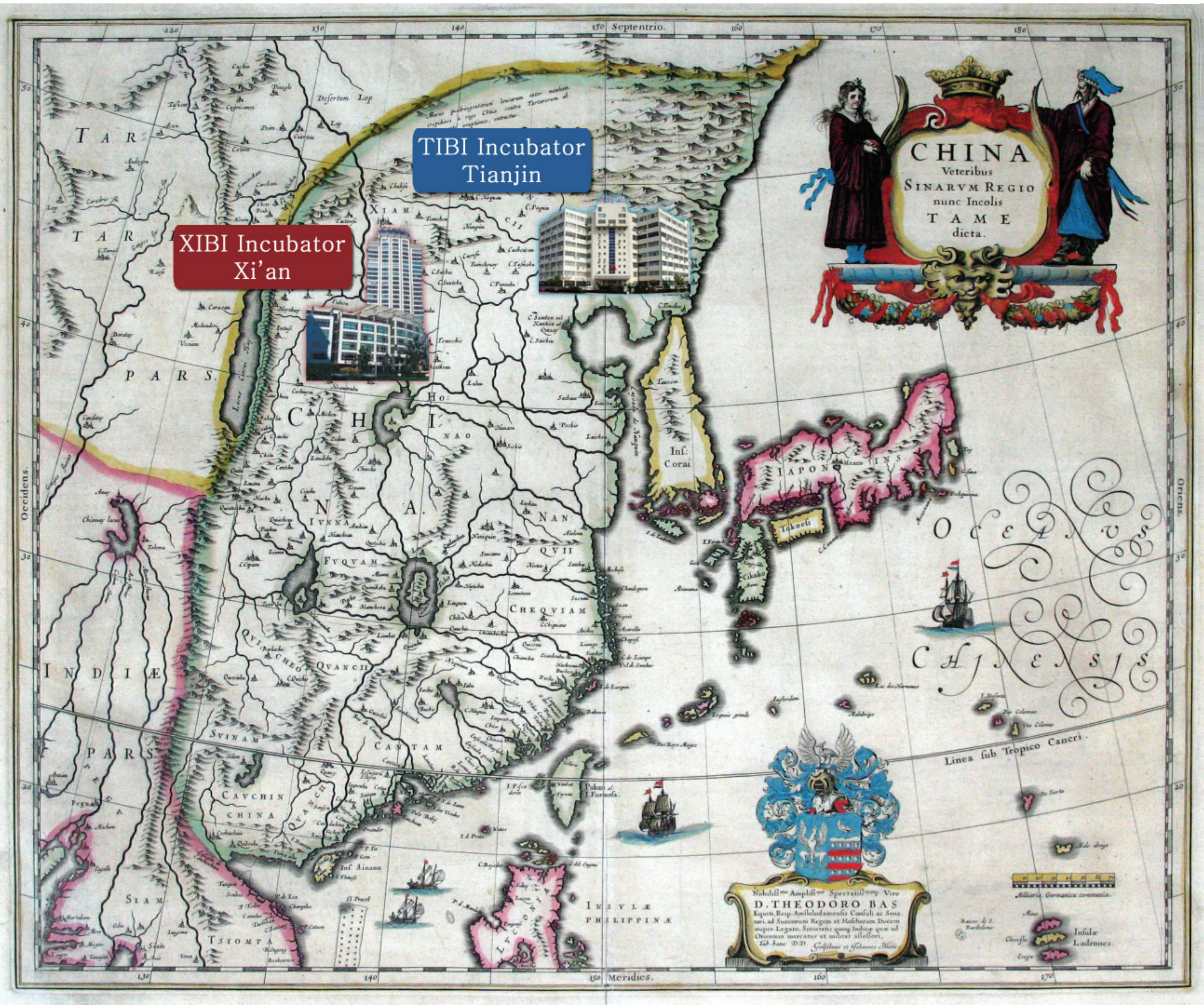
Brainspark plc
Annual Report 2006



Annual Report
And Accounts
2006

Brainspark

Annual Report and Financial statements for the year ended 31 December 2006

Brainspark Plc

Contents

Company information

Directors	Francesco Gardin, Chairman Alfredo M. Villa, Non-Executive Officer Dennis B. Bailey, Executive Director David Meacher, Non-Executive Director Edward Burman, Non-Executive Director
Secretary	Dennis B. Bailey
Company number	3926192
Registered office	The Lightwell 12 – 16 Laystall Street Clerkenwell London EC1R 4PF
Auditors	Mazars LLP Park Street West Luton Bedfordshire LU1 3BE
Solicitors	Gordons 22 Great James Street London WC1N 3ES
Nominated Adviser and Broker	Beaumont Cornish Limited 10-12 Copthall Avenue London EC2R 7DE
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 2006.

The results show a profit of £18,000 compared to a loss of £151,000 for the financial year to 31 December 2005. The result is due to the combination of reduction in running costs of the Company, profit from sales of assets and increase in profit from associates.

These results are presented in accordance with IFRS.

We hope that the result represents a turnaround for the Group. This is the first profitable year since going public in 2000 and confirms that the strategy implemented by the Board so far is heading in the right direction.

Company background

Brainspark's core business is identifying early stage investment opportunities and to monitor, manage and facilitate a profitable exit strategy.

Since I become Chairman of Brainspark in early 2002, we have concentrated on mainly managing our existing portfolio, reducing costs and securing funding for the company. During 2006 we were again in a position to make new investments, whilst exiting with a profit from sales of existing portfolio companies. This has allowed us to make recent new investments in China.

New Investments

The first investment made during 2006 was Polarizonics, a US company which has developed a new method of potentially increasing the data storage capacity and read-rate of both red and blue laser DVDs by up to three times. This is described as Polar High-definition DVD (PH-DVD) Technology. This technology exploits the polarization element contained in all current DVD formats not being used for the physical encoding of the information on the disc to significantly increase both the speed and capacity of DVDs. Applications have been made for patents in respect of this technology.

The second investment was in Mediapolis SpA and was a second stage round of funding in the largest planned amusement park in the North of Italy. Although it is substantially different from the historic Brainspark technology investments, namely in a real estate development, this project is very familiar to one of the directors of the Company. This director is also an investor alongside Brainspark, which gives access to the network of relationships associated with this investment.

On 31 July 2006 Brainspark participated in the £250,000 new financing round in Metapack Ltd. Metapack is the leading UK provider of delivery software for multi-Channel home delivery. Investors in this round included existing investors, Cross Atlantic Capital Partners, Brainspark as well as existing management and Directors of the company. Brainspark held 10.72% of the company following the funding round.

Exits

On 6th July 2006 Brainspark completed the disposal Kerb Limited and its entire holding of 30,167 1p ordinary shares, which represented 25% of the issued share capital of the company, for a cash consideration of £205,000. Kerb reported revenues for the year ended February 2006 of approximately £600,000 with pre-tax profits of around £13,000. The holding was purchased by the company.Brainspark's book value of Kerb was £79,000. This resulted in a profit of £126,000

On 8 August 2005, Brainspark granted a call option to Exprivia SpA (formerly AiSoftw@re SpA) over the entire issued share capital of Brainspark's wholly owned subsidiary, Infusion 2002 Limited which in turn held a 16.21% investment in Advanced Computer Systems SpA ("ACS"), an Italian Company. This option originally expired on 31 July 2006 but this was extended to 31 October 2006. Brainspark received a £300,000 non-refundable deposit which was settled by a tri-partite intercompany settlement arrangement between GeoSim, Brainspark and Exprivia.

During the option extension period, for which Brainspark received £25,000, by way of an inter-company settlement agreement, management were in discussions with Exprivia, as a result of which Infusion 2002 Limited sold 197,233 shares in ACS to Exprivia, representing a 7.68% interest for a consideration of US$1,000,000, and the £300,000 non-refundable deposit. This gave rise to a gain on disposal of £174,000. The US$1,000,000 consideration has been satisfied by transferring a secured commercial debt in Geosim from Exprivia to Brainspark. Brainspark continues to hold 8.52% of ACS.

Summary Financial Results

The Group's cash reserves at 31 December 2006 stood at £410,000 compared with £446,000 at 31 December 2005. The Group's net asset value (NAV) was £3.51 million at 31 December 2006, compared with £3.46 million at 31 December 2005.

