Brainspark PLC

Annual Report and Financial statements

for the year ended 31 December 2010

Annual Report and Financial statements for the year ended 31 December 2010

Brainspark PLC

Contents

Company information

Directors	Alfredo Villa, Chief Executive Officer and Chairman Gabriele Gresta, Non-Executive Director Edward Burman, Non-Executive Director Haresh Kanabar, Non-Executive Director Alessandro Malacart, Non-Executive Director
Company Secretary	Haresh Kanabar
Company number	3926192
Registered office	The Lightwell 12 – 16 Laystall Street Clerkenwell London EC1R 4PF
Auditor	MHA MacIntyre Hudson Chartered Accountants & Statutory Auditor Equipoise House Grove Place Bedford MK40 3LE
Solicitors	CFMP Studio Legale Associato Via Fatebebefratell, 22 20121 Milan Italy
Nominated Adviser and Broker	Arbuthnot Securities Limited Arbuthnot House 20 Ropemaker Street London EC2Y 9AR
Registrar	Capita Registrars Limited Northern House Woodsome Park Fenay Bridge Huddersfield HD8 0GA

Chief Executive Officer and Chairman's statement

Overview of the Year
2010 was a transformative year for the Group, with six new companies being added to the portfolio. We have increased our presence in the leisure and interactive media sectors, as well as acquiring assets in the financial services sector. Since the year end we have invested in a further five companies and increased our holding in four existing investments, giving us a majority share holding in three companies.

Our strategy is to become a leading investor in our chosen sectors; namely, leisure, interactive media and financial services, and we believe we have now gained a relevant foothold. The board took the decision early in 2010 to try gain a majority shareholding in our investments where possible, to allow us to better influence the strategy and decision making processes of these companies; helping us to align, where necessary, certain aspects of these businesses thereby creating workable synergies within the portfolio which would ultimately bring in greater rewards for shareholders.

As with any investment company, a small minority of investments do not bring the return expected within an appropriate time frame and Brainspark is no exception. Although we have yet to make a loss on the disposal of an asset, two of our current investments have not performed well and the board will make a decision regarding our position in due course.

Financial Review

The consolidated net asset value at 31 December 2010 was £13.95 million, up from £1.69 million at 31 December 2009. At 31 December 2010, Brainspark's mid-market share price of £0.75p valued the Company at approximately £10.3 million.

The Group made a loss before tax in the period of £8.29 million, compared to the loss as at 31 December 2009 of £128,000. The increase is partly due to taking impairment charges of £6.19 million which are primarily in respect of AC Ancona of £3.63 million and Cogeme SET SpA of £1.61million.

Operational Review

A number of significant investments were made during the year. In summary, these were:

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. On 29 June 2010, the Company exercised an option to purchase a further 75,000,000 new ordinary shares in Daniel Stewart at a price of 2 pence per share. On 9 February 2011, the entire holding was placed by Daniel Stewart with its staff and existing shareholders for a price of 2 pence per share.

On 24 March 2010 the Group acquired 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 (before share consolidation). Ondaland became the second investment for the Group in the theme park sector after Mediapolis.

On 26 March 2010 the Group entered into an agreement with Digital Magics SpA to acquire a 50.2% holding in Bibop SpA, a leading Italian digital technology company which owns a revolutionary video community platform called MyCast. The total consideration payable by Brainspark was £2,385,000 through a cash payment of £870,000 and the issue of 792,000 new ordinary shares of 1 pence in Brainspark.

Bibop is currently in discussions with a number of major UK and US television broadcasters to integrate MyCast within their TV programming.

On 14 May 2010, Brainspark announced it had entered into an agreement to acquire an 11.56% 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 on 22 April 2010 and approved by Vyke shareholders on 10 May 2010. Vyke is an AIM quoted, mobile voice over internet protocol (VoIP) provider. On 8 September, Brainspark received a further 2,139,286 shares in Vyke at 3.5p per share in lieu of £74,875 of commission due to Brainspark

From Allenby Capital Limited, the Company’s Nomad at that time. Brainspark remains the owner of 23,522,145 shares in Vyke, equivalent to a 12.71% interest in the company, although Vyke was delisted from AIM on 19 April 2011.

