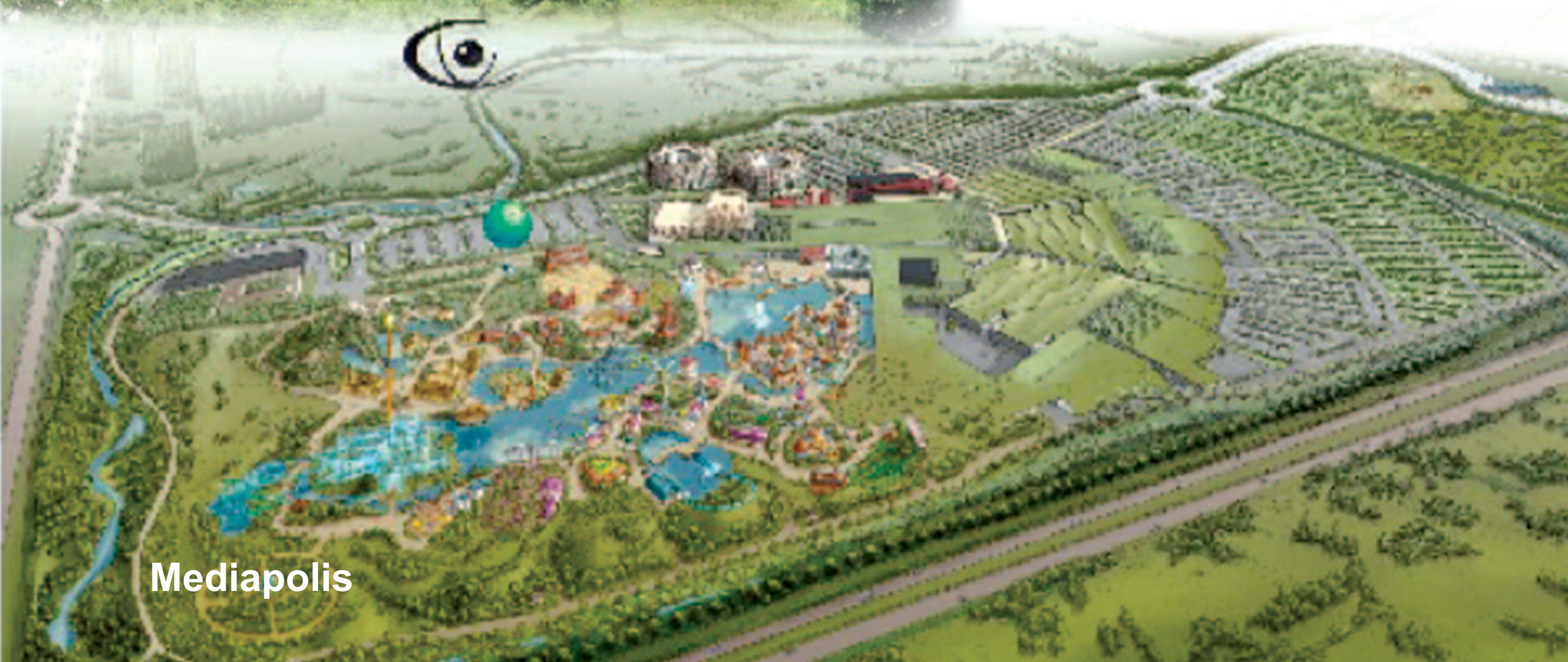
Brainspark

Brainspark PLC
Annual Report 2008



Annual Report and Financial statements for the year ended 31 December 2008

Brainspark PLC

Contents

Company information

Directors	Francesco Gardin, Chairman Dennis B. Bailey, Executive Director David Meacher, Non-Executive Director Edward Burman, Non-Executive Director Alfredo Villa, Non-Executive Director (resigned 24/02/2009)
Secretary	Dennis B. Bailey
Company number	3926192
Registered office	The Lightwell 12 – 16 Laystall Street Clerkenwell London EC1R 4PF
Auditors	MacIntyre Hudson LLP Chartered Accountants & Registered Auditors 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 2nd Floor, Bowman House 29 Wilson Street London EC2M 2SJ
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 2008.

The results show a loss of £2,305,000 compared to a profit of £38,000 for the financial year to 31 December 2007. The result is mainly due to a decision by the Board of the Company to review the fair value of the investment portfolio. Impairment charges have been taken to reflect the poor performance and financial situation of some of the portfolio companies.

The Group's cash reserves at 31 December 2008 stood at £310,000 compared with £499,000 at 31 December 2007. The Group's net asset value was £1.24million at 31 December 2008, compared with £3.57 million at 31 December 2007. These results are presented in accordance with IFRS.

