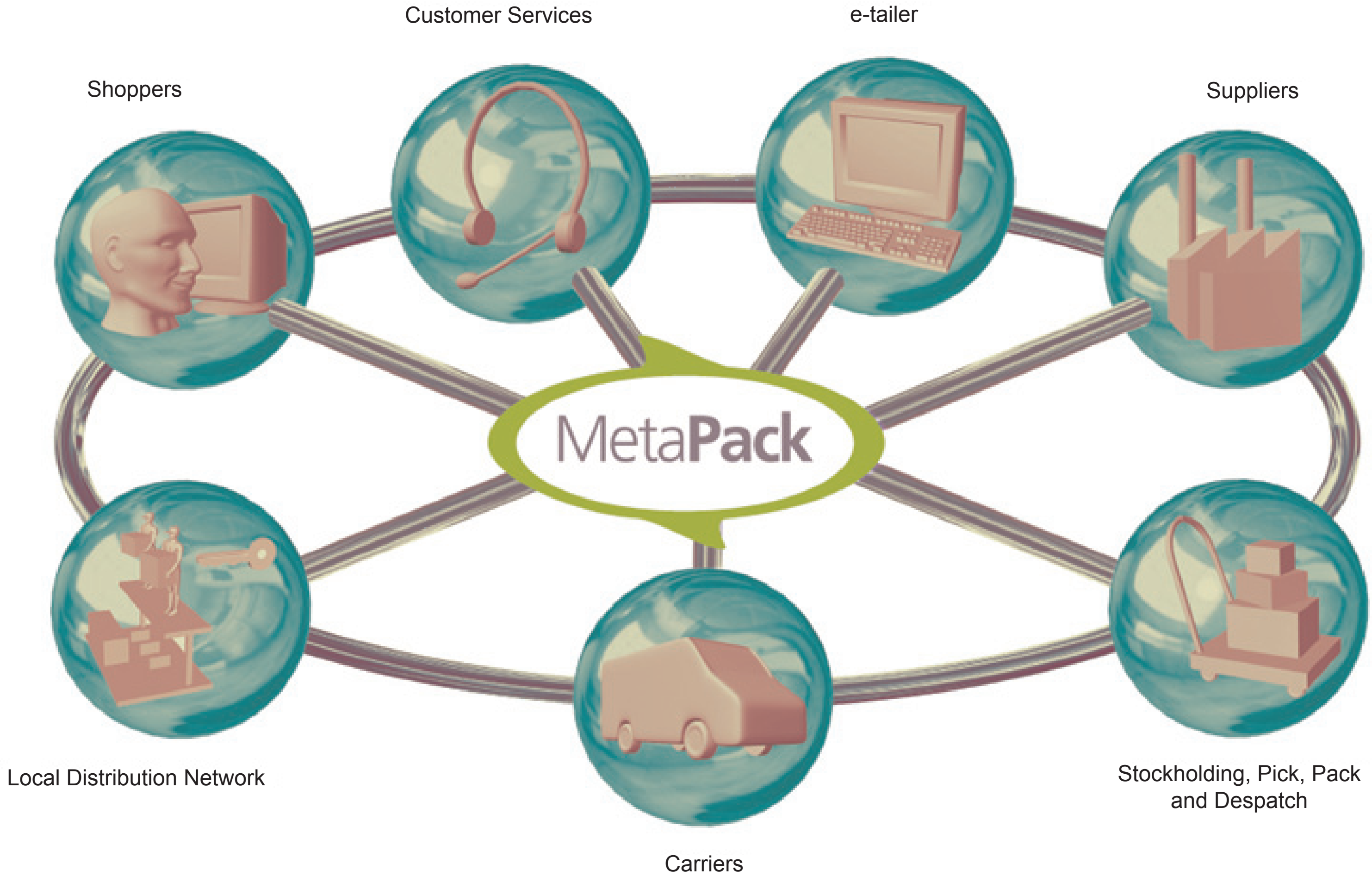
Brainspark PLC
Annual Report 2007



Annual Report and Financial statements for the year ended 31 December 2007

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	MacIntyre Hudson LLP Equipoise House Grove Place Bedford MK40 3LE
Solicitors	Gordons Partnership LLP 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 Registry 34 Beckenham Road Beckenham Kent BR3 4TU

Chairman's statement

I am pleased to present the Company report for the year ended 31 December 2007.

The results show a profit of £38,000 compared to a profit of £18,000 for the financial year to 31 December 2006. This is the second consecutive profitable year since going public in 2000. The result is due to a combination of keeping tight control on running costs of the Company and generating profit from sale of assets.