On 18 May 2010 Brainspark announced that it had invested £2.1m in Cogeme, a leading Italian Tier 2 manufacturer of high precision components for the automotive sector, to acquire a 6.12% stake in the issued share capital of Cogeme. During 2010, Brainspark acquired a further 10.08% stake in Cogeme for c.EUR3.29 million. Subsequently Brainspark sold an 8.47% in Cogeme for c.EUR2.77 million (c.£2.36 million), leaving the current holding at 4,492,857 shares in Cogeme equivalent to 7.27% of Cogeme’s issued share capital.

On 6 August 2010, the Company increased its equity stake in its core investment, B’Parks & Leisure (formerly Mediapolis Investments SA) to 55.35%. B’Parks & Leisure has a 69.94% equity interest in Mediapolis S.p.A., which is the owner of a site in northern Italy with plans for the development of a theme park. The transaction comprised Brainspark acquiring 145,400 ordinary shares in B’Parks & Leisure from certain vendors for a total consideration of 3,600,000 new ordinary shares of 2.5 pence in Brainspark and EUR1.2 million in cash.

On 25 November 2010, the Group entered into agreements to invest in Gruppo Bancario del Mediterraneo Holding SpA ("GBM") and its 52.5% subsidiary Banca Federiciana SpA ("Banca Federiciana"). Brainspark purchased from GBM 2,500 options to subscribe for the same amount of ordinary shares in Banca Federiciana representing approximately 4.67% of Banca Federiciana share capital as enlarged by the exercise of all the options outstanding on the share capital of Banca Federiciana. The total consideration for the purchase of the Options is EUR500, 000 and they are exercisable until the end of 2011.

Banca Federiciana is an Italian bank based in the Puglia region focused on the SME sector. At 31 December 2009, Banca Federiciana had net assets of approximately EUR16.14 million (£13.68 million).

On 31 December 2010, a binding agreement was signed with GEI Company Group S.p.A. ("GEI"), under which GEI will be the General Contractor Company for the Mediapolis project.GEI is a Milan-based General Contractor with strong expertise in delivering complex projects in diverse areas, in particular, its core business lies within the tourism and hospitality sectors. It is expected that GEI will introduce external investors to fully finance and start the construction of the Mediapolis project. GEI is also in charge of providing all the technical and managerial staff, of implementing the project and managing the theme park, the commercial centre, the hotels and the co-generating power station part of the Mediapolis project. In exchange for these services GEI will have a 15% economic interest in the net profit deriving from the Mediapolis project.

Post Balance Sheet Events
The following events have taken place:

On 9 February 2011 75,000,000 ordinary shares of 0.25p each in Daniel Stewart Securities plc were placed at 2p each. As a result of this transaction the Group had no interest in the share capital of Daniel Stewart Securities plc.

Brainspark has invested a further EUR180,000 in T.L.T. Tempo Libero e Turismo S.p.A (trading as "Ondaland"), Italy's largest water theme park, representing the Company's 20% participation to a EUR 900,000 capital raise by Ondaland. This new funding was to be used by the owners of Ondaland to install a new ride in the park in time for the 2011 summer season.

On 24 February 2011 Brainspark increased its stake in Bibop S.p.A. ("Bibop"), the multi-platform digital content management company, by 1.56% taking its holding to 51.76% of Bibop's share capital. The shares were bought from Mr Giuliano Borsari.

In addition, on 28 February 2011, Brainspark signed a Letter of Intent with Digital Magics S.p.A., the Milan based technology incubator investment company, to acquire its entire 42.03% holding in Bibop, which would give Brainspark a total shareholding in Bibop of 93.79%. It was intended that the contract, which would be entered into by no later than 30 June 2011, would be funded through a cash payment of EUR 1,034,935 and EUR 1 million in Brainspark ordinary shares, to be calculated by using the mid-price of Brainspark shares over a 30 day period prior to completion of the acquisition. The contract was conditional, among other things, on Brainspark shareholders approving at a General Meeting the requisite authorities to allot new shares and to Brainspark raising the necessary funds needed to satisfy the cash element of the consideration.

