)	29

### 15 Other investments

Group	£'000
<b>Cost or Valuation</b>	
At 1 January 2004	1,567
Additions	19
Amounts written off in the year	(37)
At 31 December 2004	1,549
At 31 December 2003	1,567

Other investments comprise a 5.89 per cent investment in the ordinary share capital of MetaPack Limited valued at £119,000 of which £19,000 was invested during the year and 16.21 per cent investment in ACS of £1,430,000.

The historical cost equivalent value for other investments at 31 December 2004 is £2,513,000 (2003: £2,531,000).

### 16 Debtors

	Group 2004 £'000	Group 2003 £'000	Company 2004 £'000	Company 2003 £'000
<b>Amounts falling due within one year</b>				
Amounts owed by subsidiary undertakings	-	-	1,127	1,338
Amounts owed by associated undertakings	181	137	-	-
Other debtors	120	25	-	-
Prepayments and accrued income	51	133	-	-
<b>Amounts falling due after one year</b>				
Other debtors	110	-	-	-
	462	295	1,127	1,338



## Notes to the financial statements

### 17 Cash at bank in hand

	Group 2004 £'000	Group 2003 £'000	Company 2004 £'000	Company 2003 £'000
Bank current accounts	28	68	-	-
	28	68	-	-

### 18 Creditors: amounts falling due within one year

	Group 2004 £'000	Group 2003 £'000	Company 2004 £'000	Company 2003 £'000
5% Convertible notes	-	50	-	50
Trade creditors	267	244	-	-
Other creditors	176	283	-	-
Accruals	202	112	364	218
	645	689	364	268

#### 5% convertible notes

On 29 December 2003, the company agreed to issue up to £500,000 of convertible loan notes. An initial allotment of £50,000 had been issued by 31 December 2003. On 14 October 2004 the Company repaid the initial allotment of convertible loan notes. No further issues were made during 2004.

#### Other creditors

Other creditors include short term loans amounting to £176,000 (2003: £100,000) from the major shareholders and their associates (see note 26). These include a loan of £100,000 from Cross Atlantic Technology Fund which is secured on the assets of the company's subsidiary, Brainspark Associates Limited.

## Notes to the financial statements

### 19 Financial instruments

The Group's financial instruments comprise cash, trade debtors and trade creditors that arise from its operations. The main purpose of these financial instruments is to provide finance for the Group's future investments and day to day operational needs. The Group does not enter into any derivative transactions such as interest rate swaps or forward foreign exchange contracts as the Group does not have any significant foreign currency transactions nor does it have any borrowings. The main risks faced by the Group are therefore limited to interest rate risk on surplus cash deposits and liquidity risk associated with raising sufficient funding to meet the operational needs of the business. The Board reviews and agrees policies for managing these risks and they are summarised overleaf.

#### ***Interest rate risk***

Any surplus cash funds are deposited with highly credit rated third party banks and the interest rates earned and security of these balances are monitored on a regular basis against competing financial institutions products.

#### ***Liquidity risk***

Adequate cash resources currently exist to meet the day to day working capital requirements of the Group and the securing of additional sources of funding is an ongoing process.

#### ***Interest rate risk of financial assets***

The composition of the Group's financial assets are set out below:

Group	2004 £'000	2003 £'000
Cash at bank and in hand	28	68
	28	68

There were no sterling cash deposits in 2004.

#### ***Interest rate risk of financial liabilities***

The Group has no formal overdraft or loan facilities with bankers and the Group's creditors falling due within one year are of a short term nature and do not meet the definition of a financial liability with the exception of a £100,000 loan from Cross Atlantic Technology Fund which bears interest at normal commercial rates.

#### ***Fair values of financial assets***

At 31 December 2004 and 31 December 2003 there was no material difference between the book value and fair value of the financial assets.

#### ***Foreign currency exposures***

The Group had no material exposure to foreign currency movements at 31 December 2004, with the exception of 158,483 which is due to AiSoftware (see note 26). The group's functional currency is sterling. The group's monetary assets and liabilities at 31 December 2004 were denominated in sterling.