The loss reflects a write down in the value of Geosim of £1.83 million and a general write down of other investment values.

The Board considered it necessary to write down the Geosim investment to zero because the Board of Geosim has accepted a $1 million loan convertible into 50% of the enlarged issued capital, which would result in Brainspark's interest being reduced from 42.71% to 13.4%. More recently Brainspark has received an approach for its shares in Geosim. A further announcement will be made in due course.

During 2008 the Company disposed of one of its UK portfolio investment, EasyArt Holdings Ltd. The proceeds have been utilised to continue the development of China IPO Group plc ("China IPO") which invests in Chinese companies.

The Directors have been concerned for a long time that the share price failed to fully reflect the value of the underlying intrinsic value of its investments. At the same time the Directors feel that the spread of investments over a number of industrial sectors and regions prevent the development of the Group. The Directors have therefore decided that it would be in shareholders' interests to split the group into two or more natural components and to allow each to develop for the benefit of all concerned.

The first stage was the calling of an EGM on 22nd April 2009 in order to effect the elimination of (i) its share premium account and (ii) the deferred shares of 0.01 penny each that were created in 2005 (the "Deferred Shares").

The next stage was to apply to the Court who must be satisfied that the interests of creditors are protected before it will confirm this decision. This began in early May 2009 with a hearing on 18th May 2009 and Court Approval awarded on 10th June 2009.

Following publication of the 30th June 2009 interim results the Company will be in a position to announce, subject to Board approval, the dividend out of China IPO and Infusion 2002. Shareholders in Brainspark would then have shares in two businesses operating in two quite different areas. Initially, only one of these would be dealt in, but China IPO may well prove a suitable company to join AIM, or PLUS. The intention would be to send shareholders a new share certificate which would provide ultimate direct or indirect ownership, in this company.

China IPO has been a success, but the Board feels that China IPO is not a natural partner for Brainspark because its interests are closely involved with developments in Asia and have no connection with the remainder of the Group.

The Directors of China IPO are The Earl of Cromer (Chairman), Prof. Francesco Gardin, Mr Dennis Bailey, Mr Edward Burman, Prof. Mannie Liu and Mr Patrick Go.

Its activities are making investments primarily in the Tianjin and Xi'an areas where the co-operation agreements with the High Tech development Zones are in place and it assists London Asia Capital (LAC) to maximize return of cash to their investors.

For the latter China IPO has entered, at the end of June 2009, into an Agreement with LAC to receive a percentage fee based on cash returned to shareholders during the period ending five years from the date of the agreement. Some fees in shares are subject to LAC shareholder approval.

China IPO is currently developing a consultancy business based in Xi`an to support local companies to enter the European market.

The Company is already a plc and based in Jersey and would possibly be a suitable company to join AIM, or PLUS.

Chairman's statement (continued)

Directors are also considering dividending to shareholders Infusion 2002 Limited, a wholly owned subsidiary with assets which could be disposed of in due course and cash subsequently distributed to shareholders once assets will be realized.

The Board has already begun to examine ways of developing Brainspark in Europe with acquisitions using Brainspark existing and new shares of business with tangible potentials for growth into the Company.

'Investing Policy'

While the Company's initial investing policy has focused on internet service companies, following the take over by AISoftw@re SpA in February 2002 and the acquisition of assets from Infusion SpA in October 2002, the main policy has subsequently been based on divestment of existing portfolio and focus on a geographical area, rather than specific industrial sector.

Since 2006 the main investing policy has been based on the positioning of the Company, via the wholly owned subsidiary, China IPO, in China. However an opportunistic acquisition of strategic equity positions in high growth and profitable businesses, regardless of the location, mainly by issuing Brainspark plc shares, has remained one of the Directors' main targets.

Further to the revised AIM Rules for Companies announced on 1 June 2009, the Company is currently considering its Investing Policy and expects to announce an AIM compliant policy in due course. The Company does not expect this to represent a material change of emphasis but rather envisages marginal changes bringing it in line with AIM's revised rules.

Company Background and Strategy

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

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.

During 2008 the Company continued to support the development of China IPO Group Plc and its subsidiary, IPO (Beijing) Investment Consulting Company Ltd, in Beijing. The company invests in start-ups and pre-IPO companies in China.

Brainspark's ordinary shares have been admitted to trading on PLUS Markets effective from 1st September 2008. The trading symbol on PLUS Markets will continue to be the same trading symbol as on AIM: BSP.