The Company has been disposing at a profit a number of UK portfolio investments, the proceeds of which have been used for the creation of an investment company, China IPO Group Limited which invests in Chinese companies. The result is a shift away from our European investments into Chinese companies, where we expect the rate of growth to be higher and faster.

These results are presented in accordance with IFRS.

Company background

Brainspark's core business is to make investments in early stage technology companies which possess outstanding management and may provide good growth and profits.

During 2007 we have focused our investment efforts in supporting the establishment of China IPO Group and its subsidiary, IPO (Beijing) Investment Consulting Company Ltd, in Beijing. The company invests in start-ups and pre-IPO companies in China.

Brainspark carefully monitors its existing investment portfolio as well as seeking new opportunities in Europe.

New Investments

In March 2007 China IPO Group was established and in April 2007 £105,000 was invested in order to permit the company to start making investments. During 2007 the main investment efforts were focused on developing China IPO Group Limited, the Jersey based investment company, in readiness to commence investment activities in China.

Exits

In May 2007 Brainspark completed the disposal of Traderserve Limited and its entire holding, which represented 34.6% of the issued share capital of the company, for a profit and cash consideration of £75,000. Brainspark will retain a carrying interest in the company through a tail clause triggered in the event of a sale of Traderserve at a pro-rata profit exceeding the £75,000 valuation of the 34.6% equity position held.

On 31 December 2007, Brainspark agreed the sale of 31,300 1p ordinary shares in Fortune Cookie Limited which represented 14.7% of the issued share capital of the company, for a cash consideration of £299,000. The balance of the shares will be delivered on 31 December 2008 for a cash consideration of £298,000, subject to certain conditions being met. Fortune Cookie reported revenues for the year ended 31 August 2007 of £2,213,818 with pre-tax profits of £209,929.

Brainspark will retain a carrying interest in the company through a tail clause triggered in the event of a sale of Fortune Cookie at a pro-rata profit exceeding the £597,000 valuation of the 29.4% equity position held.

Summary Financial Results

The Group's cash reserves at 31 December 2007 stood at £499,000 compared with £410,000 at 31 December 2006. The Group's net asset value (NAV) was £3.57 million at 31 December 2007, compared with £3.51 million at 31 December 2006.

IFRS valuation of the Investment Portfolio

The results and net equity are represented in accordance with IFRS. An impairment review has been carried out on all companies in our portfolio.

Operational Changes

The two Executive Directors, Prof F. Gardin and Mr. Bailey have been paid fees since 1 March 2007 of £75,000 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 1st March 2007 the Company issued options to the Directors. The issue of options was treated as a Related Party transaction under the AIM Rules. Mr. D. Caldwell, the only Independent Director at that time, having consulted with 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.

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. 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 them relatively quickly through a trade sale or flotation. Brainspark continues to monitor and rationalize its operational infrastructure and leverage the knowledge and market potential of its investment portfolio as a result of the difficult market conditions.

Brainspark's Directors will consider, from time to time, co-investing in some of the Company's initiatives, if this is the case, announcements will be made at the appropriate time

Portfolio Companies

An update on the Group's portfolio companies held at 31 December 2007 is as follows (percentage of equity held):

GeoSim (www.geosim.co.il) (42.71%) 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.

The 31 December 2007 results show a loss of (Israeli New Shekel (ILS) 7,395,000 (£1,107, 800) compared to 31 December 2006 loss of ILS 4,894,000 (£733,095).

The fair value of GeoSim of £1,830,000 is based on the current round of funding, together with the directors' assessment of the company's development, current activity and future prospects. The directors acknowledge that GeoSim is loss making and is dependent upon continued third party equity investment for working capital and development.

On 2 May 2007 Brainspark announced that GeoSim had 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. The first $720,000 tranche at pre-money valuation of $10,000,000 was completed in September 2006.

On 8 August 2007 a third agreement was signed with Crash Investment LLP, to raise an additional $3,000,000 at a $22,000,000 pre-money valuation. By 31 December 2007 $1,035,000 had been raised and further funds may be raised in 2008 to support the company's future development.

At a Geosim valuation of $22,000,000, Brainspark's 42.71% equity holding, prior to exercise of existing warrants and an ESOP, is valued at $9,396,000 (£4,706,000). This alone is equivalent to 1.42p a share.