## Notes to the financial statements

### 20 Provision for liabilities and charges

Group	NIC on share warrants £'000	Total £'000
At 1 January 2004	122	122
<b>At 31 December 2004</b>	<b>122</b>	<b>122</b>

#### *National Insurance Contributions on Share Warrants*

The above provision represents a potential liability to Employer's National Insurance on the exercise of share options issued to former employees over shares in the company.

### 21 Called up share capital

Group and Company	2004 Number	2003 Number	2004 £'000	2003 £'000
<b>Authorised</b>				
Ordinary shares of 1p each	500,000,000	500,000,000	5,000	5,000
<b>Group and Company</b>				
<b>Allocated, called up and fully paid</b>				
<b>Ordinary shares of 1p each</b>				
At 1 January	192,273,091	187,404,909	1,923	1,874
Issued during the year	-	4,868,182	-	49
<b>At 31 December</b>	<b>192,273,091</b>	<b>192,273,091</b>	<b>1,923</b>	<b>1,923</b>

Certain directors' hold share warrants in the Company at 31 December 2004 to subscribe for shares in the Company at prices ranging from 1.1p to 1.32p this may result in the issue of 4,650,000 1p Ordinary Shares any time before 31 July 2005.

Following an Extraordinary General Meeting held on 3<sup>rd</sup> March 2005, resolutions were passed to effect the sub-division of each of the existing issued ordinary shares of 1p into one new ordinary share of 0.01p ("New Ordinary Shares") and 99 new deferred shares of 0.01p ("Deferred Shares"). The Deferred shares shall carry no effective rights.

## Notes to the financial statements

### 22 Reserves

Group	Share premium £'000	Other reserve £'000	Profit and loss account £'000	Total £'000
At 1 January 2004	28,562	6,813	(33,460)	1,915
Retained loss for year	-	-	(1,071)	(1,071)
At 31 December 2004	28,562	6,813	(34,531)	844
<b>Company</b>				
At 1 January 2004	28,562	-	(26,124)	2,438
Retained loss for year	-	-	(1,981)	(1,981)
At 31 December 2004	28,562	-	(28,105)	457

Other reserve represents a merger reserve amounting to £6,813,000 arising on the acquisition by the Company of the entire share capital of Brainspark Associates Limited.

### 23 Reconciliation of operating loss to net cash outflow from operating activities

Group	2004 £'000	2003 £'000
Operating loss	(395)	(719)
Depreciation charge	36	226
Rental income converted into shares in investments	(19)	(75)
Fair value of shares issued to directors in lieu of salary	-	53
Profit on sale of investments	-	(77)
Decrease in debtors	53	641
Increase / (Decrease) in creditors	85	(46)
(Reduction) in provisions	-	(970)
<b>Net cash outflow from operating activities</b>	<b>(240)</b>	<b>(967)</b>

## Notes to the financial statements

### 24 Analysis of changes in net debt

Group	At 1 January 2004 £'000	Cash flow £'000	At 31 December 2004 £'000
Cash at bank and in hand	68	(40)	28
Debt due within 1 year	(150)	(23)	(173)
	(82)	(63)	(145)

### 25 Operating lease commitments

Operating lease rentals payable during the next year are as follow:

	Land and buildings		Office equipment	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
<b>Commitments expiring</b>				
Between two and five years	170	170	19	19
	170	170	19	19

### 26 Related party transactions

Brainspark Associates Limited provided accommodation and management services to its associated undertakings and investee companies during the year and recharged the cost of utilities and IT equipment incurred on behalf of investee companies. The total amounts recharged during the year were £253,000 (2003: £258,000) and the amounts due from investee companies at 31 December 2004 included in debtors were £141,000 (2003: £77,000) inclusive of VAT and net of £41,000 in provisions (2003: £83,000 provision).