Brainspark's ordinary shares will continue to be quoted and traded on AIM. Trading through PLUS is intended to enhance investor choice and improve liquidity for shareholders, giving them the convenience of trading on both dealing platforms.

PLUS Markets are an independent London-based equity market, provided by PLUS Markets Group plc, which was recently approved as a Recognised Investment Exchange. PLUS Markets is based on a quote-driven trading system and currently trades all London-listed shares including the FTSE 100 and unlisted shares quoted on AIM.

New Investments and Exits

During 2008 the main investment efforts were focused on developing China IPO, the Jersey based investment company, in readiness to commence investment activities in China. A total of £245,000 has been invested as an intercompany loan which has subsequently been converted into equity shares.

On 30th June the company sold its entire 17.5% equity holding and £300,000 loan in Easyart Holdings (UK) Ltd, a company engaged in the online sale of framed posters, for a total cash consideration of £200,000. The book value of Easyart Art Holdings (UK) Ltd and the loan was £nil. As a consequence this transaction generated a profit on disposal of £200,000.The loan was only repayable in the event that Easyart had a valuation exceeding £10 million.

Chairman's statement (continued)

Brainspark will retain a carrying interest in Easyart Holdings (UK) Ltd through a tail clause triggered in the event of a sale of the company at a pro-rata profit exceeding the £200,000 valuation of the 17.5% equity position held.

On 30th September 2008, Brainspark received £50,000 from Fortune Cookie, as an advance against the sale of its remaining holding in the company. The book value of the remaining 14.52% equity stake held in Fortune Cookie was £103,000.

On disposal, Brainspark will retain a carrying interest in the company through a tail clause triggered in the event of a sale of Fortune Cookie being subsequently disposed at a valuation exceeding the £598,000 for the 29.4% equity achieved by the company.

Operational Changes

No material operational changes took place during 2008.

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, a Non-Executive Director, and an external advisor, Prof. John A. Campbell.

Portfolio Companies

An update on the Group's portfolio companies held at 31 December 2008 was 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 visualisation 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 2008 results show total losses of (Israeli New Shekel (ILS) 6,917,000 (£1,262,000) compared to 31 December 2007 loss of ILS 7,373,000 (£1,345,000). In view of the financial performance; the company has taken an impairment charge of £1.8m resulting in no carrying value being retained for GeoSim.

In December 2008 Prof. Francesco Gardin, a non executive director in GeoSim, resigned from the board of the company in order to concentrate on Brainspark's developments in Asia. His position has been taken by Mr. Anthony Campanale, an IT expert who holds a Masters Degree in E-commerce. Mr Alfredo Villa, a non executive director in GeoSim has also resigned from the board of GeoSim to pursue other business and charitable interests.

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 2008, Polarizonics has continued contacts with Chinese representatives to engage in an effort to incorporate Polarizonics technology in the next generation of Chinese disc formats.

Polarizonics has been written down to £nil in the balance sheet of the company.

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's offering, targeting new clients and proposing new off-the-shelf services, focusing on environmental risk management and environmental policy making support. ACS continues its technology transfer to the bio-medical market and is 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. ACS has been written down by a further £298,000 given the challenging economic environment to a fair value of £298,000.

Chairman's statement (continued)

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 2008 Media Momentum ranked Fortune Cookie as one of the UK's 50 fastest growing digital media companies.

During 2009 the remaining 14.7% interest was disposed.

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 their delivery software. The addition of new capital funds will help 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 its clients. An increasing proportion of ongoing revenues are guaranteed through support & maintenance or transactional payments, as opposed to one-off licence or implementation fees.

Mediapolis (0.47%) Management continue to monitor the performance of this holding. In January 2008 a 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. Development work is expected to begin before the end of 2009. The digital pictures on the cover of these accounts are a realistic example of Mediapolis future look.

China IPO (100% subsidiary of Brainspark Associates Limited) China IPO was incorporated in March 2007. This is a strategic investment which could ultimately secure Brainspark approximately a 25% long-term share in the company. The company 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 has entered into first refusal relationships with some of the most significant Chinese Science Parks and Incubators in China.

In 2007, China IPO 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.

Also in 2007, China IPO also entered into an agreement 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 signed an exclusive contract with Tianjin Technology Incubator Centre. This Incubator is part of the Tianjin Technology Entrepreneurship Services, which was founded in 1989.

In April 2008 China IPO established its first office in China in Beijing. In December 2008 a further office was opened in Xi'an.

