Brainspark PLC
Annual Report 2009

Annual Report and Financial statements for the year ended 31 December 2009

Brainspark PLC

Contents

Company information

Directors	Prof. Francesco Gardin, Executive Chairman Alfredo Villa, Chief Executive Officer Edward Burman, Non-Executive Director Haresh Kanabar, Non-Executive Director Alessandro Malacart, Non-Executive Director
Company Secretary	James D. S. Gordon
Company number	3926192
Registered office	The Lightwell 12 – 16 Laystall Street Clerkenwell London EC1R 4PF
Auditors	MacIntyre Hudson LLP Chartered Accountants & Statutory Auditor Equipoise House Grove Place Bedford MK40 3LE
Solicitors	Gordons Partnership LLP 22 Great James Street London WC1N 3ES
Nominated Adviser and Broker	Allenby Capital Limited Claridge House 32 Davies Street Mayfair London W1K 4ND
Registrar	Capita Registrars Limited Northern House Woodsome Park Fenay Bridge Huddersfield HD8 0GA

Chairman's statement

The 2009 financial year was a major transformational and transitional period for Brainspark. The new Board has worked tirelessly, since September 2009, to implement the revised investing strategy, creating the conditions for the significant growth which the group has experienced in the last nine months.

In recent months we have raised over £3.5m from new investors through the issue of new ordinary shares in Brainspark, issued a convertible bond to raise a further £10m and acquired stakes in nine companies; three with stock market listings in the UK, five private Italian companies and one company listed on the Italian Stock Exchange. Our focus is broad but all of our investments provide synergies with the rest of the portfolio, be they in media, leisure, finance or entertainment.

Our focus for 2010 is to further our acquisition portfolio, increase our capitalisation to allow us to pursue larger investments, become involved in the development of a number of our assets and begin to provide returns to our shareholders. One of our key investments was in Daniel Stewart Securities plc, an AIM listed financial services company and stockbroker. This move into the financial services sector was a long-term goal for Brainspark as it increases our placing power, gives us the know-how and expertise to facilitate future investments, while also allowing us to work closely with AIM Italia for evaluating the potential listing of some of our assets in that Country.

Our endeavour is to become a leading investment company in the UK, Italy and beyond, with the next 12 months being key to achieving this position. We believe that company valuations around the world remain low and there are many unique opportunities to obtain stakes in quality, undervalued companies. This, along with the Board's expertise in identifying, assessing and then managing an investment, will help us reach this goal.

Prof. Francesco Gardin
Executive Chairman
16 June 2010

Chief Executive Officer's statement

Financial Review
The consolidated net asset value at 31 December 2009 was £1.693 million, up from £1.244 million at 31 December 2008. At 31 December 2009 Brainspark's mid-market share price of 0.635p valued the Company at £3.75 million.

The group made a loss before tax in the year of £0.128 million, a significant decrease from the loss of £2.305 million for the year ended 31 December 2008.

Operational Review
2009 was a year of two halves. The first part was dedicated to developing a new investment strategy and preparing the group for this process. It also saw a change of nominated adviser and broker, a restoration to trading on AIM following a brief suspension, and a number of new Board appointments.

On 22 April 2009 a General Meeting was held to eliminate the share premium account and the deferred shares of 0.01 penny each. Subsequent to this, on 30 September 2009, an agreement with London Asia Capital Plc was terminated and the relationship passed to China IPO Group Limited, a wholly owned subsidiary of Brainspark until its demerger.

On 10 December 2009, the group concluded its Capital Reconstruction, where the group divested its Chinese operations, through China IPO (2009) Limited and some of its European holdings, through Infusion (2009) Limited. A dividend in kind of £1.327 million was declared whereby the shareholders of Brainspark received *pro rata* shares in each of these two companies while their allocation in Brainspark remained unaffected. Following the reconstruction, the group retained its holdings in Geosim, Polarizonics and Mediapolis. The reason for this action was to allow the group to focus on its new investing strategy.

The first of the new investments, on 19 November 2009, was to acquire a 10.87% stake (£425,987) in Mediapolis Investments SA, the controlling company of Mediapolis SpA, a proposed theme park development project in Northern Italy. Prior to this investment the group owned a small stake (0.47%) in Mediapolis SpA. On 31 March 2010, the group increased its holding in Mediapolis SpA to 1.79% and in Mediapolis Investments SA to 14.13%. The Company has also entered into an agreement, as announced on 31 March 2010, to acquire a further 7.42% equity interest in Mediapolis Investments SA to be settled through a cash payment of £875,000 by 1 July 2010 and acquired Mr Gianascio's rights to subscribe 4410 new shares (or 1.01%) of the November 2010 capital increase.

On 15 December 2009 the group entered into an option agreement with Filmmaster Television SRL, a Milan based TV studio and production company, to acquire 10% of the issued share capital for a cost of £1 (one pound) from Mr Giuliano Borsari, an investor in the company. The option was exercised on 23 December 2009, when Mr Borsari received £136,763 in cash, reinvested in Filmmaster and 104,000,000 new ordinary shares in Brainspark for a total consideration of £503,000.

On 18 December 2009 the Company completed a placing of 110,000,000 new ordinary shares of 0.01 pence each at a price of 0.5 pence per share, representing approximately 22.6 per cent. of the enlarged issue share capital of the Company at the time and raising, before expenses, £550,000, which was used primarily to invest in Mediapolis Investments SA. On the same day, Professor Gardin agreed to convert a £213,250 convertible loan previously made by him to the Company into 46,358,695 new ordinary shares in Brainspark at the conversion price of 0.46 pence per share.

Post Year End Trading
Since 1 January 2010 the Company has announced seven further investments, including three AIM listed companies, completed two further equity raises and issued a bond to raise up to a further £10 million. As at the date of this announcement, the Company has placed £4.06 million of the bond with investors.

On 3 March 2010 the group subscribed for 25,000,000 new ordinary shares in Daniel Stewart Securities plc, an AIM listed financial services company and stockbroker, for a consideration of £500,000, giving Brainspark a holding of 6.66 per cent. The group also acquired an option for £1 to purchase a further 75,000,000 shares, to be exercised at a price of 2 pence per share before 29 June 2010. The group's decision to enter into the financial services sector was a long-term goal to broaden their investments into the financial services industry and the Board believes it will provide Brainspark with the professional capabilities, expertise and placing power to facilitate its future investments.