Transition to IFRS

The results and net equity are represented in accordance with IFRS. For Brainspark this requirement would have become compulsory for our Interim Report to 30 June 2007. We have adopted IFRS earlier than required. All full reconciliation of the net equity and loss for the year ended 31 December 2005 as presented previously under UK GAAP and now under IFRS is given in note 24 to these financial statements.

The principal effect of this implementation has been to carry our investments in associates at cost adjusted for our share of profits less any impairment charges. This has resulted in the partial reversal of previous goodwill amortisation charges, and share of losses resulting in a net improvement in their carrying value and consequently in net assets of £987,000.

The biggest component of this has been the revision in the carrying value of GeoSim, our largest portfolio company. As part of the IFRS transitional arrangements we reviewed the carrying value at 31 December 2004 and each subsequent year thereafter testing for impairment each time.

Market Environment

The market environment in the IT sector has shown signs of growth and some of our existing portfolio companies are finally operating profitably. In order to maximise our return on sale from our investments Brainspark may be required to provide further support to some of our current portfolio companies over the short to medium term.

The emergence of China and India in the IT sector, together with the extension to the membership of the EU to the New European Countries has opened the IT labour market. This has made it easier to supply services to old European Countries. This has reshaped the overall sector and led to major challenges and opportunities for the companies.

Operational Changes

Following the appointment of Mr. D. Bailey in January 2006 as a Company Director, there are now two Executive Directors, including the Chairman. This has led to the efficient implementation and execution of the strategies of the Board.

Investment Committee Changes

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

Business 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, then look to exit relatively quickly through a trade sale or flotation.

Inevitably, the investment market has changed and whilst we have remained committed to this strategy we have had to adapt the way in which we have sought to implement it. Specifically, we have focused more recently (as set out below) on developing opportunities for "spin-outs" from Science Parks and Incubators in China, whilst at the same time seeking to develop exit strategies for our existing investments. Brainspark continues to monitor and rationalise its operational infrastructure and leverage the knowledge and market potential of its investment portfolio.

Brainspark’s Directors will consider, from time to time, co-investing in some of the Company’s initiatives.

Portfolio Companies

An update on the Group's portfolio companies held at 31 December 2006 is as follow:

GeoSim (www.geosim.co.il) established itself as the world leader in building complete and photorealistic 3D virtual cities and in delivering them through the Internet for use in local searching and real estate, city planning and homeland security, tourism and entertainment.

Whilst the geo-spatial visualization solutions offered by Google, Microsoft and others feature satellite photographs, street photographs and more recently coarse 3D-models with limited visual quality and interactivity, GeoSim delivers highly detailed, fully interactive city models, which the user can explore from the land or the air.

GeoSim's city models are not only addictive and immersive (i.e. conveying the experience of "being there"), they are also "intelligent" - one can click on any building, bus stop or shop to find out more information about it or even go inside.

By combining GeoSim's virtual cities with business information ("3D-Yellow Pages"), tourist/what's-on information and introducing human interaction between the concurrent users, GeoSim provides a ground-breaking solution for local search, social networking and entertainment applications related to the city metaphor.

Together with the Philadelphia Convention and Visitors Bureau and the Center City District, GeoSim is about to complete Virtual Philadelphia, which will be its first full-scale virtual city. Online beta-testing of Virtual Philadelphia will start in early July 2007 - two months later (Sept. 2007) it will be ready for public launch.

In the second half of 2007, GeoSim is planning to start the Virtual Paris project, which is likely to have a dramatic impact on its market penetration efforts.

Polarizonics has developed a novel method of encoding information on optical discs. While present DVD's use only the modulation of light intensity, Polarizonics succeeded in manipulating light polarization in a controlled way. This opened up a new dimension of physical encoding of information on optical discs. The Polarizonics technology can both increase the capacity of each storage layer of DVD discs, and increase disc copy protection through a special encoding method which cannot be replicated in common DVD write drivers. In 2007, Polarizonics has initiated contact with Chinese representatives to engage in an effort to incorporate Polarizonics technology in the next generation of Chinese disc formats.

ACS SpA (www.acsys.it) processing stations have become a reference point in both National and International remote sensing markets.

In previous years ACS consolidated its role in environmental applications of Earth Observation, participating in important research projects focused on climate change and natural risk management.

The aim is to enlarge ACS offering, targeting new clients and proposing new off-the-shelf services, focusing on environmental risk management and environmental policy making support. ACS is continuing its technology transfer to the bio-medical market and exploiting its image processing expertise. This strategy has increased the order backlog which should ensure that the company has a steady flow of work in forthcoming years.

Easyart.com (www.easyart.com) recorded its first year of profits in 2006. During the year the company completed the integration of WorldGallery.co.uk, a rival site acquired at the end of 2005 and also launched a new art brand directed at women www.passionart.com. The company continues to make progress and has extended its range of art-related products to over 70,000 unique prints. Easyart also launched The Easyart Academy www.easyart.com/academy, which allows artists and photographers to upload and sell their own images and signed a distribution deal with Christie's Images, the image licensing arm of the world-famous Auction House.

Fortune Cookie (www.fortunecookie.co.uk) designs and builds findable, accessible, beautiful websites for some of Britain's best known brands including Amnesty International, Small Luxury Hotels and National Express. The company has established long-term strategic relationships with Legal & General, FT Business and Kuoni. In a 2006 survey of over 395 UK digital agencies the readers of Revolution, Marketing and Marketing Direct ranked Fortune Cookie number 5 for delivery of ROI**,** 4 for creativity and 3 for use of technology. In March 2007 Media Momentum ranked Fortune Cookie one of the UK's 50 fastest growing digital media companies.

MetaPack (www.metapack.com) MetaPack's Delivery Management Solution (DMS) provides integration to all UK parcel carriers. Through its intelligent streaming functionality, MetaPack DMS allows goods to be despatched using the most suitable carrier network, depending on customer delivery requirements, the type of parcel and the carrier or own fleet operation best able to deliver it. The customer base of leading retailers continue to grow, and the company has recently launched an ASP or software as a service (SaaS) version of our delivery software. The addition of new capital funds will help us to promote the new product into the B2C and B2B markets as well as develop a C2C product.

Metapack's on-line presence continues to be strong, with a 70% year on year growth in deliveries for many of their clients, meaning an increasing proportion of their ongoing revenues is guaranteed through support & maintenance or transactional payments, as opposed to one-off licence or implementation fees.

Mediapolis

Management continues to monitor the performance of this holding.

Tax Losses

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 and capital losses carried forward at 31 December 2006 amount to approximately £11 million (2005: £11 million) and £4 million (2005: £4 million) respectively. All such losses rest in Brainspark Associates Limited and are available for future utilisation against profits of the business. The possibility is that Brainspark will need to acquire a profitable business in order to utilise the excess management expenses that have arisen from accumulated investment activities to date, which would ultimately enable Brainspark to distribute dividends to its shareholders.

2007 Developments

China Developments

Brainspark has developed a China strategic investment plan which could ultimately secure Brainspark approximately a 25% share in a company that will make investments in China, both on 6-12 months returns, in pre-IPO situations, and in 3-5 year return with high growth small- to medium- sized technology companies. The company, China IPO Group, has entered into first refusal relationships with some of the most significant Chinese Science Parks and Incubators in China.

China IPO Group is managed in Jersey and the Directors are the Rt. Hon. Earl of Cromer, Non-Executive Chairman, Professor F. Gardin, Executive Director, Mr. E. Burman, Executive Director, and as Non-Executive Directors Mr. D. B. Bailey and Professor Liu Man Hong. Bedell Trust in Jersey act as company secretary. Allen & Overy in Beijing has been retained as the law firm.

Lord Cromer has extensive experience of China where he worked for almost 20 years as Managing Director and Director of several companies. He is also Chairman of JF China Region Fund, Japan High Yield Property Fund and Pedder Street Asia Absolute Return Fund, and is on the boards of the Cambridge Asia, Chairman of Cromer Associates Limited, a company which advises foreign companies investing in China and Chinese companies investing overseas.