Polarizonics (1.96%) 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 has 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) (8.53%) 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. For the year ended 31 December 2007 the company made a profit of euro 58,000 (£46,000) compared to a loss of euro 1,253,000 (£991,831) in the prior year.

Easyart Limited (www.easyart.com) (19.9%) recorded its second consecutive year of profits in 2007. Easyart is the UK's leading online art print and framing store. These are available on canvas, as well as quality art papers and can be custom-sized to fit the customer's precise requirements. The range features collections from archives such as Christies and The Bridgeman Art Library.

As well as the main UK web site, Easyart also has local sites covering the US and key Western European markets. These are all serviced from its UK fulfilment centre.

For the year ended 31 December 2007 the company made a profit of £48,500 compared to a profit of £59,300 in the prior year; upon consolidation the Group recorded a loss for £14,700 compared to a loss of £16,200 for the same period.

Fortune Cookie (www.fortunecookie.co.uk) (14.7%) 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 5th for delivery of ROI**,** 4th for creativity and 3rd for use of technology. In March 2007 Media Momentum ranked Fortune Cookie as one of the UK's 50 fastest growing digital media companies.

Fortune Cookie reported revenues for the year ended August 2007 of £2,213,818 with pre-tax profits of £209,929.

MetaPack (www.metapack.com) (10.72%) 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 continues to grow.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. An increasing proportion of their ongoing revenues are guaranteed through support & maintenance or transactional payments, as opposed to one-off licence or implementation fees.

In February 2007, Cotterford Limited., an investment company in the UK, subscribed £400,000 for an issue of new Metapack shares repesenting 17.78% of the enlarged issued share capital. Brainspark holds 30,000 shares in Metapack, which now represents 10.72% of the enlarged capital. Though a small investment for Brainspark this is an exciting one. The cover page on this year's Annual Report displays the business model used by Metapack.

This year Brainspark has selected Metapack to feature on the cover page of its Annual Report. As 2007 has been a remarkable year for the company. The long awaited ASP/DM software now being adopted by several online merchants, with more joining every month. The ASP/DM Metapack solution is run by the company as an ASP service and links together in the same value-chain: shoppers, customer services, e-tailers, suppliers, stocking-pick, pack and delivery carriers, and distribution networks.

Mr. Patrick Wall, Metapack CEO and founder, recently commented:" Metapack is now established as the UK's leading software solution for home delivery. During the last two years we have successfully reshaped our business. The majority of growth now comes from an ASP version of our software that is paid for on a transactional basis. AS a result, 90% of revenues are recurring and a majority of these are tied to the aggressive growth of internet retailing. We are well positioned to become a broad based platform for the internet market, to benefit from increased international sales and from future growth in extended supply chain solutions."

Mediapolis (0.47%) Management continue to monitor the performance of this holding. In January 2008 the High Court case in Italy held that the development licence was valid and effective. There are now no delays expected concerning the construction of the 2 hotels, a shopping mall and an amusement park.

China IPO Group Limited (100% subsidiary of Brainspark Associates Limited)

China IPO Group Limited was incorporated in March 2007. This is a strategic investment 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.

Following incorporation the first investment of $200,000 (£100,000) was made as part of a $7,000,000 (£3,500,000) unsecured convertible loan note, in ET China for pre-IPO funding. The minimum investment unit to be entitled to the best terms of the loan note was $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 for 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 was on no more favourable terms than the investment by China IPO Group. Mr. L. Fogliani, an 8.89% investor in Brainspark, also has agreed to subscribe an additional $100,000 (£50,000) under the same terms as China IPO Group. The total investment amounted to $600,000 (£300,000).

Chairman of China IPO Group, 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 Peddler Street Asia Absolute Return Fund, and is on the board of Cambridge Asia and Chairman of Cromer Associates Limited, a company which advises foreign companies investing in China and Chinese companies investing overseas.

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.

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 Group Management Limited will open an office within the incubator providing 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.

In June 2007, China IPO also entered into an agrement with TIBI, the leading business Incubator in the Tianjin Economic Development Area (TEDA, founded in 1998)), which is a High-Tech Zone. TEDA is situated by the port in Tianjin's Tanggu district. It maintains close links with Nankai University, Tianjin University, the 46th Research Institute of the Ministry of Information Industry, the 8358 Institute of Aerospace Industry Co, the Seawater Desalination Research Institute of the National Ocean Bureau, the Tianjin Laser Research Institute and other high-level educational and research institutes.