The Company entered into an agreement on 18 March 2010 with Investor Unlimited SrL to acquire 36.6 per cent. of the Serie B football club, AC Ancona. The consideration paid by Brainspark was £1.48 million satisfied through the issue of 211,000,000 new ordinary shares in Brainspark, payable in two tranches; the first tranche of 100,000,000 shares was issued on 18 March 2010 and the second tranche of 111,000,000 shares was issued on 20 May 2010. In May 2010 the Company invested a further €850,000 in AC Ancona as part of a capital raising exercise being undertaken by AC Ancona. Brainspark currently owns 44.8% of the issued share capital of AC Ancona.

Part of the group's investment strategy is to consolidate its holdings in its chosen sectors and therefore it acquired, on 24 March, a 20% stake in TLT Tempo Libero e Turismo SpA (trading as Ondaland), Italy's largest water theme park for a consideration of £5.17 million. This investment was structured through a cash payment of £2.16 million and the issue of 400,000,000 new ordinary shares in Brainspark. Ondaland became the second investment for the group in the theme park sector.

On 26 March 2010 the group entered into an agreement with Digital Magics SpA to acquire a 50.2 per cent. holding in Bibop SpA, a leading Italian digital technology company which owns a revolutionary video community platform called MyCast. The total consideration was £2.385 million, satisfied through a cash payment of £135,000 and the issue of 198,000,000 new ordinary shares in Brainspark. In addition, Brainspark has invested an additional £135,000 and committed to invest a further £600,000 in Bibop to help it acquire certain assets from its parent, Digital Magics and also to develop its video community platform on an international level.

On 23 April 2010, the Company subscribed for 5,578,994 (29.9 per cent.) shares in the Indian Restaurant Group plc (IRG), an AIM listed chain of Indian themed restaurants. Brainspark paid £139,474.85 in cash for full settlement. IRG currently owns three restaurants in and around London, with the plan to open more in 2010.

On 14 May 2010, Brainspark announced it had entered into an investment agreement to acquire an 11.56 per cent interest in Vyke Communications plc for a consideration of £748,750. The investment was made as part of a placing by Vyke which was announced by Vyke on 22 April 2010 and approved by shareholders of Vyke at a general meeting held on 10 May 2010. Vyke is an AIM quoted, leading mobile voice over internet protocol (VoIP) provider.

As mentioned above, Brainspark raised, via a placing, £2.45 million on 26 January 2010 and then a further £504,000 on 5 March 2010. On 4 May it launched an issue of up to £10 million, 7% convertible bonds which are due in 2014, through the Company's placing agent Twice SIM SpA. The nominal value of each bond is £1,000. To date the Company has placed £4.06 million with investors. The proceeds of the bond will be used to satisfy certain previously announced investments, as well as new investments in line with the group's investment strategy.

On 18 May 2010 Brainspark announced that it had invested £2.10 million in Cogeme SET S.p.A ("Cogeme") acquiring 6.12% of the total issued share capital of Cogeme. The consideration payable was satisfied from the Company's existing cash resources. The investment is a short term position taken by Brainspark to optimise its cash resources and to use the asset as leverage for other strategic investments. Cogeme is a leading Italian Tier 2 manufacturer of high precision components for the automotive sector. The company mainly produces turbochargers and fuel injection systems and focuses its activities on clear niches with high value added, strong barriers to entry and long lasting growth potential. Cogeme has established relationships with main Tier 1 suppliers in the automotive industry including Bosch, Honeywell, Delphi, Siemens and Magneti Marelli.

On 21 May 2010 the Company announced that they had convened a general meeting of the Company for 14 June 2010 at which, *inter alia*, the Company proposes to undertake a 1:250 share consolidation of its existing share capital and make certain amendments to the Company's investing strategy to include investments in the renewable energy sector as a whole and investments in theme parks to be made on a worldwide basis. All resolutions were passed at the general meeting held on 14 June 2010.

Chief Executive Officer's statement (continued)

Board and Nomad Changes
On 27 August 2009 the Company announced that Dennis Bailey and David Meacher had resigned from the Board of Brainspark and that Alfredo Villa and Alessandro Malacart were proposed to join the Board as Non-Executive Directors. On 18 September 2009 the Company announced their appointments as Non-Executive Directors of the Company.

On 30 September 2009 Haresh Kanabar was appointed as a Non-Executive Director of the Company.

On 22 January 2010, Alfredo Villa was appointed Chief Executive Officer.

On 27 August 2009 Beaumont Cornish resigned as nominated adviser and broker. On 18 September 2009, Allenby Capital Limited was appointed as the Company's nominated adviser and broker.

Current Investments Portfolio

Name	Stake	Division
Mediapolis	22.09%	Leisure
Ondaland	20.0%	Leisure
Indian Restaurant Group plc	29.9%	Leisure
Bibop	50.5%	New Media
Filmmaster TV	10.0%	New Media
Geosim	13.0%	New Media
Vyke Communications plc	11.56%	New Media
Ancona	44.8%	Entertainment
Daniel Stewart & Co plc	5.7% *	Finance
Cogeme SET SpA	6.12%	Finance

* Option to increase the holding to 19.6% of the enlarged share capital to be exercised by 29th June 2010.

Outlook
While the Company will continue its aggressive investment strategy taking advantage of the lower market valuations created by the global recession, the main focus will be in the appreciation of its existing assets. Ultimately, it is the Board's desire that a number of its private assets will be considered for a stock market listing on the UK or Italian exchanges or, where the situation arises, will look to consolidate these assets with its portfolio companies which already have a stock market listing.

The Board remains confident of its continuing growth in line with its investing strategy.

Alfredo Villa
Chief Executive
16 June 2010

Directors

Prof. Francesco Gardin
Executive Chairman
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 was Chairman of Exprivia S.p.A. (formerly AISoftw@re S.p.A.) which was listed on the Milan Stock Exchange in 2000, until March 2008.

Alfredo Villa
Chief Executive Officer
Was appointed on 1 October 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.

Edward Burman
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 completed a book entitled Stealth Empire about present and future trends in China, which was published in 2008.