On 18th December 2008, London Asia Capital plc, whose shares were recently delisted from AIM, agreed in principle with China IPO to use the services of three Directors of China IPO, namely the Earl of Cromer, Professor Francesco Gardin and Dennis Bailey MSI, as Directors of London Asia Capital plc. The terms of the agreement which were subject to a formal binding contract finally signed in June 2009, are described in the Post Balance Sheet Events section below.

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.

Chairman's statement (continued)

The Group's unutilised management expenses and capital losses carried forward at 31 December 2008 amount to approximately £11 million (2007: £11 million) and £4 million (2007: £4 million) respectively. 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.

Events after the Balance Sheet date

At the end of January 2009 the Board of GeoSim, in which Brainspark holds a 42.71% equity stake, accepted a $1,000,000 convertible loan, from new and existing US investors which is convertible into 50% of the enlarged issued capital of the company. In the event of such dilution, Brainspark's holding would be reduced to 13.4% of the enlarged issued capital.

On 24 February 2009 Mr Alfredo Villa, a non executive director, has resigned from that Board to pursue other business and charity interests.

On 27th March 2009 Brainspark convened a General Meeting. The company requested consent from its shareholders to eliminate the share premium account and deferred shares of 0.01p each that were issued in 2005. The company has been profitable in previous two financial years. The company has very limited resources to pay a cash dividend; it does have holdings in underlying investments that it might choose to distribute (often called a "dividend in specie"). However it is presently legally prevented from paying a dividend because of historic accumulated losses.

The company wanted to begin preparing the ground so that it may legally pay a dividend or make a dividend in specie at such time as the Board considers it prudent to do so.

In order that a dividend may be paid, the company has to go through a three-stage process. First, the permission of shareholders must be obtained formally to cancel the share premium account. Second, the High Court must be satisfied that the interests of creditors are protected before it will confirm this decision.

Third, the Board must be satisfied that it is prudent to pay a dividend and to determine its amount.

At the same time, the company requested shareholders consent for the elimination of the Deferred Shares and an amendment to the company's Articles of Association necessitated by the rules on conflicts of interest following the introduction of the Companies Act 2006. On the 22nd April 2009 all resolutions were approved by shareholders.

The Board of the Company is considering paying a dividend in specie of some of its assets to shareholders. In June 2009 the Board of the company, following the resolutions passed at the 22 April EGM and the 10 June 2009 approval by the High Court of the capital reduction request by the Company, appointed a committee to present a detailed proposal indicating the procedures for the distribution of a dividend in specie of some of the Brainspark assets.

In June 2009 China IPO entered into an agreement following the work undertaken informally at the end of 2008, to assist in returning cash to shareholders The reward for China IPO for this activity is to be success-based.

In summary, China IPO is to receive a percentage fee based on the cash returned to shareholders in the five years to June 2014. The fee payable will be on the basis shown in the table below and satisfied at the option of China IPO in London Asia Capital plc shares or cash with the exception of the first £5 million, which is only payable in shares, subject to shareholders approval, otherwise in cash.

<table>
<tr><th>Cash returned £ million</th><th>Fee Rate</th><th>PAYABLE IN</th></tr>
<tr><td>0 - 5</td><td>5%</td><td>LAC Shares (pending shareholders approval), otherwise in cash</td></tr>
<tr><td>5 - 10</td><td>10%</td><td rowspan="3">Cash</td></tr>
<tr><td>10 – 15</td><td>15%</td></tr>
<tr><td>15 and above</td><td>20%</td></tr>
</table>

Chairman's statement (continued)

As part of this arrangement shareholder approval is being sought to grant the directors of London Asia Capital plc authority to allot shares in the company (free of pre-emption rights) to China IPO should these conditions be fulfilled. Subject to the grant of allotment authority by LAC shareholders, an option agreement will be entered into whereby China IPO will be granted an option to subscribe for 10,000,000 ordinary shares in London Asia Capital plc at an exercise price of 5p per share.

Investments Review

At the end of December 2008 Brainspark had holdings in 7 companies, 2 in the UK (MetaPack 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 stakes 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 2008, Brainspark's mid-market price per share of 0.175p, valuing the Company at £578,000.

During 2008 the Company has continued with its strategy to shift focus away from the UK to China, whilst divesting some UK investments. This strategy should speed up growth and profitability for the Company.

Prof. Francesco Gardin
Chairman
30 June 2009

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 54.

Alfredo Villa (R)

Non-Executive Director

Was appointed on 22 July 2006, resigned 24 February 2009. 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 48.

David Meacher (A, I, R)

Non-Executive Director

Was appointed on 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 45.

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 plc in China. Edward is at present completing a book entitled Stealth Empire about present and future trends in China, which was published in 2008. Age 61.