Chief Executive Officer and Chairman's statement (Continued…)

Post Balance Sheet Events

On 3 March 2011 Brainspark announced that it has completed a contract to invest in ORH S.r.l. ("Ora"), a successful hotel and travel business, which owns the Ora Hotel Group, managing nearly 40 hotels across Italy and around the world, and a medium sized Italian travel operator, called Staff & Co Ltd. Brainspark has paid EUR 1 million in cash for a 20% stake in Ora.

On 7 March 2011 Brainspark announced that it had entered into a contract to acquire 30% of the issued share capital of Mobnotes S.r.l. ("Mobnotes"), an Italian mobile location based application company. Under the terms of the agreement Brainspark agreed to pay a total consideration of EUR 600,000, of which EUR 300,000 would be payable in cash over a 12 month period. The first instalment of EUR 50,000 had already been paid. The remaining EUR 300,000 consideration would be paid in Brainspark ordinary shares, calculated at the average share price over the 30 day period to the end of March 2011**.**

On 11 March 2011 Brainspark announced that it had entered into an agreement with Gruppo Bancario Mediterraneo Holding SpA ("GBM Holding"), a Rome head-quartered bank, focused on the advisory arena. Under the provision of this agreement GBM Holding would coordinate a fund raising programme in Italy on behalf of Brainspark of up to EUR 10 million. The proceeds would in part facilitate Brainspark exercising its existing options to underwrite 9.9% of the issued share capital of Banca Federiciana S.p.A., a banking entity controlled by GBM Holding, as announced by Brainspark on 25 November 2010. The cost of exercising the options would be approximately EUR 3 million.

On 17 March 2011 Brainspark announced that it had invested in two companies which will provide financial control and management services for certain assets of the Company. The first acquisition was a EUR 200,000 investment in Class Finance S.r.l., a consulting business, run by seasoned professionals Cesare Suglia and Lorenzo Cocco, which would become responsible for the financial control of the Mediapolis project and Ora Hotel Group, as well as acting as financial consultant for Bibop S.p.A.. Brainspark received a 20% stake in Class Finance in exchange for Brainspark ordinary shares. The second investment of EUR 65,000 cash was for a 20% stake in Sforza S.r.l. a recently established, specialist real-estate management company. Sforza would provide management services for Brainspark's rapidly growing property portfolio, including its theme parks, Mediapolis and Ondaland, its hotel group, Ora Hotels, and the Company's new corporate office in Milan, the purchase agreement for which was expected to be signed within the next 30 days.

On 31 March 2011 Brainspark announced that it had agreed a contract with Gabbrielli & Associati of Milan to acquire 71,580 shares in B'Parks & Leisure S.A. (formerly Mediapolis Investments SA Luxembourg), equivalent to 16.37% of B'Parks & Leisure, taking Brainspark's holding in the company to 71.72%. Consideration for the acquisition would be satisfied by the issue of 2,015,000 Brainspark new ordinary shares, at a price of 50 pence per share. In addition the Company signed a formal agreement with the first nine partners of a consortium, which is being created to provide all the necessary services pertinent to the development, build and fit out of the Mediapolis theme park in Italy.

Also, with the agreement of the majority of investors in the Company's £10 million convertible bond, payment of interest due on 31 March 2011 and totalling £700,000 was postponed until 30 June, in order to allow the Company to continue to pursue its acquisition strategy.
Also on 31 March 2011, Mr Alfredo Villa, CEO, had acquired a further 31,000 Brainspark ordinary shares of 2.5p each ("Ordinary Shares"), for an average cash consideration of 34.5p per share. Mr Alfredo Villa also agreed to convert his entitlement under his salary and expenses of approximately £112,500 into new Ordinary Shares at a conversion rate of 50p per Ordinary Share, a premium of 45% to the previous days closing mid market price. As a result, Mr Alfredo Villa agreed to subscribe for 225,000 new Ordinary Shares.