Haresh Kanabar
Non-Executive Director
Was appointed on 1 October 2009. Has over 20 years of experience in senior management for various companies and in various industries including many AIM listed companies. Haresh qualified as a certified accountant in 1986. Following a number of different positions in finance with Fisons plc, Reed International plc and Texas Homecare Limited, he became Finance Director of F E Barber Limited, a subsidiary of Hillsdown Holdings Limited, in 1994. In 1997, he was appointed Group Finance Director of the Whitchurch Group plc which he left in May 1998 to become the finance director of TMV Finance Limited. In 1999 he joined Corvus Capital Inc. where he was the CEO until November 2002 before becoming the Finance Director of Gaming Insight plc. He is currently the director of a number of companies including Aurum Mining plc, Indian Restaurants Group plc, Gasol plc and India Star Energy plc.

Alessandro Malacart
Non-Executive Director
Was appointed on 1 October 2009. Was Co-founder and COO of AISoft@re S.p.A. (now Exprivia S.p.A., listed on Milan stock exchange), an Italian IT leader in decision support systems for banking and for the medical sector. Following the first IPO of the company on NASDAQ Europe (1999), he joined Inferentia DNM S.p.A. (now Fullsix S.p.A.) as a COO contributing to the successful listing of the company on the Milan Stock Exchange (2000). During the following two years, he was part of the team that managed Inferentia's fast growth, becoming the first new media agency in Europe through over twenty acquisitions and the consequent integration of mid-size companies in the sector. Back to AISoftw@re in 2003 as a CEO and CFO, he prepared the company for a merger to double its size. Since 2005, he is a Managing Partner in FOR Advisory S.r.l., a financial services boutique, aimed at helping Italian entrepreneurial families to manage their assets. He was recently appointed CEO and CFO of an industrial group with plants in Italy, France, Poland and China, managing the complete restructuring of business and the production. He is experienced in corporate finance practices as well as business development and fast growing of start-ups.

Directors' report

The Directors present their report together with the audited financial statements for the year ended 31 December 2009.

Principal Activity

The principal activity of the Group is that of an investment company pursuing a dynamic strategy to create a portfolio of companies within the leisure, entertainment, interactive media and financial services sectors.

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 as at 31 December 2009 were in unlisted investments which in turn results in no readily available market for sale in order to arrive at a fair value. 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 usage 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 the investments.

Financial risk management

Details of the Group's financial instruments and its policies with regard to financial risk management are contained in note 20 to the financial statements.

Results for the year and dividends

The loss for the year was £128,000 (2008: loss of £2,305,000). A dividend in kind of £1.327 million was declared during the year.

Directors

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

No Director had a material interest in any contract of significance to the Company or any of its subsidiaries during the period other than F. Gardin's interest in the convertible loan notes. Full details of this transaction are provided in note 24 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 Investments SA. 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 2009 and 1 January 2009 were as follows:

Beneficial holdings
Number of shares

	31 December 2009 (0.01p shares ordinary shares)	%	1 January 2009 (Deferred 0.01p shares)	1 January 2009 (0.01p shares ordinary shares)
Executive Directors				
Prof. Francesco Gardin	68,261,973	11.55	3,158,424,522	67,903,278
Dennis Bailey (resigned 27 August 2009)	10,869,565	1.84	-	10,869,565
Alfredo Villa (appointed 1 October 2009)	82,668,670	13.99	-	51,389,130
Non-Executive Directors				
David Meacher (resigned 27 August 2009)	-	-	-	-
Edward Burman	681,818	0.11	67,499,982	681,818
Haresh Kanabar (appointed 1 October 2009)	-	-	-	-
Alessandro Malacart (appointed 1 October 2009)	-	-	-	-

The Deferred shares carried no effective rights. The deferred shares were cancelled on 10 June 2009.

The closing market price of the ordinary shares at 31 December 2009 was 0.63p and the highest and lowest closing prices during the year were 0.65p and 0.05p respectively.

There have been no changes in the Directors' interests between the year end and 31 May 2010, with the exception of Mr. Villa increasing his stake to 534,342,239 shares at 30 April.

Remuneration

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

	Board fees £'000	Salary £'000	Other payments £'000	2009 Total £'000	2008 Total £'000
Executive Directors					
Prof. Francesco Gardin	-	80	123	203	80
Dennis Bailey (resigned 27 August 2009)	-	10	-	10	20
Alfredo Villa (appointed 1 October 2009)	-	19	-	19	-
Non-executive Directors					
David Meacher (resigned 27 August 2009)	-	-	-	-	-
Edward Burman	22	-	-	22	5
Haresh Kanabar (appointed 1 October 2009)	3	-	-	3	-
Alessandro Malacart (appointed 1 October 2009)	3	-	-	3	-
Total	28	109	123	260	105

None of the Directors had any pension entitlement.

Prof. Francesco Gardin received other payments, also via his service Company, totalling £123,000. £50,000 was a success fee for reaching a settlement with London Asia Capital Plc; £5,000 as China IPO Board Member and the remaining £68,000 was paid by China IPO Group Limited to Prof. Francesco Gardin's personal service company in settlement of a cancelled contract between the two companies, which arose from the overall termination of the London Asia Capital Plc contract.

Directors' interests in share options and warrants

At 31 December 2009, 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 remained exercisable at various time intervals but before 31 March 2010, as follows:

	Granted On 1 March 2007	Lapsed in the year	Outstanding at 31 December 2008 and 2009	Exercisable 31 December 2009	Exercisable 31 December 2008
Prof Francesco Gardin	12,000,000	-	12,000,000	8,000,000	4,000,000
Alfredo Villa (appointed 1 October 2009)	5,000,000	-	5,000,000	3,333,333	1,666,666
Dennis Bailey (resigned 27 August 2009)	5,000,000	-	5,000,000	3,333,333	1,666,666
David Meacher (resigned 27 August 2009)	5,000,000	-	5,000,000	3,333,333	1,666,666
Edward Burman	5,000,000	-	5,000,000	3,333,333	1,666,666

The 32,000,000 options granted represent 5.41% 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 2009 or 2008 given the prevailing share price of the company.

Significant shareholders

As at 30 April 2010 so far as the directors are aware, the parties who are directly or interested in 3 per cent or more of the nominal value of the Company's share capital are as follows:

	Number of ordinary shares	%
A. Villa – Chief Executive Officer *	534,342,239	23.54
Bank Degroof	350,000,000	15.42
Sipiem	340,000,000	14.98
Digital Magics	198,000,000	8.72
RCF SA **	158,150,000	6.97
G. Borsari	104,000,000	4.58
Investor Unlimited	100,000,000	4.41
Homes for Hope	81,943,000	3.61
F. Bernini	80,000,000	3.52
F. Gardin – Chairman	68,261,973	3.01

***** A. Villa is also deemed to have a non-beneficial interest in the 158,150,000 ordinary shares held by RCF SA and clients of RCF SA.