In November 2007 China IPO Group signed an exclusive contract with Tianjin Technology Incubator Center. This Incubator is part of the Tianjin Technology Entrepreneurship Services, which was founded in 1989. The Incubator itself was founded in 1991, and currently has circa 11,000 square metres of space, of which circa 7,000 square metres is for leasing to companies in the start-up phase. The focus of this Incubator is on start-ups. In addition, the Incubator manages the Tianjin Innofund Center, which funds new high-tech companies. This Incubator focuses mainly on the Electronics, Biotech and Medicine, New Materials, Energy and Environmental protection sectors.

In November 2007 IPO (Beijing) Investment Consulting Company Ltd., the Chinese subsidiary of China IPO Group Limited, was established with consultancy to commence in 2008, with its main office in Beijing. Mr. Edward Burman, a Non-Executive Director of Brainspark, has been appointed, Chairman of the company.

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

On 3 August 2007, China IPO Group Limited, made its first investment in ET-China Holdings Limited ("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.

On 3 August 2007, ET- China went public on AIM and China IPO Group converted its loan into equity. Following the IPO the company sold 24% of its holding realising a profit on disposal of £22,000.

The results for ET-China for the year to 31 December, 2007 show a Turnover of £88.6 million, Gross Profit of £7.9 million and an overall Net Loss of £3.5 million of which £1.4 million relates to the cost of IPO in July 2007. At the time the company joined AIM it raised £4.4 million net and recently raised £5.5 million by way of Convertible Loan Stock. The Chinese travel industry continues to demonstrate strong underlying growth, and though it was clipped by bad weather in recent months it is believed it will be boasted by the Olympic Games in August.

On November 2007 China IPO started fund raising by appointing a London based FSA regulated Placing Agent with the aim to complete the Fund raising by the beginning of 2008. Brainspark will provide the necessary funds, by way of loan, to enable financing of the Chinese operation and in order to make the first investments within the Incubators.

In 2008 China IPO Group Limited established its second office in China in Xi'an and in March 2008 received a £100,000 loan from Brainspark.

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 2007 amount to approximately £11 million (2006: £11 million) and £4 million (2006: £4 million) respectively. All such losses rest in Brainspark Associates Limited and are available for future utilisation against profits of the business. The Directors believe that the tax losses can be offset against profitable investments which would ultimately enable Brainspark to distribute dividends to its shareholders.

Co Investment by Directors and Key Shareholders of Brainspark and China IPO Group

Three directors intend to subscribe for new ordinary shares, in China IPO Group, under the Placing terms and on the same terms as all other investors in the Placing, at 78p per share, and to the total values as follows. The resultant percentage of the shares held by each Director will not be known until the placing is completed.

Name	Number of Placing Shares	Value of Placing Shares
Francesco Gardin	32,051	£25,000
Dennis Bailey	32,051	£25,000
Edward Burman	12,820	£10,000

One or more of the Directors may co-invest personally in companies with China IPO subject to the Board's approval. In such circumstances, the Director concerned will make a full declaration of his personal involvement, and will not participate in the vote on any Board resolution in respect of the relevant investment. Any co-investment will be on terms which are no more favourable than those upon which the Company is investing.

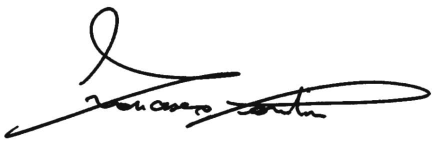
Any such investments will be subject to compliance with the Stock Exchange rules of the AIM market.

Investments Review

At the end of December 2007 Brainspark had holdings in 8 companies, 3 in the UK (Metapack, Easyart and Fortune Cookie), 2 in Italy (ACS, Mediapolis), one in Israel (GeoSim), 1 in the United States (Polarizonics) and one in China (ET-China). Brainspark's stake range from nearly 0.5% to nearly 42.71% of the relevant portfolio companies. The portfolio covers a wide range of business sectors, including Web Services, application service providers, advanced IT solutions, real estate and investment in China.

At 31 December 2007, Brainspark's mid-market price per share of 0.425p valued the Company at £1,405,462.

The decision to shift our focus away from the UK to China, whilst divesting some UK assets reflects our strategy to speed up growth and profitability for the Company.



Prof. Francesco Gardin
Chairman
30 June 2008

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 53.

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 47.

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 44.

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 60.

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 2007.

Principal Activity

The principal activity of the Group is 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 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 18 to the financial statements.

Results for the year and dividends

The profit for the year was £38,000 (2006: profit of £18,000). 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 convertible loan notes. Full details of this transaction are provided in note 22 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 Mr Villa who holds shares in Mediapolis. Directors’ interests in the shares of the Company are as shown overleaf.