Prof. F. Gardin, Mr. E. Burman and Mr. D. Bailey are Chairman and Directors of Brainspark Plc. Mr Edward Burman lives in Beijing, where he moved in 2003 and will be responsible for the China activities.

Prof. Liu Man Hong is Director of the Venture Capital R&D Centre at Renmin University and Honorary Vice-Chairman of the Chinese Venture Capital Association, she holds a Ph.D. in Economics from Columbia University.

The main subsidiary is China IPO Management Ltd incorporated as a Wholly Foreign Owned Enterprise in China, located in Beijing, acting as the local management company.

In April 2007 China IPO Group signed an exclusive contract with Xi'an International Business Incubator (XIBI) with more than 350 companies being incubated. XIBI is part of the Xi'an High Tech Zone, which hosts around 8,000 companies.

Xi'an is one of the main Chinese centres for the Military Aerospace industry, with 50 universities and research centres. Xi'an has a population of 8 million people and is the capital of Shaanxi Province, which has a total population of approximately 30 million.

The contract gives China IPO Group first-refusal rights on investment in the 350 companies currently incubated in XIBI, for an initial period of 2 years renewable for up to 10 years. Business sectors of the 350 companies range from alternative energies to advanced sensor technologies and added value services for mobile communications. Under the terms of the agreement, China IPO Management Limited will open an office within the incubator provide training to entrepreneurs of the companies on capital markets, investment principles and international marketing. In addition the company will identify and monitor investment opportunities among the initial 350 incubated companies.

China IPO Group is currently engaged in negotiations with further selected Science Parks in China.

Investment

On 2nd April 2007 China IPO Group made its first pre-IPO investment in ET-China Holdings Ltd ("ET-China"), a travel company with its main operations in Guangzhou (Guangdong Province). ET-China is primarily engaged in serving the leisure market in South China through the sale of air tickets, hotel rooms, packaged group tours and associated products and services to corporate entities and to individual travellers. In addition, ET-China, through a joint venture with China Southern Airlines, provides the e-ticketing service and back office support services for China Southern Airlines. South China covers nine provinces with a total population of 450 million people, and is considered the 16th largest economy in the world by GDP.

China IPO Group has invested $200,000 (£100,000) as part of a $7,000,000 (£3,500,000) unsecured convertible loan note for pre-IPO funding. The minimum investment unit to be entitled to the best terms of the loan note is $500,000 (£250,000). The unit was offered to China IPO Group but the current capital structure of the company prevented it from subscribing the minimum investment. Two directors of China IPO Group, as well as Prof. F. Gardin and Mr D. Bailey, agreed to subscribe the remaining $300,000 (£150,000) to match the minimum unit. The independent Directors of Brainspark confirmed that the investment by Prof. F Gardin and Mr Bailey is on no more favourable terms than the investment by China IPO Group. Mr. L. Fogliani, an 8.89% investor in Brainspark, has agreed to subscribe an additional $100,000 (£50,000) under the same terms as China IPO Group. The total investment therefore amounted to $600,000 (£300,000).

Exits

On 17 February 2007 – The Group sold its 34.6% holding in Traderserve, for an immediate cash consideration of £75,000, to existing shareholders of the company and their associates. Traderserve Limited ("Traderserve") are a software vendor and consultancy firm focused on real-time trading applications for brokers, traders and fund managers.

Under the terms of the sale, in the event of a sale of Traderserve Shares within a 24 month period Brainspark will retain the right to receive a full 34.6% of the gain made from such a sale. Subsequently; during the following 60 months, in the event of a sale of Traderserve shares the 34.6% gain received by Brainspark will be decreased by straight line depreciation to an irreducible 5% of the gain.

In the Brainspark's books Traderserve was fully written down a number of years ago. The transaction will therefore generate a profit of £75,000 in 2007.

Board Changes

On 2 May 2007 D Caldwell resigned as Director of Brainspark to pursue other business activities in America. D. Caldwell served as Chairman in the past and more recently as a Director of the Company. The Board would like to express their appreciation for his continued support and invaluable contribution.

Stock Option Plan

The two Executive Directors, Prof F. Gardin and Mr. Bailey will be paid fees, from 1 March 2007, of £80,000 and £20,000 per annum respectively. This reflects their administration and other duties in developing Brainspark. Prof F. Gardin has not received any fees for some years and Mr Bailey has not previously been in receipt of fees.

On 1 March 2007 the Company issued options to the Directors, the issue of options was treated as a Related Party transaction under AIM Rules. Mr. D. Caldwell, the only Independent Director at that time, having consulted the Company's Nominated Adviser, considered that the terms of the Unapproved Share Option Scheme and the issue of options to Directors were fair and reasonable in so far as the Company's shareholders were concerned. Further details are provided in the Remuneration Committee Report.

Other Events

In February 2007, Cotterford Ltd., an investment company in the UK, subscribed £400,000 for an issue of new Metapack shares repesenting 17.78 per cent. of the enlarged issued share capital. Brainspark holds 30,000 shares in Metapack, which now represents 8.23% of the enlarged capital.

On 2 May 2007 Brainspark announced that GeoSim has raised additional finance for working capital and development. Private investors in America subscribed $980,000 to complete the second $1,280,000 tranche of financing at a pre-money valuation of $20,000,000 for Geosim. The first $720,000 tranche at pre-money valuation of $10,000,000 was closed in September 2006.

As a result of this $2,000,000 funding, the exercise of approved ESOP options and post conversion by Crash LLC of their options and "Bonus Warrants", Brainspark’s (fully diluted) interest is 39.53% of Geosim.

At a Geosim valuation of $20,000,000 Brainspark's 39.53% equity holding is valued at $7,900,000 (£ 3,950,000). This alone is equivalent to 1.19 p a share.

Co Investment by Directors and Key Shareholders of Brainspark

One or more of the Directors and key shareholders may occasionally co-invest personally in companies with Brainspark, its associates or its investment companies (“the Group”) though the Group will always have “first refusal” in any such circumstances. In such circumstances the Directors concerned or key shareholders will make a full declaration of his personal investment and will not participate in the vote on any Board resolution in respect of the relevant investment. As, when, and if this happens the Director or key shareholder concerned will co-invest on terms which are no more favourable than those which the Group is investing. Any such investments will be subject to compliance with the Stock Exchange rules of the AIM market.

Investments Review

At the end of December 2006 Brainspark had holdings in 8 companies, 4 in the UK, 2 in Italy, 1 in Israel and 1 the United States. Its stake range from nearly 5% to nearly 43.28% of the relevant portfolio companies. The portfolio covers a wide range of business sectors, including Web Services, application service providers and advanced IT solutions.

At 29 December 2006, Brainspark's mid-market price per share of 0.575p valued the Company at £ 1,901,507

Prof. Francesco Gardin
Chairman
28 June 2007

Directors

Francesco Gardin (I)
Chairman of Board and Acting Chief Executive
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 AISofwt@re S.p.A. Francesco Gardin is now Chairman of Exprivia S.p.A. (formerly AISoftw@re S.p.A.) which was listed on the Milan Stock Exchange in 2000. Age 52.

Alfredo Villa (R)
Non-Executive Officer
Was appointed 22 July 2006. His career started at Banca della Svizzera Italiana as currency option dealer, and then joined Soginvest Banca (CIAL Group), In 1991 he co-founded in Lugano, Switzerland, Givigest Fiduciaria SA, a firm actively involved in investment banking. In 1994 he co-founded SCF SA, a financial consulting firm offering asset management services. These two companies were sold in 2001. He is a 'Chartered Technical Analyst' (CTA) qualified by US Market Technicians Association in New York, and a 'Stock, Option and Futures Broker' certified by the National Association of Securities Dealers (NASD), as well as an authorised Financial & Commercial Fiduciary in the Swiss Canton of Ticino. His current activities are based mainly in Italy where he is a board member and partner of Gabrielli & Associati in Milan a financial consulting company who just sold a private fund with 100M euro under management and a board member and a shareholder of Mediapolis S.p.A a real estate company established to develop the largest amusement park in Italy he is also an independent consultant and private investor in several venture capital companies. He is also a Director of a Nasdaq listed Company and also Chairman of "Fondazione Settembre Onlus" and VP of "Homes for Hope" Charities.
Age 46.