****** RCF SA is a portfolio management company for which A. Villa is Managing Director and Discretionary Fund Manager; 86,150,000 ordinary shares are held by clients of RCF SA and 72,000,000 ordinary shares are held by RCF SA.

Corporate Governance
As an AIM-listed Company, Brainspark is not required to follow the provisions of the Combined Code, as set out in the Financial Services Authority’s Listing Rules. However, the Directors recognise the importance and support the principles of good governance as contained within Section 1 of the Combined Code (the “Code”).

Going concern
After making reasonable enquiries and events after the balance sheet date, the Board consider that the group has adequate resources and facilities to continue in operational existence for the forseeable future and therefore the financial statements are prepared on a going concern basis.

Furthermore, in view of the funds raised by the company post year end, as referred to in note 25. The directors are satisfied that the group has sufficient resources in order to meet its ongoing operating costs and investment funding obligations. As a consequence, these financial statements are prepared on a going concern basis and assume funds will be raised to satisfy contractual obligations entered into.

Supplier payment policy
The Group has no formal code or standard, which deals specifically with the payment of suppliers. However, the Group’s policy on the payment of all creditors is to ensure that the terms of payment, as specified and agreed with the supplier, are not exceeded. The Group’s average creditor payment period at 31 December 2009 was 30 days (2008: 30 days).

Directors' liability insurance and indemnity
The Company has arranged insurance cover in respect of legal action against its Directors. To the extent permitted by UK law, the Company also indemnifies the Directors.

Charitable and political contributions
During the period, the Company made no charitable or political contributions.

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. Under company law the Directors must not approve the financial statements unless they are satisfied that they 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. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these 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 adequate accounting records that are sufficient to show and explain the company’s transactions and 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 requirements of the Companies Act 2006. 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.

In so far as each of the directors is aware:

- there is no relevant audit information of which the company’s auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Directors' report (continued)

The Directors are responsible for ensuring the annual report and financial statements are made available on a website. Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Auditors

A resolution to re-appoint MacIntyre Hudson LLP as auditors will be put to the members at the Annual General Meeting.

By order of the Board.

James Gordon

James D. S. Gordon
Company Secretary
16 June 2010

Independent auditor's 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 2009 which comprise the Consolidated Statement of Comprehensive Income, the Group and Parent Company Statement of Financial Position, the Group and Parent Company Statements of Cash Flows, the Group and Parent Company Statements of Changes in Shareholders' Equity and related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by directors; and the overall presentation of the financial statements

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent company's affairs as at 31 December 2009 and of the group's loss for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Atul Kariya FCCA
Senior Statutory Auditor
For and on behalf of MacIntyre Hudson LLP
Statutory Auditor, Chartered Accountants
Equipoise House
Grove Place
Bedford
MK40 3LE 16 June 2010

Consolidated Statement of Comprehensive Income for the year ended 31 December 2009

	Note	2009	2008
Continuing operations		**£'000**	**£'000**
Investment revenue	7	6	13
Gain on disposal of investments		196	200
Finance charges	8	-	(15)
Other operating expenses		(404)	(299)
Impairment of investments	16, 17	-	(2,199)
Loss before tax	9	**(202)**	**(2,300)**
Tax	11	**-**	-
Loss for the year from continuing operations		**(202)**	**(2,300)**
Discontinued operations			
Profit/(loss) for the year from discontinued operations	12	74	(5)
Loss for the year		**(128)**	**(2,305)**
Other comprehensive income			
Net value gain on available for sale investments	17	851	-
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**723**	**(2,305)**
Loss attributable to:			
Owners of the company		**(128)**	**(2,305)**
Total Comprehensive Income Attributable to:			
Owners of the company		**723**	**(2,305)**
(Loss)/profit per share:	13		
From continuing operations		(0.06p)	(0.70p)
From discontinued operations		0.02p	-
Basic and diluted loss per 0.01p ordinary share from continuing and discontinued operations		**(0.04p)**	**(0.70p)**

The accounting policies and notes on pages 16 to 32 form part of these financial statements.

Statement of Financial Position at 31 December 2009

	Notes	Group 2009 £'000	Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
Non-current assets					
Property, plant and equipment	14	-	7	-	-
Investments in subsidiaries	15	-	-	-	1,314
Investments in associates	16	-	-	-	-
Available for sale investments	17	1,814	438	-	-
Trade and other receivables	18	-	691	904	-
Total non-current assets		1,814	1,136	904	1,314
Current assets					
Available for sale investments	17	-	103	-	-
Trade and other receivables	18	8	21	-	403
Cash and cash equivalents	20	11	310	-	-
Total current assets		19	434	-	403
Current liabilities					
Trade and other payables	19	(140)	(100)	(63)	-
Total current liabilities		(140)	(100)	(63)	-
Net current (liabilities) / assets		(121)	334	(63)	403
Total assets less current liabilities		1,693	1,470	841	1,717
Non-current liabilities					
Trade and other payables	19	-	(226)	-	(226)
Net assets		1,693	1,244	841	1,491
Equity					
Share capital	21	59	1,936	59	1,936
Share premium account		1,059	29,186	1,059	29,186
Other reserves	22	6,813	6,813	-	-
Equity component of convertible instrument	19	-	32	-	32
Fair value adjustment to available for sale investments	22	851	-	-	-
Retained losses		(7,089)	(36,723)	(277)	(29,663)
Equity attributable to owners of the company		1,693	1,244	841	1,491

The financial statements were approved by the board of directors and authorised for issue on 16 June 2010. They were signed on its behalf by:

Prof. F. Gardin
Chairman

The accounting policies and notes on pages 16 to 32 form part of these financial statements.