Dennis Bailey (R)

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 2008.

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 19 to the financial statements.

Results for the year and dividends

The loss for the year was £2,305,000 (2007: profit of £38,000). 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 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 Mr Villa who holds shares in Mediapolis. Directors' interests in the shares of the Company are as shown overleaf.

Directors' report (continued)

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 2008 and 1 January 2008 were as follows:

	Beneficial holdings Number of shares				
	31 December 2008	**31 December 2008**	**%**	**1 January 2008**	**1 January 2008**
	(Deferred 0.01p shares)	(0.01p shares ordinary shares)		(Deferred 0.01p shares)	(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 (resigned 24/02/09)	-	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 2008 was 0.175p and the highest and lowest closing prices during the year were 0.45p and 0.175p respectively.

There have been no changes in the Directors' interests between the year end and 30 June 2009, with the exception of Mr. Villa increasing his stake to 55,668,670 shares at 30 June.

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.

Directors' report (continued)

Substantial shareholder interests

As at 31 May 2009 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 ordinary shares	%
F. Gardin	67,903,278	20.53
A. M. Villa	55,668,670	16.83
L. Fogliani	29,401,304	8.89
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 12 to 13.

Supplier payment policy and practice

The Group's policy is to settle all trade payable balances in accordance with the terms of business agreed with the supplier. The Group's average creditor payment period at 31 December 2008 was 30 days (2007: 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 (2007 - nil).

Auditor

A resolution to reappoint MacIntyre Hudson LLP as auditor 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
30 June 2009

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 (resigned 24 February 2009) 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	2008 Total £'000	2007 Total £'000
Executive Directors					
F. Gardin	-	80	-	80	75
D. B. Bailey		20		20	20
Non-executive Directors					
D. Meacher	-	-	-	-	-
E. Burman	-	5	-	5	5
A. M. Villa (resigned 24/02/2009)	-	-	-	-	-
Total	-	105	-	105	100

None of the Directors had any pension entitlement.

Remuneration Committee’s report (continued)

Directors’ interests in share options and warrants

At 31 December 2008, the following Directors had interests in share options in the Company:

On 1 March 2008 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 2008	Lapsed in the year	31 December 2008
F. Gardin	12,000,000	-	12,000,000
A. M. Villa (resigned 24/02/2009)	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. No options were exercised in either 2008 or 2007 given the prevailing share price of the company.

Prof. Francesco Gardin
Chairman
30 June 2009

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 6.

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 two of the non-executive Directors and the Chief Executive Officer.

Corporate Governance (continued)

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 (AGM) 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 applicable laws and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The Financial statements are required by law to give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent;
- state that the Company and the Group have complied with IFRS as adopted by the EU, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

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 2008 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 23. 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 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. We also report to you if in our opinion, the information given in the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions with the company and other members of the group is not disclosed.

We read the 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.

Independent auditors' report to the members of Brainspark PLC (continued)

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 2008 and of its loss 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 2008;
- 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 2009

Financial Statements

Consolidated Income Statement for the year ended 31 December 2008

	Note	31 December 2008 £'000	31 December 2007 £'000
Continuing operations			
Investment revenue	7	13	15
Gain on disposal of investment		200	299
Share of profits of associates		-	7
Finance charges	8	(15)	(15)
Exchange gain		181	-
Other operating expenses		(485)	(268)
Impairment of investments	15, 16	(2,199)	-
(Loss) / Profit before tax	9	**(2,305)**	**38**
Tax	11	-	-
(Loss) / Profit for the year from continuing operations		**(2,305)**	**38**
Attributable to:			
Equity holders of the parent		**(2,305)**	**38**
(Loss) / Earnings per share			
Basic and diluted loss per 0.01p ordinary share	12	**(0.70p)**	**0.01p**

The accounting policies and notes on pages 22 to 37 form part of these financial statements.

Balance sheets at 31 December 2008

	Notes	Group 2008 £'000	Group 2007 £'000	Company 2008 £'000	Company 2007 £'000
Non-current assets					
Property, plant and equipment	13	7	-	-	-
Investments in subsidiaries	14	-	-	1,314	1,430
Investments in associates	15	-	1,830	-	-
Available for sale investments	16	438	919	-	-
Trade and other receivables	17	691	510	-	-
Total non-current assets		1,136	3,259	1,314	1,430
Current assets					
Available for sale investments	16	103	-	-	-
Trade and other receivables	17	21	53	403	2,111
Cash and cash equivalents	19	310	499	-	-
Total current assets		434	552	403	2,111
Current liabilities					
Trade and other payables	18	(100)	(29)	-	-
Total current liabilities		(100)	(29)	-	-
Net current assets		334	523	403	2,111
Total assets less current liabilities		1,470	3,782	1,717	3,541
Non-current liabilities					
Trade and other payables	18	(226)	(211)	(226)	(211)
Net assets		1,244	3,571	1,491	3,330
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	32	32
Fair value adjustment to available for sale investments	16	-	22	-	-
Profit and loss account		(36,723)	(34,418)	(29,663)	(27,824)
Equity attributable to equity holders of the parent		1,244	3,571	1,491	3,330