David Meacher (A, I, R)
Non-Executive Director
Was appointed 5 February 2002. He has over twenty 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 43.

Edward Burman (A)
Non-Executive Director
Was appointed on 7 November 2002. For many years he worked as an independent consultant in the Telecom and Internet sectors, and was from 1999 to 2003 the Senior Partner responsible for those sectors in Ambrosetti Ltd (Milan), Italy's most prestigious native consulting firm. He was also a Director of Ambrosetti Stern Stewart, a joint-venture offering Stern Stewart services in Italy. Since the beginning of 2003 he has lived and worked in China, where he has worked as a Partner in the Chinese strategy consulting firm Sinostrategy Ltd of Beijing and as CEO of Fizi Ltd in Shanghai. At present he is engaged in developing the new China IPO Group Ltd in China. Edward is at present completing a book entitled Stealth Empire about present and future trends in China, to be published early in 2008. Age 59.

Dennis Bailey
Executive Director and Company Secretary
Was appointed on 11 January 2006. He became a member of the London Stock Exchange in 1968, a Partner in Hichens Harrison & Co, one of the oldest firms of stockbrokers having been established in 1803, and later a joint owner of the business, which was sold to Sanlam of South Africa in May 2001. In his 35 years with Hichens, Harrison & Co, Mr. Bailey was engaged in discretionary investment management and later Head of Corporate Finance involved in new issues and takeovers. Mr. Bailey resigned as Managing Director of Hichens, Harrison & Co plc in May 2004. He is now Chairman of Financial Fun Limited, a company engaged in investment management support and company research for takeovers.

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 2006.

Principal Activity

The principal activity of the Group is the investment in 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. Details of the risks and uncertainties facing the business and key performance indicators used in managing the business are set out below.

Risks and uncertainties

All the Group's investments are in unlisted investments which in turn results in no readily available market for sale or in order to arrive at a regular valuation. The valuation of each investment is appraised on a regular basis and requires a significant amount of judgement together with reviewing the cash flows and budgets of the investee company in order to arrive at a fair value.

Key performance indicators "KPI's"

Given the scale of the Group's operations, the Group uses limited KPI's. However, the cash burn and monthly cash balances are reviewed against cash flow projections. The monthly management accounts of investee companies are reviewed on a monthly basis against budgeted values. Any significant variances are investigated and addressed and where appropriate adjustments are made to the fair value of our investments.

Financial risk management

Details of the Group's financial instruments and its policies with regard to financial risk management are contained in note 19 to the financial statements.

Results for the year and dividends

The profit for the year was £18,000 (2005: loss of £151,000). The Directors are unable to recommend the payment of a dividend.

Directors

The present members of the Board of Directors together with brief biographies are shown on page 7.

No Director had a material interest in any contract of significance to the Company or any of its subsidiaries during the period other than F. Gardin's interest in the sale of ACS shares to Exprivia SpA (formerly AiSoftw@re SpA) and in the convertible loan notes. Full details of these transactions are provided in note 23 to the financial statements. No 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 and Mr Villa who holds shares in Mediapolis. Directors' interests in the shares of the Company are as shown below.

Directors' interests

The interests of the directors' who served at the end of the year in the share capital of the Company at 31 December 2006 and 1 January 2006 were as follows:

Beneficial holdings
Number of shares

	31 December 2006 (Deferred 0.01p shares)	31 December 2006 (0.01p shares ordinary shares)	%	1 January 2006 (Deferred 0.01p shares)	1 January 2006 (0.01p shares ordinary shares)
Executive Directors					
F. Gardin	3,158,424,522	67,903,278	20.53	3,158,424,522	67,903,278
Non-Executive Directors					
D. Meacher	-	-	-	-	-
E. Burman	67,499,982	681,818	0.35	67,499,982	681,818
D. R. Caldwell	-	-	-	-	-
A. M. Villa	-	51,389,130	15.54	-	51,389,130
D. B. Bailey	-	10,869,565	3.29	-	-

D. R. Caldwell resigned as a director on 2 May 2007.

The Deferred shares carry no effective rights.

The closing market price of the ordinary shares at 31 December 2006 was 0.575p and the highest and lowest closing prices during the year were 1.2p and 0.575p respectively.

There have been no changes in the Directors' interests between the year end and 28 June 2007.

Disclosure of information to the auditors

In the case of each person who was director at the time this report was approved:

- so far as that director was aware there was no relevant available information of which the company's auditors were unaware; and;
- that director had taken all steps that the director had ought to have taken as a director to make himself aware of any relevant audit information and to establish the company's auditors were aware of that information.

This information is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Substantial shareholder interests

As at 31 May 2007, 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
F. Gardin	67,903,278	20.53
A. M. Villa	51,389,130	15.54
Fogliani	29,401,304	8.89
Cross Atlantic Technology Fund	33,916,050	10.26
D. B. Bailey	10,869,565	3.29

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 13 to 15.

Supplier payment policy and practice

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 2006 was 75 days (2005: 79 days).

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its Directors. These provisions were in force throughout the year and remain in force at the date of this report.

Charitable and political contributions

There were no charitable or political donations made during the year (2005 - nil).

Auditors

A resolution to reappoint Mazars LLP as auditors to the Company and to authorise the Directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board.

Dennis B. Bailey
Company Secretary
28 June 2007

Remuneration Committee's report

The Remuneration Committee of the Board (the Committee) is comprised of two non-executive Directors of the Company, A. M. Villa and D. Meacher and the Chief Executive Officer. At present the Chairman is the acting Chief Executive Officer. The Committee is responsible for setting the remuneration of the executive Directors.

Remuneration policy

The Committee reviews remuneration levels annually and 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:

	Board fees £'000	Salary £'000	Compensation payment £'000	2006 Total £'000	2005 Total £'000
Executive Directors					
F. Gardin	-	-	-	-	-
A. Agosta (Resigned 2/12/2005)	-	-	-	-	53
Non-executive Directors					
D R Caldwell (Cross Atlantic)	-	-	-	-	-
D. Meacher	-	-	-	-	10
E.Burman	15	-	-	15	2
A. M. Villa	-	-	-	-	-
Total	15	-	-	15	65

E. Burman received £15,000 by way of special fees payable for transaction assistance provided to the group.

F. Gardin received £Nil (2005: £700) for being a board member of ACS, a company in which the Group has an investment stake.

None of the Directors had any pension entitlement.

Directors' interests in share options and warrants

At 31 December 2006, the following Directors had interests in share options and warrants in the Company:

Interests in warrants

Number of warrants

	Exercise Price	1 January 2006	Lapsed in the year	31 December 2006
Non-Executive Directors				
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	-

On 1 March 2007 the Company issued options to the Directors, with the exception of D. R. Caldwell, under a new unapproved executive share option scheme, the following Directors had outstanding share options in the Company; these remain exercisable at various time intervals but before 31 March 2010, as follows:

	Granted On 1 March 2007
F. Gardin	12,000,000
A. M. Villa	5,000,000
D. B. Bailey	5,000,000
D. Meacher	5,000,000
E. Burman	5,000,000

The 32,000,000 options granted represent 9.67% of the current issued shared capital of the company. The directors may exercise up to 33% of any option shares granted after one year from the date of grant, up to a further 33% after two years from the day of grant and the balance of shares after three years from the date of grant. The strike price of 0.78p has been set at a premium of 30% to the mid-market price of 0.60p of 26 February 2007.

A. M. Villa
Chairman of the Remuneration Committee
28 June 2007

D. Meacher
Member of the Remuneration Committee
28 June 2007

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. ("The 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 one executive Director and four non-executive Directors. D. Caldwell was 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 page 7.

The Board is responsible for the overall management of the Group. The Board received regular reports from the Executive Director 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 all of the non-executive Directors and the Chief Executive Officer.

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 Code.

Nominations Committee

There was no plan for any recruitment or 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 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 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.

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.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with the applicable United Kingdom law and the International Financial Reporting Standards (IFRS) as adopted by the European Union.

The Directors are required to prepare financial statements for each financial year which present fairly the financial position of the Company and the Group for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance;
- state that the Company and the Group have complied with IFRS, subject to any material departures disclosed and explained in the financial statements.

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.