Company Number 3926192

Statement of Changes in Equity
For the year ended 31 December 2009

Group	Share capital £'000	Share Premium account £'000	Other reserves £'000	Equity component of convertible instrument £'000	Fair value adjustment to available for sale investments £'000	Retained losses £'000	Total £'000
At 1 January 2009	1,936	29,186	6,813	32	-	(36,723)	1,244
Loss for the year	-	-	-	-	-	(128)	(128)
Capital reorganisation	(1,903)	(29,186)	-	-	-	31,089	-
Issue and conversion of shares in the year	26	1,102	-	-	-	-	1,128
Cost of share issue	-	(43)	-	-	-	-	(43)
Dividend in kind	-	-	-	-	-	(1,327)	(1,327)
Conversion of loan note	-	-	-	(32)	-	-	(32)
Fair value adjustment	-	-	-	-	851	-	851
At 31 December 2009	59	1,059	6,813	-	851	(7,089)	1,693
Company							
At 1 January 2009	1,936	29,186	-	32	-	(29,663)	1,491
Loss for the year	-	-	-	-	-	(138)	(138)
Capital reorganisation	(1,903)	(29,186)	-	-	-	31,089	-
Issue and conversion of shares in the year	26	1,102	-	-	-	-	1,128
Cost of share issue	-	(43)	-	-	-	-	(43)
Dividend in kind	-	-	-	-	-	(1,565)	(1,565)
Conversion of loan note	-	-	-	(32)	-	-	(32)
At 31 December 2009	59	1,059	-	-	-	(277)	841

Statement of Changes in Equity
For the year ended 31 December 2008

Group	Share capital £'000	Share premium account £'000	Other reserves £'000	Equity component of convertible instrument £'000	Fair value adjustment to available for sale investments £'000	Retained losses £'000	Total £'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

The accounting policies and notes on pages 16 to 32 form part of these financial statements.

Statement of Cash Flows
For the year ended 31 December 2009

	Note	Group 2009 £'000	Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
Net cash used in operating activities	23	**(547)**	**(432)**	**(507)**	**-**
Cash flows from investing activities					
Interest received		6	13	-	-
Proceeds from sale of investments		300	250	-	-
Purchase of investments		(565)	(20)	-	-
Net cash (expended)/generated from investing activities		**(259)**	**243**	**-**	**-**
Cash flows from financing activities					
Proceeds from issue of new ordinary shares (net of expenses)		507	-	507	-
Net cash generated from financing activities		**507**	**-**	**507**	**-**
Net Decrease in net cash for the year		**(299)**	**(189)**	**-**	**-**
Cash and cash equivalents at beginning of year		**310**	**499**	**-**	**-**
Cash and cash equivalents at end of year	20	**11**	**310**	**-**	**-**

The accounting policies and notes on pages 16 to 32 form part of these financial statements.

Notes to the financial statements

1 General Information

Brainspark PLC is a company incorporated and domiciled in England and Wales. The Company's ordinary shares are traded on AIM of the London Stock Exchange. 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 and Chief Executive Officer's statement on pages 1 to 4.

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.

Standards and amendments which became effective during the year have not had a material impact on the financial statements other than the implementation of IFRS 8 – which is shown in note 4 to these financial statements.

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 2009.

IFRS 1 – First time adoption of IFRS – amendments relating to oil and gas assets and determining whether an arrangement contains a lease; amendment in relation to the cost of an investment in a subsidiary, jointly controlled entity or associate

IFRS 2 – Share based payments – amendments relating to group cash-settled share-based payment transaction

IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations –amendment

IFRS 8 – Operating Segments – amendments resulting from April 2009 Annual Improvements to IFRSs

IFRS 9 – Financial Instruments – amendments relating to classification and measurement

IAS 1 – Presentation of financial statements - amendments resulting from April 2009 Annual Improvements to IFRSs

IAS 7 – Statement of Cash Flows - amendments resulting from April 2009 Annual Improvements to IFRSs

IAS 17 – Leases - amendments resulting from April 2009 Annual Improvements to IFRSs

IAS 24 – Related Party Disclosures – revision definition of related parties

IAS 31 – Investment in joint ventures – consequential amendments arising from amendments to IFRS 3

IAS 32 – Financial instruments presentation – amendments relating to classification of rights issues

IAS 36 – Impairment of Assets - amendments resulting from April 2009 Annual Improvements to IFRSs

IAS 38 – Intangible Assets - amendments resulting from April 2009 Annual Improvements to IFRSs

IAS 39 – Financial instruments – amendments for eligible hedged items

IFRIC 2 – Members' shares co-operative entities and similar instruments – consequential amendments arising from amendment to IAS 32

IFRIC 12 – Service concession arrangements

IFRC 13 – Customer loyalty programs (endorsed)

IFRIC 14 – IAS 19 – the limit on a defined benefit asset, minimum funding requirements and their interaction (endorsed)

IFRIC 16 – Hedges of a net investment in a foreign operation

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 2006.

The financial statements have been prepared under the historical cost convention except for certain financial instruments that are stated at their fair values.

In view of the funds raised by the company post year end, as referred to in note 25. The directors are satisfied that the group has sufficient resources in order to meet its ongoing operating costs and investment funding obligations. As a consequence, these financial statements are prepared on a going concern basis and assume funds will be raised to satisfy contractual obligations entered into.

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.

2 Accounting policies (Continued)

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.

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%

2 Accounting policies (Continued)

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.

Revenue
Revenue, which excludes Value Added Tax, represents the value of services rendered. Consultancy fees are recognised as earned on unconditional supply of services.

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. Fair value is defined as the price at which an orderly transaction would take place between market participants at the reporting date and is therefore an estimate and as such requires the use of judgement. Where possible fair value is based upon observable market prices, such as listed equity markets or reported merger and acquisition transactions. Alternative bases of valuation may include contracted proceeds or best estimate thereof, implied valuation from further investment and long-term cash flows discounted at a rate which is tested against market data. Gains and losses arising from changes in fair value are recognised directly in other comprehensive income, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in other comprehensive income 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.

2 Accounting policies (Continued)

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 as detailed in the investments accounting policy. Where 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 £Nil (2008: £2,199,000) have been made against investments. The carrying value of investments at 31 December 2009 is £1,814,000 (2008: £541,000).

4 Segment information

IFRS 8 requires reporting segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker.

Information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance is specifically focused on the geographical segments within the Group. The principal categories of these segments are the UK, Italy and Israel.

Information regarding the Group's reportable segments is presented below:

	2009			2008				
	UK £'000	**Israel £'000**	**Total £'000**	**UK £'000**	**Italy £'000**	**Israel £'000**	**Other £'000**	**Total £'000**
Investment revenue	6	-	**6**	13	-	-	-	**13**
Consultancy and contract termination	301	-	**301**	-	-	-	-	**-**
Gain on disposal of investment	196	-	**196**	200	-	-	-	**200**
Release of provision	221	-	**221**	-	-	-	-	**-**
Finance charges	-	-	**-**	(15)	-	-	-	**(15)**
Exchange gain	-	-	**-**	-	-	181	-	**181**
Other operating expenses	(852)	-	**(852)**	(485)	-	-	-	**(485)**
Impairment of investments	-	-	**-**	-	(298)	(1,843)	(58)	**(2,199)**
Loss for the financial year	(128)	**-**	**(128)**	(287)	(298)	(1,662)	(58)	**(2,305)**

Italy had no income or expenditure during 2009.