On 8 April 2011 Brainspark announced that it had entered into an agreement with UK based Firkon Ltd to acquire 20% of the issued share capital of Wall s.r.l., an Italian property company, which owns significant interests in two construction companies. Wall owns 80 per cent. of CO.GE.VI s.r.l., a specialist commercial construction company, and 100% of Cullati Impresa Costruzioni, a well regarded general building contractor. Both companies are based in Torino, Italy. Brainspark would acquire the shares in Wall s.r.l. for the consideration of EUR 175,000, to be paid in Brainspark ordinary shares at a price of 50 pence per share. The Company was in the process of creating a wholly owned subsidiary, Brainspark Consulting Ltd, which would own the assets of the recently acquired Sforza s.r.l., Class Finance as well as Wall s.r.l. and would be responsible for the Mediapolis project and other aspects of the Brainspark group of companies.

Post Balance Sheet Events

On 26 May 2011 Brainspark announced that it had completed the additional investment announced on 1 March 2011, in Bibop S.p.A. ("Bibop"), a leading digital media company, taking its holding to 93.78%. Brainspark purchased the additional 42.03% interest in Bibop from Digital Magics S.p.A., an Italian technology incubator investor. Following this transaction Digital Magics no longer had an investment in Bibop; the remaining 6.22% is held by management of Bibop.

On 27 May 2011 Brainspark announced it had subscribed to an increase in capital of EUR 2.5 million in Mediapolis SpA ("Mediapolis"), bringing the Company's direct and indirect holding (including Mediapolis Investment SA) in Mediapolis to just over 75% of the issued share capital. Brainspark intended to satisfy its participation in the share capital increase in Mediapolis by contributing to Mediapolis its 20% interest in ORH s.r.l. (the holding company of the Ora Hotel Group) at an implied valuation, confirmed by a third party expert, of EUR 2 million and its holding of 1,400,000 shares in Moggle, Inc. The EUR 2 million valuation for the 20% stake in ORH s.r.l. represents a 100% premium on the acquisition cost of that stake announced in March this year. Concurrently, Mediapolis had also received a non-binding indicative offer for the land near Albiano (Ivrea) and the Company's interest in the Mediapolis theme park (the "Mediapolis Interests") at a multiple of the book value of these assets. The indicative offer envisaged that the consideration payable to Brainspark would be satisfied via the issue of shares in an Italian real estate fund, authorised by the Bank of Italy (the "Real Estate Fund").

On 13 June 2011 Brainspark announced that in order to partly satisfy previously announced investment commitments application been made for admission to trading on AIM of 5,185,000 new ordinary shares of 2.5p each.

On 27 June 2011 Brainspark announced an agreement with Cambria Ltd. A well regarded manager of UK Private Equity Funds, whereby Cambria will invest EUR 1.9 million cash in Bibop S.p.A. for a 27.54% holding. Following this transaction, Brainspark will hold 66.12% of Bibop S.p.A.

On 28 June 2011 Brainspark announced it had entered into an agreement to increase its holding in ORH S.p.A to 51% from the 20% it acquired in March 2011. To acquire this additional interest in ORH, Brainspark would pay to Avusy Commercio Servicios de Consulttoria e Investimentos LDA a consideration of EUR 1.6 million in cash, before 20 December 2011, and 9,750,000 Brainspark ordinary shares.

On 29 June 2011 Brainsparks shares were temporarily suspended from AIM pending publication of the company's annual report and accounts.

On 19 October 2011 Brainspark announced that it had acquired a 20% stake and an option to acquire a further 31% stake in You Can Group srl, the holding company for Italy's largest Japanese restaurant chain, Sosushi, for a consideration of 1,750,000 Brainspark new ordinary shares. The stake and the option have been transferred to Mediapolis SpA, the Company's subsidiary active in the development of a theme park near Turin, as consideration in exchange for the Company's participation to Mediapolis' increase in capital. Mediapolis had an option to buy an additional 31% of You Can for EUR 1.2 million to be exercised on or before 15 November 2011. If exercised, Mediapolis would control 51% of You Can Group srl.