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 confirm that they have complied with these requirements and, having a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future, continue to adopt the going concern basis in preparing the financial statements.

Independent auditors' report to the members of Brainspark plc

We have audited the group and parent company financial statements (the "financial statements") of Brainspark plc for the year ended 31 December 2006 which comprise the Consolidated Income Statement, the Group and Parent Company Balance Sheet, the Group and Parent Company Cash Flow Statement, the Group and Parent Company Statement of Change in Shareholders' Equity and related notes. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted for use in the European Union.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, whether the financial statements are properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, 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 other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman's Statement, the Directors' Report, the 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 International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the company and the group, consistently applied and adequately disclosed.

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

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRS as adopted for use in the European Union, of the state of the group's affairs as at 31 December 2006 and of its profit for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRS as adopted for use in the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the company's affairs as at 31 December 2006; and
- the information given in the Directors' Report is consistent with the financial statements.

Mazars LLP.

Mazars LLP

Chartered Accountants and Registered Auditors
Park Street West
Luton
Bedfordshire
LU1 3BE

28 June 2007

Brainspark

Financial Statements

Consolidated Income Statement for the year ended 31 December 2006

	Note	31 December 2006 £'000	31 December 2005 £'000
Continuing operations			
Investment revenue	7	9	-
Gain on disposal of investments		300	-
Reversal of provision		-	122
Share of profits of associates		92	104
Finance charges	8	(31)	-
Other operating expenses		(196)	(258)
Impairment of available for sale investments	16	(156)	(119)
Profit /(Loss) before tax		**18**	**(151)**
Tax	11	-	-
Profit/(Loss) for the year from continuing operations		**18**	**(151)**
Attributable to:			
Equity holders of the parent		**18**	**(151)**
Earnings per share			
Basic and diluted earnings per 0.01p ordinary share	12	**0.005p**	**(0.08)p**

Brainspark

Balance sheets at 31 December 2006

	Notes	Group 2006 £'000	Group 2005 £'000	Company 2006 £'000	Company 2005 £'000
Non-current assets					
Property, plant and equipment	13	-	9	-	-
Investments in subsidiaries	14	-	-	1,430	1,180
Investments in associates	15	2,023	2,010	-	-
Available for sale investments	16	718	1,130	-	-
Total non-current assets		2,741	3,149	1,430	1,180
Current assets					
Trade and other receivables	17	626	327	1,915	2,242
Cash and cash equivalents		410	446	-	-
Total current assets		1,036	773	1,915	2,242
Current liabilities					
Trade and other payables	18	(266)	(461)	(181)	(245)
Total current liabilities		(266)	(461)	(181)	(245)
Net current assets		770	312	1,734	1,997
Net assets		3,511	3,461	3,164	3,177
Equity					
Share capital	20	1,936	1,936	1,936	1,936
Share premium account		29,186	29,186	29,186	29,186
Other reserves	21	6,813	6,813	-	-
Equity component of convertible instrument	18	32	-	32	-
Retained losses		(34,456)	(34,474)	(27,990)	(27,945)
Equity attributable to equity holders of the parent		3,511	3,461	3,164	3,177

The financial statements were approved by the board of directors and authorised for issue on 28 June 2007. They were signed on its behalf by:

Prof. F. Gardin
Chairman

Cash flow statements
For the year ended 31 December 2006

	Note	Group 2006 £'000	Group 2005 £'000	Company 2006 £'000	Company 2005 £'000
Net cash used in operating activities	22	**(183)**	**(297)**	**-**	**(666)**
Cash flows from investing activities					
Interest received		9	-	-	-
Proceeds from sale of investments in associates		230	105	-	-
Purchase of investments		(92)	-	-	-
Loans to associates		-	(56)	-	-
Net cash generated from investing activities		**147**	**49**	**-**	**-**
Cash flows from financing activities					
Interest paid on shareholder loan		-	(11)	-	(11)
Proceeds from convertible loan issue		-	850	-	850
Repayment of loans to major shareholders and others		-	(173)	-	(173)
Net cash generated from financing activities		**-**	**666**	**-**	**666**
(Decrease)/increase in net cash for the year		**(36)**	**418**	**-**	**-**
Cash and cash equivalents at beginning of year		**446**	**28**	**-**	**-**
Cash and cash equivalents at end of year		**410**	**446**	**-**	**-**

Brainspark

Cash flow statements
For the year ended 31 December 2006

	Note	Group 2006 £'000	Group 2005 £'000	Company 2006 £'000	Company 2005 £'000
Net cash used in operating activities	22	**(183)**	**(297)**	**-**	**(666)**
Cash flows from investing activities					
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Loans to associates		-	(56)	-	-
Net cash generated from investing activities		**147**	**49**	**-**	**-**
Cash flows from financing activities					
Interest paid on shareholder loan		-	(11)	-	(11)
Proceeds from convertible loan issue		-	850	-	850
Repayment of loans to major shareholders and others		-	(173)	-	(173)
Net cash generated from financing activities		**-**	**666**	**-**	**666**
(Decrease)/increase in net cash for the year		**(36)**	**418**	**-**	**-**
Cash and cash equivalents at beginning of year		**446**	**28**	**-**	**-**
Cash and cash equivalents at end of year		**410**	**446**	**-**	**-**

Notes to the financial statements

1 General Information

Brainspark plc is a company incorporated in the United Kingdom under the Companies Act 1985. The address of the registered office is given on the company information page. The nature of the group's operations and its principal activities are set out in the Chairman's Statement on pages 1 to 6.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the group operates. Foreign operations are included in accordance with the policies set out in note 2.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective at 31 December 2006.

Amendment to IAS 1, Presentation of Financial Statements – Capital Disclosures;

IFRS 7, Financial Instruments Disclosures;

IFRS 8, Operating Segments;

IFRIC 7, Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies;

IFRIC 8, which clarifies IFRS 2, Share-Based Payments;

IFRIC 9, Reassessment of Embedded Derivatives;

IFRIC 10, Interim Financial Reporting and Impairment;

IFRIC 11, IFRS 2 - Group and Treasury Share Transactions; and

IFRIC 12, Service Concession Arrangements

The Directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the Group's financial statements in the period of initial application.

Upon adoption of IFRS 7, the Group will have to disclose additional information about its financial instruments, their significance and the nature and extent of risks that they give rise to. More specifically, the Group will need to disclose the fair value of its financial instruments and its risk exposure in greater detail. There will be no effect on reported income or net assets.

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group except for additional disclosures on capital and financial instruments when the relevant standards come into effect for periods commencing on or after 1 January 2007.

Notes to the financial statements

2 Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the period covered by these consolidated financial statements.

Basis of preparation
The financial information has been prepared in accordance with International Financial Reporting Standard ("IFRS") for the first time. The disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRS are given in note 24. The financial statements have been prepared in accordance with IFRS as adopted by the European Union applied in accordance with the provisions of the Companies Act 1985.

The financial statements have been prepared under the historical cost convention.

Share based payments
In determining the fair value of equity settled share based payments and related charge to the income statement, the Group makes assumptions about future events and market conditions. In particular, judgement must be made as to the likely number of shares that will vest, and the fair value of each award granted. The fair value is determined using a valuation model which is dependent on future estimates including the timing with which options will be exercised and the future volatility of the Group's shares. Such assumptions are based on publicly available information and reflect market expectations and advice taken from qualified personnel. Different assumptions about these factors could materially affect the reported value of share based payments.

Basis of consolidation
The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain the benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Business Combinations
The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for resale in accordance with *IFRS 5 Non Current Assets Held for Sale and Discontinued Operations*, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

Notes to the financial statements

Investments in Associates
Associates are those enterprises in which the Group has significant influence but not control. Associates are accounted for in the consolidated financial statements using the equity method, whereby the investment is initially recorded at cost and adjusted thereafter for the post-acquisition change in the investor's share of net assets of the investee. The income statement reflects the investor's share of the results of operations of the investee. If the investor's share of losses exceeds the carrying amount of the investment, the carrying amount of the investment is reduced to nil and recognition of further losses are discontinued, unless the investor has incurred obligations to the investee or to satisfy obligations of the investee that the investor has guaranteed or otherwise committed, whether funded or not. To the extent that the investor has incurred such obligations, the investor continues to recognise its share of losses of the investee.