	2009			2008			
	Segment assets £'000	**Segment liabilities £'000**	**Net assets £'000**	**Segment assets £'000**	**Segment liabilities £'000**	**Additions to non-current assets £'000**	**Net assets £'000**
UK	19	(140)	(121)	458	(296)	-	162
Italy	1,814	-	1,814	332	-	-	332
Israel	-	-	-	691	-	-	691
Other	-	-	-	82	(30)	7	59
	1,833	**(140)**	**1,693**	**1,563**	**(326)**	**7**	**1,244**

5 Employee information

	2009 Number	2008 Number
The average number of employees during the period was as follows:		
Management	2	2

	2009 £'000	2008 £'000
Staff costs during the period including directors comprise:		
Wages and salaries	260	105
Social security costs	-	-
Other pension costs	-	-
	260	105

6 Directors' remuneration

	2009 £'000	2008 £'000
Aggregate emoluments	260	105
	260	105

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

7 Investment revenue

	2009 £'000	2008 £'000
Interest revenue from bank deposits	6	13
	6	13

8 Finance charges

	2009 £'000	2008 £'000
Interest free convertible loan	-	15
	-	15

9 Loss for the year

	2009 £'000	2008 £'000
Loss before tax is stated after charging:		
Depreciation of owned property, plant and equipment	-	-
Auditors' remuneration:		
Audit of parent	6	5
Audit of subsidiaries	5	5
Non audit services:		
Tax services	16	-

10 Company income statement

An income statement for Brainspark PLC is not presented in accordance with the exemption allowed by the Section 408 of the Companies Act 2006. The parent company's loss for the financial year amounted to £138,000 (2008: Loss £1,839,000).

11 Tax

	2009 £'000	2008 £'000
Current taxation	-	-
Deferred taxation	-	-
Tax on loss on continuing operations	-	-

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

The Group's unutilised management expenses and capital losses carried forward at 31 December 2009 amount to approximately £11 million (2008: £11 million) and £4 million (2008: £4 million) respectively.
The standard rate of tax for the current year, based on the UK standard rate of corporation tax is 28% (2008 – 30%). The actual tax for the current and previous year varies from the standard rate for the reasons set out in the following reconciliation:

	2009 £'000	2008 £'000
Loss from continuing operations	(128)	(2,305)
Tax on ordinary activities at standard rate	(36)	(645)
Effects of:		
Expenses not deductible for tax purposes	-	565
Unutilised management expenses and capital losses	-	80
Tax losses available for carry forward against future profits	36	-
Total tax	-	-

12 Analysis of profit/(loss) for the year from discontinued operations

On 10 December, the group concluded its Capital Reconstruction, where the group divested its Chinese operations, through China IPO (2009) Limited and some of its European holdings, through Infusion (2009) Limited.

The combined results of the discontinued operations, Infusion 2002 Limited and China IPO Group Limited, included in the income statement are set out below. The comparative profit/ (loss) are set out below. The comparative profit/ (loss) from discontinued operations have been re-presented to include those operations classified as discontinued in the current period.

Profit/(loss) from discontinued operations	**2009**	**2008**
	£'000	**£'000**
Contract termination and consultancy income	301	-
Release of provision against investment	221	-
Exchange gain	-	181
Other operating expenses	(448)	(186)
Profit/(Loss) before tax	74	(5)
Tax	-	-
Profit/(loss) for the year from discontinued operation	74	(5)

13 Loss 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 and weighted average number of shares used in the calculation are set out below:

	Loss £'000	**2009 Weighted average no of shares 000's**	**Per share Amount pence**	**Loss £'000**	**2008 Weighted average no of shares 000's**	**Per share Amount pence**
Earnings per share						
Basic and Diluted	(128)	337,752	(0.04)	(2,305)	330,697	(0.70)

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.

14 Property, plant and equipment

Group	Office furniture and equipment £'000	Total £'000
Cost		
At 1 January 2009	7	7
Demerged from Group	(7)	(7)
At 31 December 2009	-	-
Accumulated depreciation		
At 1 January 2009	-	-
Charge for the year	-	-
At 31 December 2009	-	-
Carrying amount		
At 31 December 2009	-	-
At 31 December 2008	7	7

The carrying amount of £7,000 at 1 January 2009 was a result of additions in the year ended 31 December 2008. No depreciation was applied during 2008.

15 Investments in subsidiaries

Company	Shares 2009 £'000	Shares 2008 £'000
Cost		
At 1 January	5,926	5,926
Demerger	(5,926)	-
At 31 December	-	5,926
Impairment		
At 1 January	(4,612)	(4,496)
Demerger	4,612	-
Provision for the year	-	(116)
At 31 December	-	(4,612)
Carrying amount		
At 31 December	-	1,314

15 investments in subsidiaries (continued)

Following the demerger of Infusion 2002 Limited and China IPO Group Limited, on 10 December 2009, the Company's subsidiary undertakings at 31 December 2009 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
Gordons 153 Limited	England	100	Special Purpose Vehicle (Filmmaster acquisition)

16 Investments in associates

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

Details of the Group's associate are as follows at 31 December 2008:

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, for the prior year, is set out below:

	2008 £'000
Total assets	46
Total liabilities	(456)
Revenues	22
(Loss)	(527)

The Group's share of losses for the year ended 31 December 2008 in associates which were unrecognized amounted to £527,000. These losses were not consolidated as the group had no funding obligation to its associate. During 2009 there was a dilution in the group's stake as a result of a further round of funding which resulted in the holding being reduced to 13.4%.The investment is consequently included within Available for sale investments at a fair value of £Nil (see note 17).

17 Available for sale investments

Group	2009 £'000	2008 £'000
Fair value		
At 1 January	541	919
Demerged from group	(404)	-
Impairment charge	-	(356)
Additions	929	-
Fair value adjustment	851	(22)
Disposal	(103)	-
Carrying value at 31 December	1,814	541
Non-current assets	1,814	438
Current assets	-	103
	1,814	541

Available for sale investments are valued in accordance with IFRS 7 and level 3 of the fair value hierarchy. These comprise an aggregate 11.34% investment in the Mediapolis project via Mediapolis SpA and Mediapolis Investments SA which has been recorded at fair value resulting in an uplift of £851,000; a 1.96% investment in Polarizonics, a 10.0% investment in Filmmaster Television S.R.L and a 13.4% investment in GeoSim. The further investment in Mediapolis was satisfied by cash whereas the Filmmaster consideration was satisfied by the part payment of cash and issuance of shares in the company.