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 2007 and 1 January 2007 were as follows:

Beneficial holdings
Number of shares

	31 December 2007 (Deferred 0.01p shares)	31 December 2007 (0.01p shares ordinary shares)	%	1 January 2007 (Deferred 0.01p shares)	1 January 2007 (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
D. B. Bailey	-	10,869,565	3.29	-	10,869,565
Non-Executive Directors					
D. Meacher	-	-	-	-	-
E. Burman	67,499,982	681,818	0.21	67,499,982	681,818
A. M. Villa	-	51,389,130	15.54	-	51,389,130

The Deferred shares carry no effective rights.

The closing market price of the ordinary shares at 31 December 2007 was 0.425p and the highest and lowest closing prices during the year were 0.875p and 0.4p respectively.

There have been no changes in the Directors' interests between the year end and 30 June 2008.

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 ought to have taken as a director to make himself aware of any relevant audit information and to establish that 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 2008 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
L. 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 14.

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 2007 was 74 days (2006: 75 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 (2006 - nil).

Auditors

MacIntyre Hudson LLP were appointed as auditors in the year. A resolution to reappoint MacIntyre Hudson 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

Dennis B. Bailey
Company Secretary
30 June 2008

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	2007 Total £'000	2006 Total £'000
Executive Directors					
F. Gardin	-	75	-	75	-
D. B. Bailey		20		20	
Non-executive Directors					
D. Meacher	-	-	-	-	-
E.Burman	-	5	-	5	15
A. M. Villa	-	-	-	-	-
Total	-	100	-	100	15

None of the Directors had any pension entitlement.

Directors' interests in share options and warrants

At 31 December 2007, the following Directors had interests in share options in the Company:

On 1 March 2007 the Company issued options to the Directors 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	**Lapsed in the year**	**31 December 2007**
F. Gardin	12,000,000	-	12,000,000
A. M. Villa	5,000,000	-	5,000,000
D. B. Bailey	5,000,000	-	5,000,000
D. Meacher	5,000,000	-	5,000,000
E. Burman	5,000,000	-	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 was 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
30 June 2008

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

Board of Directors

During the year, the Board comprised two executive Directors and three non-executive Directors. 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 Directors 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 was 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 2007 which comprise the Consolidated Income Statement, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statements of Change in Shareholders’ Equity and related notes 1 to 22. 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, and 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 whether 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 2007 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 2007;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

MacIntyre Hudson LLP
Chartered Accountants and Registered Auditors
Equipoise House
Grove Place
Bedford
MK40 3LE

30 June 2008

Consolidated Income Statement for the year ended 31 December 2007

	Note	31 December 2007	31 December 2006
		£'000	**£'000**
Continuing operations			
Investment revenue	7	15	9
Gain on disposal of investments		299	300
Share of profits of associates		7	92
Finance charges	8	(15)	(31)
Other operating expenses		(268)	(196)
Impairment of available for sale investments	15	-	(156)
Profit before tax		**38**	**18**
Tax	11	-	-
Profit for the year from continuing operations		**38**	**18**
Attributable to:			
Equity holders of the parent		**38**	**18**
Earnings per share			
Basic and diluted earnings per 0.01p ordinary share	12	**0.01p**	**0.005p**

Balance sheets at 31 December 2007

	Notes	Group 2007 £'000	Group 2006 £'000	Company 2007 £'000	Company 2006 £'000
Non-current assets					
Investments in subsidiaries	13	-	-	1,430	1,430
Investments in associates	14	1,830	2,023	-	-
Available for sale investments	15	919	718	-	-
Total non-current assets		2,749	2,741	1,430	1,430
Current assets					
Trade and other receivables	16	563	626	2,111	1,915
Cash and cash equivalents		499	410	-	-
Total current assets		1,062	1,036	2,111	1,915
Current liabilities					
Trade and other payables	17	(240)	(266)	(211)	(181)
Total current liabilities		(240)	(266)	(211)	(181)
Net current assets		822	770	1,900	1,734
Net assets		3,571	3,511	3,330	3,164
Equity					
Share capital	19	1,936	1,936	1,936	1,936
Share premium account		29,186	29,186	29,186	29,186
Other reserves	20	6,813	6,813	-	-
Equity component of convertible instrument	17	32	32	32	32
Fair value adjustment to available for sale investments		22	-	-	-
Retained losses		(34,418)	(34,456)	(27,824)	(27,990)
Equity attributable to equity holders of the parent		3,571	3,511	3,330	3,164