Any excess of the cost of acquisition over the Group’s share of the fair values of the identifiable net assets of the associate at the date of acquisition is recognised as goodwill. Any deficiency of the cost of acquisition below the Group’s share of the fair values of the identifiable net assets of the associate at the date of acquisition (i.e. discount on acquisition) is credited in profit or loss in the period of acquisition.

Transactions between the Group and its associates are eliminated to the extent of the investor's interest in the entity. Unrealised losses are not eliminated to the extent that the transaction provides evidence of an impairment of the asset transferred.

Impairment of goodwill
Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

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.

Investments in subsidiaries
Investments in subsidiaries are stated at cost less any provision for impairment.

Foreign currency
The functional currency is pound sterling. Transactions in foreign currencies are translated into sterling at the rates of exchange ruling on the date on which transactions occur. At the balance sheet date, foreign currency monetary items are translated into sterling at the foreign exchange rate ruling at the balance sheet date. Foreign exchange differences arising on translation are recognised in the income statement in the period in which they arise. At the balance sheet date, non-monetary items which are carried in terms of historical cost denominated in foreign currency are reported using the exchange rate at the date of the transaction, and non-monetary items which are carried at fair value denominated in a foreign currency are reported using the exchange rates that existed at the date when the values were determined.

Leased assets

Rental costs under operating leases are charged to the income statement in equal annual amounts over the periods of the leases.

Notes to the financial statements

Property, plant and equipment
Items of property, plant and equipment are stated at cost of acquisition cost less accumulated depreciation and impairment losses.

Depreciation is charged to the income statement on a straight-line basis to write off the carrying value of each asset to residual value over their estimated useful lives as follows:

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

Taxation
The tax expense represents the sum of the tax currently payable and any deferred tax.

Current taxes are based on the results of the Group companies and are calculated according to local tax rules, using the tax rates that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is provided in full using the balance sheet liability method for all taxable temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred tax is measured using currently enacted or substantially enacted tax rates.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductable temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax assets are recognised to the extent the temporary difference will reverse in the foreseeable future and that it is probable that future taxable profit will be available against which the asset can be utilised. Deferred tax is recognised for all deductible temporary differences arising from investments in subsidiaries and associates, to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

Financial Instruments

Financial assets and financial liabilities are recognised on the balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade Receivables
Trade and other receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method. A provision is established when there is objective evidence that the Group will not be able to collect all amounts due. The amount of any provision is recognised in the income statement.

Notes to the financial statements

Investments
Investments are recognised and derecognised on a trade date where a purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at cost, including transaction costs.

Investments classified as available for sale are measured at subsequent reporting dates at fair value. Gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the period. Impairment losses recognised in the profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Convertible loan notes
Convertible loan notes are regarded as compound instruments, consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible loan notes and the fair value assigned to the liability component, representing the embedded option to convert the liability into equity of the Group, is included in equity.

Issue costs are apportioned between the liability and equity components of the convertible loan notes based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly against equity.

The interest expense on the liability component is calculated by applying the prevailing market interest rate for similar non-convertible debt to the liability component of the instrument. The difference between this amount and the interest paid is added to the carrying amount of the convertible loan note.

Trade payables
Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments
Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with generally accepted accounting practice requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In order to arrive at the fair value of associates and investments a significant amount of judgement and estimation has been adopted by the directors. Given that these investments are un-listed and there is no readily available market for sale the carrying value is based upon future cash flows and current earnings multiples for which similar entities have been sold for.

Notes to the financial statements

4 Segment reporting

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

Based on risks and returns, the Directors consider that the Group had only one business segment during the year ended 31 December 2006, that of investing in technology start up companies. Therefore the disclosure for the primary segment has already been given in these financial statements.

The secondary reporting would be as shown below.

	2006 Segment Revenue £'000	2006 Segment assets £'000	2006 Cost to acquire Property, plant and equipment £'000	2005 Segment Revenue £'000	2005 Segment assets £'000	2005 Cost to acquire Property, plant and equipment £'000
United Kingdom	-	993	-	-	501	-
Continental Europe	-	688	-	-	1,130	-
Middle East	-	1,830	-	-	1,830	-
	-	3,511	-	-	3,461	-

5 Employee information

	2006 Number	2005 Number
The average number of employees during the period were as follows:		
Management and operations	1	1

	2006 £000	2005 £000
Staff costs during the period including directors comprise:		
Wages and salaries	15	35
Social security costs	-	-
Other pension costs	-	-
	15	35

Brainspark

Notes to the financial statements

6 Directors' remuneration

	2006 £'000	2005 £'000
Aggregate emoluments	15	35
	15	35

There are no retirement benefits accruing to the Directors.

F. Gardin received £Nil (2005: £700) for being a board member of ACS, a company in which the group has an investment stake.

7 Investment revenue

	2006 £'000	2005 £'000
Interest revenue from bank deposits	9	-
	9	-

8 Finance charges

	2006 £'000	2005 £'000
Exchange gains and losses	16	-
Interest free convertible loan (note 18)	15	-
	31	-

9 Profit for the year

	2006 £'000	2005 £'000
Profit/(loss) before tax is stated after charging:		
Depreciation of owned tangible fixed assets	9	35
Operating lease rentals:		
Land and buildings	43	170
Office equipment	-	10
Auditors' remuneration:		
Audit of parent	2	2
Audit of subsidiaries	13	13
Non audit services:		
Other assurance services	6	10

10 Company income statement

An income statement 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 £45,000 (2005: Profit £160,000).

11 Tax

	2006 £'000	2005 £'000
Current taxation	-	-
Deferred taxation	-	-
Tax on profit /(loss) on continuing operations	-	-

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 and capital losses carried forward at 31 December 2006 amount to approximately £11 million (2005: £11 million) and £4 million (2005: £4 million) respectively.

The standard rate of tax for the current year, based on the UK standard rate of corporation tax is 30% (2005 – 30%). The actual tax for the current and previous year varies from the standard rate for the reasons set out in the following reconciliation:

	2006 £'000	2005 £'000
Profit/ (loss) from continuing operations	18	(268)
Tax on ordinary activities at standard rate	5	(80)
Effects of:		
Expenses not deductible for tax purposes	3	11
Unutilised management expenses and capital losses	111	82
Capital allowances in excess of depreciation	(67)	(13)
Utilisation of capital losses	(52)	-
Total tax	-	-

Notes to the financial statements

12 Earnings per share

The basic earnings/(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. Diluted earnings per share is computed using the same weighted average number of shares during the period adjusted for the dilutive effect of share warrants and convertible loans outstanding during the period.

The profit/ (loss) and weighted average number of shares used in the calculation are set out below:

	Profit £'000	2006 Weighted average no of shares 000's	Per share Amount pence	(Loss) £'000	2005 Weighted average no of shares 000's	Per share Amount pence
Earnings/(loss) per share						
Basic and Diluted	18	330,697	0.005	(151)	193,091	(0.08)

IAS 33 requires presentation of diluted earnings per share when a company could be called upon to issue shares that would decrease earnings per share 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 in the comparatives. There are no other diluting share issues, in either financial period, consequently diluted earnings per share equals basic earnings per share.

13 Property, plant and equipment

Group	Leasehold improvements £'000	Office furniture and equipment £'000	Computer software and equipment £'000	Total £'000
Cost				
At 1 January 2006	288	401	821	1,510
Disposals	(288)	(401)	(821)	(1,510)
At 31 December 2006	-	-	-	-
Accumulated depreciation				
At 1 January 2006	283	398	820	1,501
Charge for the year	5	3	1	9
Release on disposal	(288)	(401)	(821)	(1,510)
At 31 December 2006	-	-	-	-
Carrying amount				
At 31 December 2006	-	-	-	-
At 31 December 2005	5	3	1	9

Notes to the financial statements

14 Investments in subsidiaries

Company	Shares £'000
Cost	
At 1 January 2006	5,976
Disposal	(50)
At 31 December 2006	5,926
Impairment	
At 1 January 2006	(4,796)
Adjustments to carrying value	300
At 31 December 2006	(4,496)
Carrying amount	
At 31 December 2006	1,430
At 31 December 2005	1,180

The Company's subsidiary undertakings at 31 December 2006 were as follows:

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

15 Investments in associates

Group	Goodwill £'000	Loans £'000	Share of assets £'000	Total £'000
At 1 January 2006	1,521	357	132	2,010
Share of profit for the year	-	-	92	92
Capitalisation of loans	357	(357)	-	-
Disposal	-	-	(79)	(79)
Carrying value at 31 December 2006	1,878	-	145	2,023
Carrying value at 31 December 2005	1,521	357	132	2,010

Notes to the financial statements

Goodwill in associates includes £1,830,000 (2005: £1,473,000) for GeoSim and £48,000 (2005:£48,000) in respect of Fortune Cookie. The Group was allocated additional shares in GeoSim in 2006 following the capitalisation of £357,000 (US$600,000) subscription monies that had been made in previous years.