Metapack Limited, Advanced Computer Systems SpA and E.T. –China.com International Holdings Limited were demerged from the Group following the completion of the group reorganization.

The remaining 14.70% holding in Fortune Cookie Limited was disposed of at the beginning of the year resulting in a profit on disposal of £196,000.

18 Trade and other receivables

	Group 2009 £'000	Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
Amounts owed by subsidiaries	-	-	-	403
Other receivables	8	21	-	-
Amounts falling due after one year				
Amounts owed by associates and subsidiaries	-	691	904	-
	8	712	904	403

The directors consider that the carrying value of trade and other receivables approximates to their fair value. Amounts falling due after more than one year from associates represented the amount due from GeoSim under the ACS share sale agreement. This was part of Infusion 2002 Limited which was demerged during the year.

19 Trade and other payables

	Group 2009 £'000	Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
Non-current liabilities				
Interest-free convertible loans	-	226	-	226
Current liabilities				
Accruals	140	51	63	-
Other payables	-	49	-	-
	140	100	63	-

The directors consider that the carrying value of trade and other payables approximates to their fair value.

Interest-free convertible loans

On 18 December 2009 the interest-free convertible loans were converted into 46,358,695 new ordinary shares in the company by Prof. Francesco Gardin.

The interest-free convertible loans were separated into their debt and equity components in accordance with IAS 32.

	2009 £'000	2008 £'000
Nominal value of interest free convertible loan notes	-	213
Equity component	-	(32)
	-	181
Interest expense (note 8)	-	45
Liability component	-	226

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.

20 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.

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.

20 Financial instruments (continued)

Interest rate risk of financial assets

The composition of the Group's financial assets which are interest receiving is set out below:

Group	2009 £'000	2008 £'000
Sterling deposits	-	268
Cash at bank and in hand	11	42
	11	310

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 2009 and 31 December 2008 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 2009. The group's functional currency is sterling. The group's monetary assets and liabilities at 31 December 2009 were denominated in sterling.

21 Called up share capital

Group and Company

	2009 Number	2008 Number	2009 £'000	2008 £'000
Authorised				
Ordinary shares of 0.01p each	-	500,000,000	-	50
Deferred shares of 0.01p each	-	49,500,000,000	-	4,950
	-	50,000,000,000	-	5,000

	2009 Number	2008 Number	2009 £'000	2008 £'000
Allotted, called up and fully paid				
Ordinary shares of 0.01p each	591,055,698	330,697,003	59	33
Deferred shares of 0.01p each	-	19,035,036,009	-	1,903
	591,055,698	19,365,733,012	59	1,936

21 Called up share capital (continued)

Changes made by the Companies Act 2006 mean that, from 1 October 2009, there is no longer a need for a Company to have an authorised share capital.

Pursuant to an order of the Companies Court dated 10 June 2009, the Company has eliminated its Share Premium account and cancelled its Deferred Shares.

On 18 December 2009, Prof. Francesco Gardin converted his convertible loans to the Company into 46,358,695 ordinary shares.

On 23 December 2009, the Company issued 110,000,000 ordinary shares of 0.01p each at 0.05p by way of a placing.

Also on 23 December 2009, the Company issued 104,000,000 ordinary shares of 0.01p each at 0.035p in order to satisfy part of consideration payment for Filmmaster S.R.L.

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 2009**	**Exercisable 31 December 2009**	**Exercisable 31 December 2008**
F. Gardin	12,000,000	-	12,000,000	8,000,000	4,000,000
A. M. Villa	5,000,000	-	5,000,000	3,333,333	1,666,666
D. B. Bailey	5,000,000	-	5,000,000	3,333,333	1,666,666
D. Meacher	5,000,000	-	5,000,000	3,333,333	1,666,666
E. Burman	5,000,000	-	5,000,000	3,333,333	1,666,666

The 32,000,000 options granted represent 5.41% 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.

22 Reserves

The Group considers its capital to comprise ordinary share capital, share premium and retained losses. In managing its capital, the Group's primary objective is to maintain a sufficient funding base to enable the Group to meet its working capital and strategic investment needs. In making decisions to adjust its capital structure to achieve these aims, through new share issues, the Group considers not only their short-term position but also their long-term operational and strategic objectives.

	Group 2009 £'000	**Group 2008 £'000**
Share capital	59	1,936
Share premium account	1,059	29,186
Other reserves	6,813	6,813
Equity component of convertible instrument	-	32
Fair value adjustment to available for sale investments	851	-
Retained losses	(7,089)	(36,723)
Total equity	1,693	1,244

During the year the company declared a dividend in kind of £1.327 million as part of the group capital reconstruction.

22 Reserves (continued)

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

The fair value adjustment of £851,000 to available for sale investments represents the increase in Mediapolis Investments SA from its acquisition cost of £426,000.

23 Cash used in operations

	Group 2009 £'000	Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
Loss before tax	(128)	(2,305)	(138)	(1,839)
Exchange gain	-	(181)	-	-
Amounts written off investments	-	2,199	1,314	116
Investment revenue recognised in income statement	(6)	(13)	-	-
Gain on disposal of investment	(196)	(200)	-	-
Decrease in receivables	704	32	(501)	1,708
Increase/(Decrease) in payables	(186)	36	(163)	15
Other non-cash movements (Net of Dividend in kind and issue of shares for purchase of investment)	(735)	-	(1,019)	-
Cash used in operations	(547)	(432)	(507)	-

24 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 company and its subsidiaries are disclosed in the company's separate financial statements.

Trade and other payables also included amounts outstanding to Prof. Francesco Gardin of £Nil (2008: £213,000) in respect of convertible loans which were converted into equity shares at 0.46p per share on 18 December 2009.

Prof. Francesco Gardin received reimbursable travel, accommodation and ancillary support costs of £124,925 in addition to his remuneration as director.

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

RCF SA invoiced £42,500 (2008 £Nil) in respect of the successful placing of shares; Mr Alfredo Villa is Managing Director of RCF SA.