On 8 November 2011 Brainspark announced that it had signed the final agreement for the sale of the Company's interests in the land near Albiano (the proposed Mediapolis theme park) for a consideration of EUR 28 million, a multiple of three times its initial investment. The interests have been sold to the Michelangelo 2 Real Estate Fund ("Michelangelo 2") and the consideration will be satisfied on or before 31 December 2011 through the issue to Mediapolis SpA ("Mediapolis"), which is a 69.12% owned subsidiary of the Company, of shares in Michelangelo 2. The fund currently had more than EUR 170 million of assets under management and is managed by Sorgente SGR (www.sorgentesgr.it) a leading real estate management company with over EUR 2 billion of assets under management, including some of the world's most iconic buildings, such as the Chrysler Building (recently sold) and the Flatiron in New York and Galleria Colonna in Rome. In addition, Mediapolis would remain entitled to develop, build and manage the future theme park and the hotel, where it would be expected to face certain professional costs which would however be tempered by compensation in the form of success fees. Mediapolis has agreed to pay a penalty up to a maximum of EUR 3 million to Sorgente SGR in case of non-performance of some of the tasks included in the development, building and management contracts related to the new theme park. The penalty, should it be required to be paid, can be paid partially at the end of the first year with the balance to be paid at the end of the third year, or in total at the end of the third year. Mediapolis would indemnify Sorgente on the fiscal aspect of the sale of the land to the Fund, but this transaction was expected by the Mediapolis board to be neutral for the parties involved based on the current Italian tax legislation.

Chief Executive Officer and Chairman's statement (Continued…)

Post Balance Sheet Events

Brainspark considers the Michelangelo 2 shares, which are unquoted, as a liquid asset for Brainspark and will be utilised by Mediapolis to facilitate the funding of its acquisition strategy in the leisure sector.

Also on 8 November 2011, Brainspark announced it had acquired from Regilco srl, 10 villas on the Liscia di Vacca bay in Sardinia, one of the most prestigious resort towns in Italy. The consideration for the acquisition was EUR 4.15 million which would be satisfied through the issue of 7,150,000 Brainspark new ordinary shares at a price of 50 pence per share, a 67% premium to the closing price before suspension. The issuing of Brainspark new ordinary shares, used as a payment by Mediapolis, has created a credit for Brainspark in Mediapolis of EUR 4.11 million that could be converted in Mediapolis equity capital should the Company wish to do so. The real estate would be managed and rented by the Company's 20% owned property management subsidiary, Sforza srl.

In addition, through Mediapolis, the Company has acquired a 3,000 sq m office building in via Astesani, Milan, from Argentaria srl for EUR 2.5 million. The property is to become the head office for the Brainspark group and will house the operations and staff of Bibop, the Company's majority owned digital media subsidiary. The consideration for the acquisition will be satisfied through the issue of 5,000,000 Brainspark new ordinary shares at a price of 50 pence per share, a 67% premium to the closing price before suspension. The issuing of Brainspark new ordinary shares, used as a payment by Mediapolis, has created a credit for Brainspark in Mediapolis of EUR 2.5 million that can be converted in Mediapolis equity capital should the Company wish to do so. The property is to be managed by Sforza srl.

As a result of the above transactions, should Brainspark choose to convert the credits thus created towards Mediapolis it would increase its holding in Mediapolis beyond the 69.12% which it currently owns.

On 18 November 2011 Brainspark announced that, through its majority owned subsidiary, Mediapolis spa, it has agreed to swap its 20% holding in Ondaland (the largest waterpark in Italy), in addition to shares in Michelangelo 2 Real Estate Fund ("Michelangelo 2 Shares") for a 40% stake in Sipiem spa ("Sipiem"), a construction and leisure company based in Biella, Italy, which currently owns an additional 70% of Ondaland. Following this transaction Brainspark, through its subsidiary Mediapolis, will own 40% of Sipiem which, in turn, will own 90% of Ondaland, including additional real estate assets and a medium size construction company. At the end of 2010, Sipiem had net assets of EUR 18 million and generated a net profit of EUR 1.9 million in 2010. The transaction was carried out through an increase in the share capital of Sipiem. Brainspark would subscribe to the Sipiem's capital increase via Mediapolis, through its 20% holding in Ondaland and a further EUR 1.9 million to be satisfied in Michelangelo 2 Shares at their current Net Asset Value. Following this transaction, Brainspark, which owns 69.12% of Mediapolis, will also increase its credit towards Mediapolis which, if converted in Mediapolis shares, would result in Brainspark increasing its holding in Mediapolis to a percentage to be determined on the basis of the participation of other Mediapolis minority shareholders to such a capital increase.