During the year the group sold its entire holding in Kerb for £205,000, this resulted in a gain on disposal of £126,000. The remaining net assets of £145,000 relate to the group share in Fortune Cookie. Both GeoSim and TraderServe have losses.

Details of the Group's associates are as follows:

Name	Number of shares held	% owned	Class of shares	Country of incorporation	Business Activity
Fortune Cookie	62,600	29.4	1p A Ordinary	England	Web development
GeoSim	308,197	43.28	.001 NIS	Israel	3D Geographic modelling cities
TraderServe	1,250,000	34.6	0.1p A Ordinary	England	Proprietary trading services

Summarised aggregated financial information in respect of the Group's associates is set out below:

	2006 £'000	2005 £'000
Total assets	365	326
Total liabilities	(255)	(532)
Revenues	593	570
Profit / (loss)	(164)	(237)

The Group's share of losses in associates at the balance sheet date which are unrecognised amounted to £33,000 (2005: £325,000). The share of losses in Geosim for the year amounted to £256,000 but this was reduced to £33,000 by the year end due to a dilution of the company's interest when a third party invested significant funds in share capital. These losses have not been consolidated as the group has no funding obligation to its associates.

16 Available for sale investments

Group	£'000
Fair value	**Total**
At 1 January 2006	1,130
Additions	122
Disposal	(378)
Impairment charge	(156)
Carrying value at 31 December 2006	718
Carrying value at 31 December 2005	1,130

Notes to the financial statements

Other investments comprise a 10.72% investment in the ordinary share capital of MetaPack Limited, a 19.9% investment in EasyArt, a 8.53% investment in ACS, a 0.47% in Mediapolis and a 1.96% investment in Polarizonics.

On 8 August 2005, Brainspark granted a call option to Exprivia SpA (formerly AiSoftw@re SpA) over the entire issued share capital of Brainspark's wholly owned subsidiary, Infusion 2002 Limited which in turn held a 16.21% investment in Advanced Computer Systems SpA ("ACS"), an Italian Company. This option originally expired on 31 July 2006 but was extended to 31 October 2006. Brainspark received a £300,000 non-refundable deposit which was settled by a tri-partite intercompany settlement arrangement between GeoSim, Brainspark and Exprivia.

During the option extension period, for which Brainspark received £25,000, by way of an inter-company settlement agreement, management were in discussions with Exprivia, as a result of which Infusion 2002 Limited sold 197,233 shares in ACS to Exprivia, representing a 7.68% interest for consideration of US$1,000,000, the £300,000 non-refundable deposit, and the £25,000 option extension fee. This gave rise to a gain on disposal of £174,000. The US$1,000,000 consideration has been satisfied by transferring a secured commercial debt in Geosim from Exprivia to Brainspark. The debt has been personally guaranteed by F. Gardin, Chairman of Brainspark and non-executive Chairman of Exprivia.

The US$1,000,000 which is shown in trade and other receivables falling due after one year, is repayable in quarterly amounts equivalent to 5% of Geosim's revenues between 1 January 2006 and 31 December 2009 and carries no interest. Any shortfall in revenues to Brainspark over this period will be met by F. Gardin. Mr. Gardin has provided a personal guarantee to the Group which is secured on a freehold property owned by Mr. F. Gardin's family real estate company.

An impairment charge of £156,000 has been made against the carrying value of the remaining shares held in ACS at 31 December 2006, in order to reflect the investments fair value at the year end. In arriving at the shares fair value the Directors' took account of the consideration received and ACS imputed company valuation used when agreeing the final price for the shares that were sold in the year.

17 Trade and other receivables

	Group 2006 £'000	Group 2005 £'000	Company 2006 £'000	Company 2005 £'000
Amounts falling due within one year				
Amounts owed by subsidiaries	-	-	1,915	1,942
Amounts owed by associates	30	158	-	-
Other debtors	86	58	-	300
Prepayments and accrued income	-	51	-	-
Amounts falling due after one year				
Other debtors	-	60	-	-
Amounts owed by associates	510	-	-	-
	626	327	1,915	2,242

Amounts owed by associates are net of an allowance for doubtful debts of £38,000 (2005: £28,000). Amounts falling due after more than one year from associates represents the amount due from ` GeoSim under the ACS share sale agreement as referred to in note 16.

18 Trade and other payables

	Group 2006 £'000	Group 2005 £'000	Company 2006 £'000	Company 2005 £'000
Interest-free convertible loans	196	213	181	213
Trade creditors	35	105	-	-
Other creditors	-	30	-	-
Social security	-	58	-	-
Accruals	35	55	-	32
	266	461	181	245

Interest-free convertible loans

The repayment date for the interest-free convertible loans is postponed until 31 December 2007 with the effect that the right of either party to demand conversion has been extended to the same date. The Loan Stock is unsecured and convertible into ordinary shares at the price of 0.46p per share.

The postponement of the repayment date for the loans resulted in a significant modification to the terms of the borrowing as defined by IAS 39. Accordingly, this has been recognised as the extinguishment of the original loan and the recognition of a new liability. On recognition of the new liability, the interest-free convertible loans were separated into its debt and equity components in accordance with IAS 32.

	2006 £'000	2005 £'000
Nominal value of interest free convertible loan notes	213	213
Equity component	(32)	-
	181	213
Interest expense (note 8)	15	-
Liability component	196	213

The fair value of the liability component, including in borrowings, was calculated using a market interest rate for an equivalent non-convertible loan. The residual amount, representing the value of the equity conversion component, is included in shareholders' equity.

19 Financial instruments

The Group's financial instruments comprise cash, trade debtors and trade creditors that arise from its operations and convertible loans. 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 below.

Notes to the financial statements

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	2006 £'000	2005 £'000
Sterling deposits	395	439
Cash at bank and in hand	15	7
	410	446

The sterling cash deposits have earned a floating rate of interest during the year based on bank rates of 0.8% to 1.3%; based on average balances.

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 at the year end are of a short term nature.

Fair values of financial assets and liabilities

At 31 December 2006 and 31 December 2005 there was no material difference between the book value and fair value of the financial assets and liabilities.

Foreign currency exposures

The Group had no material exposure to foreign currency movements at 31 December 2006; with the exception of £510,000 (US$1,000,000) (note 17) and £27,000 (US$52,000) due from GeoSim which is receivable in US dollars. The group's functional currency is sterling. The group's monetary assets and liabilities at 31 December 2006 were denominated in sterling, with the exception of the GeoSim debt.

20 Called up share capital

Group and Company

	2006 Number	2005 Number	2006 £'000	2005 £'000
Authorised				
Ordinary shares of 0.01p each	500,000,000	500,000,000	50	50
Deferred shares of 0.01p each	49,500,000,000	49,500,000,00	4,950	4,950
	50,000,000,000	50,000,000,000	5,000	5,000

	2006 Number	2005 Number	2006 £'000	2005 £'000
Allocated, called up and fully paid				
Ordinary shares of 0.01p each	330,697,003	330,697,003	33	33
Deferred shares of 0.01p each	19,035,036,009	19,035,036,009	1,903	1,903
	19,365,733,012	19,365,733,012	1,936	1,936

Notes to the financial statements

The deferred shares carry no voting or dividend rights. They have the rights to receive one-billionth of 1p per share on a winding up after the holders of the new ordinary shares have received a dividend of £1 billion in aggregate from the winding up.