As part of the Capital reconstruction during the year, certain assets of the group were distributed in specie to China IPO (2009) Limited and Infusion (2009) Limited. Shareholders of Brainspark received pro-rata shares in each of these two companies

24 Related party transactions (continued)

Remuneration of key management personnel

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

25 Post balance sheet events

On 26 January Brainspark raised, via a placing, £2.45 million and then a further £504,000 on 5 March 2010.

On 3 March the group subscribed for 25,000,000 new ordinary shares in Daniel Stewart Securities plc, an AIM listed financial services company and stockbroker, for a consideration of £500,000, giving Brainspark a holding of 6.66 per cent at that date. The group also acquired an option for £1 to purchase a further 75,000,000 shares, to be exercised at a price of 2 pence per share before 29 June 2010.

On 18 March the group completed the investment with Investor Unlimited SrL to acquire 36.6 per cent. of the Serie B football club, AC Ancona. The consideration was £1.48 million satisfied through the issue of 211,000,000 new ordinary shares in Brainspark, payable in two tranches; the first of 100,000,000 was issued on 18 March and the second of 111,000,000 was settled on 20 May 2010. In May 2010 the Company invested a further €850,000 in AC Ancona as part of a capital raising exercise being undertaken by AC Ancona

On 24 March Brainspark purchased a 20% stake in TLT Tempo Libero e Turismo SpA (trading as Ondaland), Italy's largest water theme park for a consideration of £5.17 million. This was satisfied through a cash payment of £2.16 million and the issue of 400,000,000 new ordinary shares in Brainspark. The cash element was originally payable by 15 April. At today's date payments totaling £1,650,000 have been made and a further £750,000 is due to be paid.

On 26 March the group entered into an agreement with Digital Magics SpA to acquire a 50.2 per cent. holding in Bibop SpA, a leading Italian digital technology company; which owns a revolutionary video community platform called MyCast. The total consideration was £2.385 million, satisfied through a cash payment of £135,000 and the issue of 198,000,000 new ordinary Brainspark shares. In addition, Brainspark has invested an additional £135,000 and committed to invest a further £600,000 in Bibop to help it acquire certain assets from its parent, Digital Magics.

On 31 March 2010, the group increased its holding in Mediapolis SpA to 1.79% and in Mediapolis Investments SA to 14.13%, with a further proposed investment in Mediapolis Investments SA of 7.42% by 1 July 2010 at a cost of £875,000.

On 23 April, the group subscribed for 5,578,994 (29.9 per cent.) shares in the Indian Restaurant Group plc (IRG), an AIM listed chain of Indian themed restaurants. Brainspark paid £139,474.85 in cash for full settlement.

On 4 May it launched an issue of up to £10 million, 7% convertible bonds, which are due in 2014, through the placing agent, Twice SIM SpA. The nominal value of each bond is £1,000. To date the Company has placed £4.06 million with investors.

On 14 May, Brainspark entered into an investment agreement to acquire an 11.56 per cent interest in Vyke Communications plc for a consideration of £748,750. The Investment is being made as part of a placing by Vyke which was announced by Vyke on 22 April 2010.

On 18 May Brainspark announced that it had invested £2.10 million in Cogeme SET S.p.A ("Cogeme") acquiring 6.12% of the total issued share capital of Cogeme. The consideration payable was satisfied from the Company's existing cash resources.

On 21 May 2010 the Company announced that they had convened a general meeting of the Company for 14 June 2010 at which, *inter alia*, the Company proposes to undertake a 1:250 share consolidation of its existing share capital and make certain amendments to the Company's investing strategy to include investments in the renewable energy sector as a whole and investments in theme parks to be made on a worldwide basis. All resolutions were passed at the general meeting held on 14 June 2010.

Notice of 2010 annual general meeting

Notice is hereby given that the 2010 Annual General Meeting of Brainspark PLC will be convened at 22 Great James Street, London WC1N 3ES on Friday 9 July 2010 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 to 4 will be considered as ordinary business. The remaining resolutions will be considered as special business of which resolution 5 is an ordinary resolution and resolution 6 is a special resolution.

Ordinary resolutions

1 To receive the report and accounts of the Company for the year ended 31 December 2009.

2 To reappoint Messrs. MacIntyre Hudson LLP as auditor 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 E. Burman (who retires by rotation) as a Director.

5 To authorise the Directors generally and unconditionally and in accordance with section 551 of the Companies Act 2006 (the "Act"), to exercise all the powers of the Company to allot ordinary shares of 0.01 pence each and to grant rights to subscribe for or convert any security into Ordinary Shares 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 2011 provided that the Company may make offers or agreements before such expiry and allot or grant rights in pursuance of such offers or agreements as if such authority had not expired.

Special resolutions

6 To authorise the Directors pursuant Sections 570 to 573 of the Act of the Act to allot equity securities of the Company (within the meaning of section 560 of the Act) for cash pursuant to the authority conferred under Resolution 5 above as if section 561 of the Act did not apply to any such allotment.

By order of the Board

James Gordon
Company secretary

The Lightwell, 12 - 16 Laystall Street, London EC1R 4PF
Company Secretary 16 June 2010

Notes

1 Proxies

Any member of the Company entitled to attend and vote at the above meeting may appoint one or more proxies to exercise all or any of his rights to attend and speak and to vote at a meeting of the company. 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
2010 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 Friday 9 July 2010, 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/ WITHELD***
2	To reappoint the auditors	FOR***/AGAINST/ WITHELD***
3	To re-elect F. Gardin as a Director	FOR***/AGAINST/ WITHELD***
4	To re-elect E. Burman as a Director	FOR***/AGAINST/ WITHELD***
5	To give Directors authority to allot shares	FOR***/AGAINST/ WITHELD***
6	To give authority to allot on non-rights issue basis	FOR***/AGAINST/ WITHELD***

Duly executed by me/us*** the day of 2010

*** 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 The Lightwell, 12-16 Laystall Street, Clerkenwell, London, EC1R 4PF, not less than 48 hours before the time fixed for the meeting.

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

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

4 A member may appoint more than one proxy provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder.

5 The “Vote Withheld” option is to enable you to abstain on any particular resolution. Such a vote is not a vote in law and will not be counted in the votes “For” and “Against” a resolution.

The Lightwell, 12/16 Laystall Street
Clerkenwell, London EC1R 4PF

T +44(0)20 7843 6600
F +44(0)20 7843 6851

email@brainspark.com
www.brainspark.com