The amounts outstanding from associated undertakings at 31 December 2004 were £150,000 (2003: £60,000) after provisions and £360,000 (2003: £360,000) before provisions. These include £110,000 (2003 : Nil) loan to GeoSim which is convertible into equity and shown as a fixed asset investment (note 14) and £40,000 (2003: £60,000) of short term loans included in debtors.

At 31 December 2004 there was a loan outstanding from Cross Atlantic Technology Fund a major shareholder in the company, of £100,000 (2003: £100,000). The loan bears interest at normal commercial rates.

Creditors also include amounts outstanding to both F. Gardin and A. Agosta of £13,000 (2003: £8,000) and £100,000 (2003: £15,000) respectively, in respect of unpaid remuneration. In addition E. Burman was owed £8,750 (2003:£3,750) at 31 December 2004 in outstanding director's fees.

F. Gardin and his associate were owed £17,500 and £55,000 respectively at the balance sheet date. Each injected £55,000 in the year, of which £37,500 was repaid in the year, in order to provide short-term working capital support to the company. These amounts are interest free and unsecured.

At 31 December 2004 the company owed AiSoftw@re, a company which F. Gardin is Chairman of, £148,000 (2003:£148,000) in respect of accommodation, reimbursable costs and other ancillary services provided, this amount is included within trade creditors.

## Notes to the financial statements

### **27 Ultimate controlling party**

The company has no ultimate controlling party.

## Notice of 2005 annual general meeting

Notice is hereby given that the 2005 Annual General Meeting of Brainspark plc will be convened at Sion Hall, 56 Victoria Embankment, London EC4 Y0DZ on 22 July 2005 at 11 am to transact the following business and consider and, if thought fit, pass the following resolutions, each such resolution to be considered as an ordinary resolution or special resolution as indicated.

Resolutions 1 and 2 will be considered as ordinary business. The remaining resolutions will be considered as special business.

### Ordinary resolutions

- 1 To receive the report and accounts of the Company for the year ended 31 December 2004.
- 2 To reappoint Messrs. Mazars LLP as auditors and authorise the Directors to fix their remuneration.
- 3 To re-elect David Meacher as a Director.
- 4 To re-elect Edward Burman as a Director.
- 5 To authorise the Directors generally and unconditionally and in accordance with section 80 of the Companies Act 1985 (the "Act"), to exercise all the powers of the Company to allot relevant securities (within the meaning of section 80(2) of the Act) up to the aggregate nominal amount of the Company's authorised share capital. Such authority will expire on the date of the annual general meeting of the Company to be held in 2005 unless the allotment of relevant securities is made in pursuance of an offer or agreement entered into prior to such date.

### Special resolutions

- 6 To empower the Directors pursuant Section 95 of the Act to allot equity securities of the Company (within the meaning of section 94(2) of the Act) for cash pursuant to the authority conferred under Resolution 3 above as if section 89(1) of the Act did not apply to any such allotment.

By order of the Board



James Gordon  
**Company Secretary**

Registered Office  
The Lightwell, 12 - 16 Laystall Street, London EC1R 4PF  
27 June 2004

### Notes

#### 1 Proxies

Any member of the Company entitled to attend and vote at the above meeting may appoint one or more proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member.

#### 2 Register of Directors' share interests and contracts of service.

The register of interests of Directors maintained by the Company under ss324ff of the Companies Act 1985 and all Directors' contracts of service having more than one year's unexpired term are available for inspection by members at the Company's registered office during business hours and will be available for inspection at the location of the meeting for the period commencing 15 minutes prior to the commencement of the meeting and ending at the conclusion of the meeting.



**BRAINSPARK PLC**

The Lightwell, 12/16 Laystall Street  
CLERKENWELL, LONDON EC1R 4PF  
T +44(0)20 7843 6600  
F +44(0)20 7843 6851

[email@brainspark.com](mailto:email@brainspark.com)  
[www.brainspark.com](http://www.brainspark.com)