The company had no outstanding share options at 31 December 2006. Details of the 4,650,000 share warrants that lapsed in the year are provided in the Remuneration Committee Report.

21 Reserves

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.

22 Cash used in operations

	Group 2006 £'000	Group 2005 £'000	Company 2006 £'000	Company 2005 £'000
Profit /(loss) before tax	18	(151)	(45)	160
Depreciation charge	9	35	-	-
Amounts written off investments/subsidiaries	156	119	45	(216)
Investment revenue recognised in income statement	(9)	-	-	-
Share of profits of associates	(92)	(104)	-	-
Gain on disposal of investment	(300)	-	-	-
Exchange adjustment	16	-	-	-
Rental income converted into shares in investments	(30)	-	-	-
Decrease in debtors	187	30	32	-
Decrease in creditors	(138)	(104)	(32)	(610)
Reduction in provision for liabilities and charges	-	(122)	-	-
Cash used in operations	(183)	(297)	-	(666)

23 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 £86,000 (2005: £327,000) and the amounts due from investee companies at 31 December 2006 included in trade and other receivables were £30,000 (2005: £130,000) inclusive of VAT and net of £28,000 in provisions (2005: £28,000 provision).

The amounts outstanding in loans to associated undertakings and other investments at 31 December 2006 were £28,000 (2005: £385,000) after provisions and £328,000 (2005: £685,000) before provisions. These include £28,000 (2005: £28,000) of loans provided to GeoSim included in trade and other receivables, £Nil (2005:£357,000) of share capital subscription advances included in investments in associates, together with a loan of £300,000 (2005: £300,000) to EasyArt which is fully provided against.

Trade and other payables also include amounts outstanding to F. Gardin of £213,000 (2005: £213,000) in respect of convertible loans and £Nil (2005: £13,000) in respect of unpaid remuneration.

Notes to the financial statements

F. Gardin had an interest in the sale of shares in ACS to Exprivia by virtue of being a director in both Companies for which a personal guarantee was provided. The Board appointed independent directors to negotiate the transaction. After consulting with the company's nominated advisors; the independent directors considered that the transaction was fair and reasonable as far as the shareholders were concerned. Please refer to note 16 and 17.

Mr Villa has a personal interest in Mediapolis SpA, a company in which Brainspark made an investment of £34,000 during the year.

24 Transition to IFRS

Brainspark Plc reported under UK GAAP in its previously published financial statements for the year ended 31 December 2005. The analysis below shows a reconciliation of net assets and profit reported under UK GAAP as at 31 December 2005 to the revised net assets and profit under IFRS as reported in these financial statements, together with a reconciliation of equity at 31 December 2004 which was the date of transition to IFRS.

Reconciliation of equity at 31 December 2004

	Previous GAAP 2004	Effect of transition to IFRS	IFRS
	£'000	£'000	£'000
Non-current assets			
Property, plant and equipment	44	-	44
Investments in associates	1,451	208	1,659
Available for sale investments	1,549	-	1,549
Total non-current assets	3,044	208	3,252
Current assets			
Trade and other receivables	462	-	462
Cash and cash equivalents	28	-	28
Total current assets	490	-	490
Current Liabilities			
Trade and other payables	(645)	-	(645)
Provisions	(122)	-	(122)
Total current liabilities	(767)	-	(767)
Net current liabilities	(277)	-	(277)
Net assets	2,767	208	2,975
Equity			
Share capital	1,923	-	1,923
Share premium account	28,562	-	28,562
Other reserves	6,813	-	6,813
Retained losses	(34,531)	208	(34,323)
Equity attributable to equity holders of the parent	2,767	208	2,975

Notes to the financial statements

Reconciliation of equity at 31 December 2005

	Previous GAAP 2005	Effect of transition to IFRS	IFRS
	£'000	£'000	£'000
Non-current assets			
Property, plant and equipment	9	-	9
Investments in associates	1,023	987	2,010
Available for sale investments	1,130	-	1,130
Total non-current assets	2,162	987	3,149
Current assets			
Trade and other receivables	327	-	327
Cash and cash equivalents	446	-	446
Total current assets	773	-	773
Current Liabilities			
Trade and other payables	(461)	-	(461)
Total current liabilities	(461)	-	(461)
Net current assets	312	-	312
Net assets	2,474	987	3,461
Equity			
Share capital	1936	-	1936
Share premium account	29,186	-	29,186
Other reserves	6,813	-	6,813
Retained losses	(35,461)	987	(34,474)
Equity attributable to equity holders of the parent	2,474	987	3,461

Reconciliation of equity for the year ended 31 December 2005

There has been a net improvement in equity of £987,000. IFRS do not permit goodwill amortisation. Goodwill amortisation of £662,000 has been reversed and the carrying value of goodwill has been reviewed for impairment in accordance with IAS 36. Furthermore under IAS 28 any losses incurred by the associate are only recognised to the point the investor's interest is reduced to nil. This has resulted in a reversal of £325,000.

Notes to the financial statements

Reconciliation of loss for the year ended 31 December 2005

	Previous GAAP	Effect of transition to IFRS	IFRS
	£'000	**£'000**	**£'000**
Continuing operations			
Reversal of provision	122	-	122
Other operating expenses	(258)	-	(258)
Share of profits /(losses) of associates	(675)	779	104
Impairment of available for sale investments	(119)	-	(119)
Loss before tax	**(930)**	**779**	**(151)**
Tax	-	-	-
Loss for the year from continuing operations	**(930)**	**779**	**(151)**
Attributable to:			
Equity holders of the parent	**(930)**	**779**	**(151)**

IFRS do not permit goodwill amortisation, as a consequence goodwill amortisation has been reversed and the carrying value of goodwill has been reviewed for impairment. In addition, GeoSim's losses for 2005 of £117,000 have been written back in order to adjust the carrying amount of the investment to nil.

Explanation of material adjustments to the cash flow statement for year ended 31 December 2005

There are no other material differences between the cash flow statement presented under IFRSs and the cash flow statement presented under previous UK GAAP.

25 Post balance sheet events

On 17 February 2007, the Group sold its interest in Traderserve for £75,000 in cash and realised a profit of £75,000 compared with the carrying value of nil.

Brainspark

Notice of 2007 annual general meeting

Notice is hereby given that the 2007 Annual General Meeting of Brainspark plc will be convened at Sion Hall, 56 Victoria Embankment, London EC4 Y0DZ on 26 July 2007 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 2006.

2 To reappoint Messrs. Mazars LLP as auditors and authorise the Directors to fix their remuneration.

3 To re-elect D. Meacher (who retires by rotation) as a Director.

4 To re-elect A. M. Villa (who retires by rotation) 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 2007 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

Dennis B Bailey

Registered Office
The Lightwell, 12 - 16 Laystall Street, London EC1R 4PF
28 June 2007

Dennis B. Bailey
Company Secretary

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.

FORM OF PROXY RELATING TO
2007 ANNUAL GENERAL MEETING
OF
BRAINSPARK PLC

I/we***, being a member of the Company, hereby appoint

the Chairman of the meeting***

OR
....***

to act as my/our*** proxy to vote in my/our*** name and on my/our behalf at the above mentioned meeting to be held at 11 am at Sion Hall, 56 Victoria Embankment, London ECYY ODZ on 28 July 2007, including any adjournment thereof, and to vote upon a poll called in respect of the following resolutions as described below

at his***/her*** discretion***

OR

as follows

1	To receive the report and accounts	FOR***/AGAINST***
2	To reappoint the auditors	FOR***/AGAINST***
3	To re-elect D Meacher as a Director	FOR***/AGAINST***
4	To re-elect A. M. Villa as a Director	FOR***/AGAINST***
5	To give Directors authority to allot shares	FOR***/AGAINST***
6	To give authority to allot on non-rights issue basis	FOR***/AGAINST***

Duly executed by me/us*** the day of 2007

*** Please delete as appropriate

Signed ....

NAME ....

ADDRESS ....

NOTES

1 If you wish to appoint a proxy, this form must be returned to the registered office of the Company or Capita-IRG Plc, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours before the time fixed for the meeting.

2 If you are a corporation, this form must be executed as deed.

3 If your shares are held jointly with some other person(s), the names and addresses of all joint holders should be given.

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