The financial statements were approved by the board of directors and authorised for issue on 30 June 2008. They were signed on its behalf by:

Prof. F. Gardin
Chairman

Statement of changes in equity
For the year ended 31 December 2007

Group	Share capital £'000	Share premium £'000	Other reserve £'000	Equity component of convertible instrument £'000	Fair value adjustment to available for sale investments £'000	Profit and loss account £'000	Total £'000
At 1 January 2007	1,936	29,186	6,813	32	-	(34,456)	3,511
Profit for the year	-	-	-	-	-	38	38
Fair value adjustment	-	-	-	-	22	-	22
At 31 December 2007	1,936	29,186	6,813	32	22	(34,418)	3,571
Company							
At 1 January 2007	1,936	29,186	-	32		(27,990)	3,164
Profit for the year	-	-	-	-		166	166
At 31 December 2007	1,936	29,186	-	32		(27,824)	3,330

Cash flow statements
For the year ended 31 December 2007

	Note	Group 2007 £'000	Group 2006 £'000	Company 2007 £'000	Company 2006 £'000
Net cash used in operating activities	21	**(225)**	**(183)**	**-**	**-**
Cash flows from investing activities					
Interest received		15	9	-	-
Proceeds from sale of investments in associates		375	230	-	-
Purchase of investments		(76)	(92)	-	-
Net cash generated from investing activities		**314**	**147**	**-**	**-**
Cash flows from financing activities		-	-		
Net cash generated from financing activities		**-**	**-**	**-**	**-**
Increase/(decrease) in net cash for the year		**89**	**(36)**	**-**	**-**
Cash and cash equivalents at beginning of year		**410**	**446**	**-**	**-**
Cash and cash equivalents at end of year		**499**	**410**	**-**	**-**

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 2007.

IFRS 8, Operating segments;

IFRIC 11/FRS2 – Group and Treasury share transactions

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.

The following new standards, amendments and interpretations have been issued but are not yet effective and are not expected to be relevant to the Group's operations:

IFRIC 12, Service concession arrangements;

IFRIC 13, Customer loyalty programmes;

IFRIC 14, The limit on a defined benefit asset, minimum funding requirements and their interaction.

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 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 except for certain financial instruments that are stated at their fair values.

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.

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 to 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.

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 deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in 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.

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.

4 Segment reporting

The Group carries on its business in three geographical locations, namely the UK, Italy and Israel. Its principal activity is 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 2007, 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.

	2007			2006		
	Segment Revenue £'000	**Segment assets £'000**	**Cost to acquire Property, plant and equipment £'000**	**Segment Revenue £'000**	**Segment assets £'000**	**Cost to acquire Property, plant and equipment £'000**
United Kingdom	-	1,052	-	-	993	-
Continental Europe	-	630	-	-	630	-
Americas	-	58	-	-	58	-
Middle East	-	1,830	-	-	1,830	-
	-	3,570	-	-	3,511	-

5 Employee information

	2007 Number	**2006 Number**
The average number of employees during the period was as follows:		
Management	2	1

	2007 £000	**2006 £000**
Staff costs during the period including directors comprise:		
Wages and salaries	100	15
Social security costs	-	-
Other pension costs	-	-
	100	15

6 Directors' remuneration

	2007 £'000	2006 £'000
Aggregate emoluments	100	15
	100	15

There are no retirement benefits accruing to the Directors.

7 Investment revenue

	2007 £'000	2006 £'000
Interest revenue from bank deposits	15	9
	15	9

8 Finance charges

	2007 £'000	2006 £'000
Exchange gains and losses	-	16
Interest free convertible loan (note 17)	15	15
	15	31

9 Profit for the year

	2007 £'000	2006 £'000
Profit before tax is stated after charging:		
Depreciation of owned property, plant and equipment	-	9
Operating lease rentals:		
Land and buildings	-	43
Auditors' remuneration:		
Audit of parent	1	2
Audit of subsidiaries	9	13
Non audit services:		
Other assurance services	-	6

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 profit for the financial year amounted to £166,000 (2006: Loss £45,000).

11 Tax

	2007 £'000	2006 £'000
Current taxation	-	-
Deferred taxation	-	-
Tax on profit 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 2007 amount to approximately £11 million (2006: £11 million) and £4 million (2006: £4 million) respectively.