The financial statements were approved by the board of directors and authorised for issue on 30 June 2009. They were signed on its behalf by:

Prof. F. Gardin
Chairman

The accounting policies and notes on pages 22 to 37 form part of these financial statements.

Statement of changes in equity
For the year ended 31 December 2008

Group	Share capital	Share Premium account	Other reserves	Equity component of convertible instrument	Fair value adjustment to available for sale investments	Profit and loss account	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2008	1,936	29,186	6,813	32	22	(34,418)	3,571
Loss for the year	-	-	-	-	-	(2,305)	(2,305)
Fair value adjustment	-	-	-	-	(22)	-	(22)
At 31 December 2008	1,936	29,186	6,813	32	-	(36,723)	1,244
Company							
At 1 January 2008	1,936	29,186	-	32	-	(27,824)	3,330
Loss for the year	-	-	-	-	-	(1,839)	(1,839)
At 31 December 2008	1,936	29,186	-	32	-	(29,663)	1,491

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

Group	Share capital	Share premium	Other reserve	Equity component of convertible instrument	Fair value adjustment to available for sale investments	Profit and loss account	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'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 2008

	Note	Group 2008 £'000	Group 2007 £'000	Company 2008 £'000	Company 2007 £'000
Net cash used in operating activities	22	**(432)**	**(225)**	**-**	**-**
Cash flows from investing activities					
Interest received		13	15	-	-
Proceeds from sale of investments in associates		250	375	-	-
Purchase of assets		(20)	(76)	-	-
Net cash generated from investing activities		**243**	**314**	**-**	**-**
Cash flows from financing activities		-	-		
Net cash generated from financing activities		**-**	**-**	**-**	**-**
Net (Decrease) / increase in net cash for the year		**(189)**	**89**	**-**	**-**
Cash and cash equivalents at beginning of year		**499**	**410**	**-**	**-**
Cash and cash equivalents at end of year		**310**	**499**	**-**	**-**

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 2008.

International Financial Reporting Standards ("IFRS")
“IFRS 8 "Operating Segments"

International Financial Reporting Interpretations Committee ("IFRIC") interpretations
“IFRIC 10 "Interim Financial Reporting and Impairment";
“IFRIC 11 "IFRS 2: Group and Treasury Share Transactions";
“IFRIC 12 "Service Concession Arrangements";
“IFRIC 13 "Customer Loyalty Programmes";
“IFRIC 14 "IAS19 - The Limit of a Defined Benefit Asset, Minimum Funding Requirements and their Interaction";
“IFRIC 17 “Distributions of Non-cash Assets to Owners”;
“IFRIC 18 “Transfers of Assets from Customers”.

Amendments to existing standards
“Amendments to IAS 1 "Presentation of Financial Statements - Capital Disclosures";
“Amendment to IAS 23 "Borrowing Costs";
“Amendment to IAS 39 “Reclassification of Financial Assets”;
“Amendments to IFRS 7 “Improving disclosures about financial statements”;
“Amendments to IAS 39 “Eligible Hedged Items”;
“Amendments to IAS 27 “Consolidated and Separate Financial Statements”;
“Revised IFRS 3 “Business Combinations”;
“Annual improvements to IFRSs, amendments to IFRAC 9 and IAS 39 “.

All the IFRSs, IFRIC interpretations and amendments to existing standards had been adopted by the EU at the date of approval of these consolidated financial statements with the following exceptions: IFRIC 13, IFRIC 14, IFRIC 15, IFRIC 16, IFRIC 17, IFRIC 18, and amendment to IFRS 7 & annual improvements to IFRSs

The directors anticipate that the future adoption of those standards, interpretations and amendments listed above will not have a material impact on 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 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 the income statement.

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 to the income statement 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.

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:

Office furniture and equipment	33%

Notes to the financial statements

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 income statement for equity investments classified as available-for-sale are not subsequently reversed through the income statement.

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. In view of current market conditions impairment charges totalling £2,199,000 (2007: £nil) have been made against investments.

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 2008, 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.