The standard rate of tax for the current year, based on the UK standard rate of corporation tax is 30% (2006 – 30%). The actual tax for the current and previous year varies from the standard rate for the reasons set out in the following reconciliation:

	2007 £'000	2006 £'000
Profit from continuing operations	38	18
Tax on ordinary activities at standard rate	11	5
Effects of:		
Expenses not deductible for tax purposes	-	3
Unutilised management expenses and capital losses	72	111
Capital allowances in excess of depreciation	-	(67)
Utilisation of capital losses	(83)	(52)
Total tax	-	-

12 Earnings per share

The basic earnings 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 options and convertible loans outstanding during the period.

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

	Profit £'000	2007 Weighted average no of shares 000's	Per share Amount pence	Profit £'000	2006 Weighted average no of shares 000's	Per share Amount pence
Earnings per share						
Basic and Diluted	38	330,697	0.01	18	330,697	0.005

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. 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. There are no other diluting share issues, in either financial period, consequently diluted earnings per share equals basic earnings per share.

13 Investments in subsidiaries

Company	Shares £'000
Cost	
At 1 January 2007	5,926
At 31 December 2007	5,926
Impairment	
At 1 January 2007	(4,496)
At 31 December 2007	(4,496)
Carrying amount	
At 31 December 2007	1,430
At 31 December 2006	1,430

The Company's subsidiary undertakings at 31 December 2007 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
China IPO Group Limited (subsidiary of Brainspark Associates Limited)	Jersey	100	Holding company for Chinese investments

14 Investments in associates

Group	Goodwill £'000	Share of assets £'000	Total £'000
At 1 January 2007	1,878	145	2,023
Disposal	(48)	(42)	(90)
Transfer to available for sale investments	-	(103)	(103)
Carrying value at 31 December 2007	1,830	-	1,830
Carrying value at 31 December 2006	1,878	145	2,023

Goodwill in associates includes £1,830,000 (2006: £1,830,000) for GeoSim and £Nil (2006:£48,000) in respect of Fortune Cookie.

The fair value of the investment in GeoSim of £1,830,000 is based on the directors' assessment of the company's development, current activity, product launch and future prospects. The investment is therefore valued in accordance with the company's future growth potential and anticipated profit generation. However, the directors acknowledge that GeoSim is loss making and is dependent upon continued third party equity investment for the company's continuance as a going concern.

All third party investment by its nature carries some inherent uncertainty and in the opinion of the directors additional funding will be obtained. This is in light of current market expectations, the completion of the product development stage and experience of the previous funding obtained, which thus far has raised $3,035,000.

The remaining net assets of £Nil (2006: £145,000) related to the group share in Fortune Cookie.

The company disposed half its holding in Fortune Cookie for £300,000, which resulted in a profit on disposal of £202,000. The remaining shares are also under a contract for sale subject to the satisfaction of certain conditions.

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

Details of the Group's associate are as follows:

Name	Number of shares held	% owned	Class of shares	Country of incorporation	Business Activity
GeoSim	308,197	42.71	.001 NIS	Israel	3D Geographic modelling cities

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

	2007 £'000	2006 £'000
Total assets	140	365
Total liabilities	(151)	(255)
Revenues	19	593
(Loss)	(412)	(164)

The Group's share of losses in associates at the balance sheet date which are unrecognised amounted to £11,000 (2006:£33,000). The share of losses in GeoSim for the year amounted to £412,000 (2006: £256,000) but this was reduced to £11,000 at 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 associate.

15 Available for sale investments

Group	£'000
Fair value	**Total**
At 1 January 2007	718
Addition	76
Fair value adjustment	22
Transfer from associates	103
Carrying value at 31 December 2007	919
Carrying value at 31 December 2006	718

Available for sale investments comprise a 10.72% investment in the ordinary share capital of MetaPack Limited, a 19.9% investment in EasyArt, an 8.53% investment in ACS, a 0.47% in Mediapolis, a 1.96% investment in Polarizonics, a 14.70% investment in Fortune Cookie (following the disposal of half the holding) and a 0.47% holding in E.T.-China.com International Holdings Limited

Following the part disposal of shares in Advanced Computer Systems SpA, ("ACS") in 2006 the US$1,000,000 consideration was 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, up until 31 March 2008, of Exprivia.

The £510,000 (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.

16 Trade and other receivables

	Group 2007 £'000	Group 2006 £'000	Company 2007 £'000	Company 2006 £'000
Amounts falling due within one year				
Amounts owed by subsidiaries	-	-	2,111	1,915
Amounts owed by associates	27	30	-	-
Other debtors	26	86	-	-
Amounts falling due after one year				
Amounts owed by associates	510	510	-	-
	563	626	2,111	1,915

Amounts owed by associates are net of an allowance for doubtful debts of £Nil (2006:£Nil). 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 15.