	2008 Segment assets £'000	2008 Segment liabilities £'000	2008 Net assets £'000	2007 Segment assets £'000	2007 Segment liabilities £'000	2007 Net assets £'000
United Kingdom	458	(296)	162	689	(235)	454
Continental Europe	332	-	332	626	-	626
Americas	-	-	-	58	-	58
Middle East	691	-	691	2,340	-	2,340
Asia	89	(30)	59	98	(5)	93
	1,570	(326)	1,244	3,811	(240)	3,571

There is no segment revenue for either 2008 or 2007.

5 Employee information

	2008 Number	2007 Number
The average number of employees during the period was as follows:		
Management	2	2

	2008 £'000	2007 £'000
Staff costs during the period including directors comprise:		
Wages and salaries	105	100
Social security costs	-	-
Other pension costs	-	-
	105	100

6 Directors' remuneration

	2008 £'000	2007 £'000
Aggregate emoluments	105	100
	105	100

There are no retirement benefits accruing to the Directors. Details of directors' remuneration are included in the Remuneration Committee Report.

7 Investment revenue

	2008 £'000	2007 £'000
Interest revenue from bank deposits	13	15
	13	15

8 Finance charges

	2008 £'000	2007 £'000
Interest free convertible loan (note 18)	15	15
	15	15

9 Loss / profit for the year

	2008 £'000	2007 £'000
Loss / profit before tax is stated after charging:		
Depreciation of owned property, plant and equipment	-	-
Auditors' remuneration:		
Audit of parent	1	1
Audit of subsidiaries	9	9
Non audit services:		
Other assurance services	-	-

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 £1,839,000 (2007: Profit £166,000).

11 Tax

	2008 £'000	2007 £'000
Current taxation	-	-
Deferred taxation	-	-
Tax on loss/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 2008 amount to approximately £11 million (2007: £11 million) and £4 million (2007: £4 million) respectively.

The standard rate of tax for the current year, based on the UK standard rate of corporation tax is 28% (2007 – 30%). The actual tax for the current and previous year varies from the standard rate for the reasons set out in the following reconciliation:

	2008 £'000	2007 £'000
Loss / (profit) from continuing operations	(2,305)	38
Tax on ordinary activities at standard rate	(645)	11
Effects of:		
Expenses not deductible for tax purposes	565	-
Unutilised management expenses and capital losses	80	72
Utilisation of capital losses	-	(83)
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 loss/profit and weighted average number of shares used in the calculation are set out below:

	Loss £'000	2008 Weighted average no of shares 000's	Per share Amount pence	Profit £'000	2007 Weighted average no of shares 000's	Per share Amount pence
Earnings per share						
Basic and Diluted	(2,305)	330,697	(0.70)	38	330,697	0.01

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 Property, plant and equipment

Group	Office furniture and equipment £'000	Total £'000
Cost		
At 1 January 2008	-	-
Additions	7	7
At 31 December 2008	7	7
Accumulated depreciation		
At 1 January 2008	-	-
Charge for the year	-	-
At 31 December 2008	-	-
Carrying amount		
At 31 December 2008	7	7
At 31 December 2007	-	-

14 Investments in subsidiaries

Company	Shares 2008 £'000	Shares 2007 £'000
Cost		
At 1 January	5,926	5,926
At 31 December	5,926	5,926
Impairment		
At 1 January	(4,496)	(4,496)
Provision for the year	(116)	-
At 31 December	(4,612)	(4,496)
Carrying amount		
At 31 December	1,314	1,430

The Company's subsidiary undertakings at 31 December 2008 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

15 Investments in associates

Group	Goodwill £'000	Total £'000
At 1 January 2008	1,830	1,830
Investment in the year	13	13
Impairment charge	(1,843)	(1,843)
Carrying value at 31 December 2008	-	-

Investments in associates (continued)

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

Goodwill in associates includes £Nil (2007: £1,830,000) for GeoSim.

Following a fair value exercise undertaken by the directors and the prevailing economic climate, GeoSim has been written down to £nil resulting in an impairment charge of £1,843,000.

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:

	2008 £'000	2007 £'000
Total assets	46	140
Total liabilities	(456)	(151)
Revenues	22	19
(Loss)	(527)	(412)

The Group's share of losses in associates at the balance sheet date which are unrecognized amounted to £527,000 (2007:£412,000). These losses have not been consolidated as the group has no funding obligation to its associate.