17 Trade and other payables

	Group 2007 £'000	Group 2006 £'000	Company 2007 £'000	Company 2006 £'000
Interest-free convertible loans	211	196	211	181
Trade creditors	10	35	-	-
Accruals	19	35	-	-
	240	266	211	181

Interest-free convertible loans

The repayment date for the interest-free convertible loans is postponed until 30 June 2011 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.

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.

	2007 £'000	2006 £'000
Nominal value of interest free convertible loan notes	213	213
Equity component	(32)	(32)
	181	181
Interest expense (note 8)	30	15
Liability component	211	196

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.

18 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.

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	**2007 £'000**	**2006 £'000**
Sterling deposits	472	395
Cash at bank and in hand	27	15
	499	410

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 2007 and 31 December 2006 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 2007; with the exception of £510,000 (US$1,000,000) (note 16) 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 2007 were denominated in sterling, with the exception of the GeoSim debt.

19 Called up share capital

Group and Company

	2007 Number	2006 Number	2007 £'000	2006 £'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	49,500,000,000	4,950	4,950
	50,000,000,000	50,000,000,000	5,000	5,000

	2007 Number	2006 Number	2007 £'000	2006 £'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

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.

On 1 March 2007 the Company issued options to the Directors 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	Lapsed in the year	31 December 2007
F. Gardin	12,000,000	-	12,000,000
A. M. Villa	5,000,000	-	5,000,000
D. B. Bailey	5,000,000	-	5,000,000
D. Meacher	5,000,000	-	5,000,000
E. Burman	5,000,000	-	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 was set at a premium of 30% to the mid-market price of 0.60p of 26 February 2007.

The company has assessed the likelihood of its outstanding share options vesting; using standard modelling techniques and certain assumptions. Given the volatility of the company's share price and expected future volatility this does not give rise to a material impact to the group's income statement.

20 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.

21 Cash used in operations

	Group 2007 £'000	Group 2006 £'000	Company 2007 £'000	Company 2006 £'000
Profit before tax	38	18	166	(45)
Depreciation charge	-	9	-	-
Amounts written off investments/subsidiaries	-	156	-	45
Investment revenue recognised in income statement	(15)	(9)	-	-
Share of profits of associates	(7)	(92)	-	-
Gain on disposal of investment	(299)	(300)	-	-
Exchange adjustment	-	16	-	-
Rental income converted into shares in investments	-	(30)	-	-
Decrease in debtors	83	187	(196)	32
Decrease in creditors	(25)	(138)	30	(32)
Cash used in operations	(225)	(183)	-	-

22 Related party transactions

Brainspark Associates Limited previously provided accommodation and management services to its associated undertakings and investee companies and recharged the cost of utilities and IT equipment incurred on behalf of investee companies. The amounts recharged during the year were £Nil (2006: £86,000) and the amounts due from investee companies at 31 December 2007 included in trade and other receivables were £Nil (2006: £30,000) inclusive of VAT and net of £Nil in provisions (2006: £Nil provision).

The amounts outstanding in loans to associated undertakings and other investments at 31 December 2007 were £28,000 (2006: £28,000) after provisions and £328,000 (2006: £328,000) before provisions. These include £28,000 (2006: £28,000) of loans provided to GeoSim included in trade and other receivables, together with a loan of £300,000 (2006: £300,000) to EasyArt which is fully provided against.

Trade and other payables also include amounts outstanding to F. Gardin of £213,000 (2006: £213,000) in respect of convertible loans.

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

Notice of 2008 annual general meeting

Notice is hereby given that the 2008 Annual General Meeting of Brainspark PLC will be convened at Sion Hall, 56 Victoria Embankment, London EC4 Y0DZ on 30 July 2008 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 2007.

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

3 To re-elect F. Gardin (who retires by rotation) as a Director.

4 To re-elect D. B. Bailey (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 2009 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 5 above as if section 89(1) of the Act did not apply to any such allotment.

By order of the Board

Registered Office
The Lightwell, 12 - 16 Laystall Street, London EC1R 4PF
30 June 2008

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 Contracts of service.

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
2008 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 30 July 2008, 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 F Gardin as a Director	FOR***/AGAINST***
4 `	To re-elect D. B. Bailey 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 2008

*** 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 Registrars, The Registry, 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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