16 Available for sale investments

Group	2008	2007
	£'000	£'000
Fair value		
At 1 January	919	718
Impairment charge	(356)	-
Addition	-	76
Fair value adjustment	(22)	22
Transfer from associate	-	103
Carrying value at 31 December	541	919
Non-current assets	438	919
Current assets	103	-
	541	919

Available for sale investments comprise a 10.72% investment in the ordinary share capital of MetaPack Limited, an 8.53% investment in ACS, a 0.47% in Mediapolis, a 1.96% investment in Polarizonics, a 14.70% investment in Fortune Cookie 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 £691,000 (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.

17 Trade and other receivables

	Group 2008 £'000	Group 2007 £'000	Company 2008 £'000	Company 2007 £'000
Amounts falling due within one year				
Amounts owed by subsidiaries	-	-	403	2,111
Amounts owed by associates	-	27	-	-
Other receivables	21	26	-	-
Amounts falling due after one year				
Amounts owed by associates	691	510	-	-
	712	563	403	2,111

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 2008 £'000	Group 2007 £'000	Company 2008 £'000	Company 2007 £'000
Non-current liabilities				
Interest-free convertible loans	226	211	226	211
Current liabilities				
Trade payables	-	10	-	-
Accruals	51	19	-	-
Other payables	49	-	-	-
	100	29	-	-

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.

	2008 £'000	2007 £'000
Nominal value of interest free convertible loan notes	213	213
Equity component	(32)	(32)
	181	181
Interest expense (note 8)	45	30
Liability component	226	211

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 receivables and trade payables 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.

Financial instruments (continued)

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 which are interest receiving is set out below:

Group	2008 £'000	2007 £'000
Sterling deposits	268	472
Cash at bank and in hand	42	27
	310	499

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 2008 and 31 December 2007 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 2008; with the exception of £691,000 (US$1,000,000) (note 16) 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 2008 were denominated in sterling, with the exception of the GeoSim debt.

20 Called up share capital

Group and Company

	2008 Number	2007 Number	2008 £'000	2007 £'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

	2008 Number	2007 Number	2008 £'000	2007 £'000
Allotted, 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

Called up share capital (continued)

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 2008
F. Gardin	12,000,000	-	12,000,000
A. M. Villa (resigned 24/02/2009)	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.

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 2008 £'000	Group 2007 £'000	Company 2008 £'000	Company 2007 £'000
(Loss)/ Profit before tax	(2,305)	38	(1,839)	166
Exchange gain	(181)	-	-	-
Amounts written off investments	2,199	-	116	-
Investment revenue recognised in income statement	(13)	(15)	-	-
Share of profits of associates	-	(7)	-	-
Gain on disposal of investment	(200)	(299)	-	-
Decrease in receivables	32	83	1,708	(196)
Increase/(Decrease) in payables	36	(25)	15	30
Cash used in operations	(432)	(225)	-	-

23 Related party transactions

Transactions between the company and its subsidiaries, which are related parties have been eliminated on consolidation and are not disclosed in this note. Transactions between the group and its associate are disclosed below. Transactions between the company and its subsidiaries are disclosed in the company's separate financial statements.

Amounts outstanding in loans to associated undertakings at 31 December 2008 were £nil (2007: £28,000).

Trade and other payables also include amounts outstanding to F. Gardin of £213,000 (2007: £213,000) in respect of convertible loans.

Mr Villa has a personal interest in Mediapolis SpA, a company in which Brainspark has a minority interest.

Remuneration of key management personnel

The remuneration of the directors, who are the key personnel of the group, is included in the Remuneration Committee's Report. Under "IAS 24: Related party disclosures", all their remuneration is in relation to short-term employee benefits.

Notice of 2009 annual general meeting

Notice is hereby given that the 2009 Annual General Meeting of Brainspark PLC will be convened at 22 Great James Street, London WC1N 3ES on 30 July 2009 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 2008.

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

3 To re-elect E. Burman (who retires by rotation) as a Director.

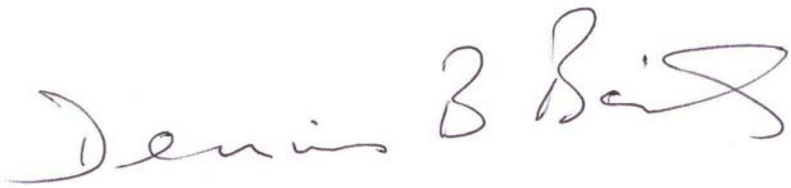
4 To re-elect D. Meacher (who retires by rotation) as a Director.

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 2010 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 2009

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
2009 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 22 Great James Street, London WC1N 3ES on 30 July 2009, 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 E Burman as a Director	FOR***/AGAINST***
4`	To re-elect D. Meacher 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 2009

*** 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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