Brainspark has concluded the sale of its stake in Cogeme as it no longer considers this investment to be aligned with its strategy to operate within the Leisure and Real Estate sectors. This sale was carried out at the closing price for the Cogeme shares at 31 December 2010, of EUR 0.37 per share representing a 81% premium to their current market price.

Brainspark has settled with Investors Unlimited Srl ("Investors Unlimited"), for its 36.6% investment in Italian football club, AC Ancona, following legal action by the Company. Investors Unlimited would pay a minimum of EUR 100,000 to Brainspark and would cover all the associated costs from the legal suit against the Federazione Italiana Gioco Calcio and the various banks involved in Ancona's withdrawal from the Italian 2010-2011 Serie B football league. The eventual cash positive result of this legal action will be shared equally between Brainspark and Investors Unlimited. In case of a readmission of Ancona to Serie B league, Brainspark will receive an additional EUR 800,000 from Investors Unlimited, or a 30% rights in the football club.

Chief Executive Officer and Chairman's statement (Continued…)

Current Investment Portfolio – at 12 December 2011

Name	Stake	Division
B'Parks & Leisure S.A.	75.0%	Leisure
Mediapolis S.p.A.	1.79%	Leisure
Ondaland	20.0%	Leisure
Ora Hotel Group	51.0%	Leisure
Indian Restaurant Group plc	29.9%	Leisure
Ancona	44.8%	Leisure
Bibop	68.12%*	Interactive Media
Filmmaster TV	10%	Interactive Media
Geosim	13%	Interactive Media
Vyke Communications plc	12.71%	Interactive Media
Moggle	2.5%	Finance
Cogeme SET SpA	7.27%	Finance
Sforza S.r.l.	20.0%	Finance
Class Finance S.r.l.	20.0%	Finance
Wall s.r.l.	20.0%	Finance

*Following sale of shares to Cambrian Ltd on 20 June 2011

Board Appointments

On 22 February 2011 Francesco Gardin resigned as Chairman and was replaced by Alfredo Villa, who took up the joint role of Chairman and CEO. At the same time Gabriele Gresta, an Italian business man and leading figure in the world of digital media joined the Board as a Non-Executive Officer.

Other relevant appointments in line with the Group's strategy of asserting greater influence on its investment companies are as follows: Alfredo Villa is Chairman of B'Parks & Leisure, Haresh Kanabar, a Non-Executive Officer of Brainspark, is Chairman of Indian Restaurant Group plc, while Alfredo Villa has been appointed as CEO of this company on 14 April 2011.

Outlook

Should the sale of the Mediapolis theme park development site be successful, the Group will have access to new funding which it will use to increase its holdings in certain vehicles to become the majority shareholder; allowing it to direct the strategy of these companies in order to deliver value to shareholders.

Brainspark continues to look for new investment opportunities in sectors within or closely relating to leisure, interactive media or finance. Its strategy remains the same; to become a leading UK investment company within these sectors.

Alfredo Villa
Chief Executive Officer and Chairman
22 December 2011

Directors

Alfredo Villa
Chief Executive Officer and Chairman
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.

Gabriele Gresta
Non-Executive Director
Was appointed 22 February 2011. An Italian entrepreneur and worldwide expert in the technology and digital media sectors. He is currently President of Bibop S.p.A. and a Venture Partner in Digital Magics Spa. Bibop, a leading digital media company which Brainspark has an interest in. Digital Magics is a technology incubator company with 25 investments in its portfolio. The company has invested over EUR15 million of its own money or in conjunction with third-party equity capital partners, including, major industrial groups and financial companies, such as Brainspark, Innogest Venture Capital, TICOM, Telecom Italia, as well as many angel investors.

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

Haresh Kanabar
Non-Executive Director and Company Secretary
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 2010.

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

The vast majority of the Group's investments as at 31 December 2010 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 notes to the financial statements.

Results for the year and dividends

The loss for the year was £8.29 million (2009: loss of £128,000). Since the Company does not have any distributable reserves, the Directors are unable to recommend the payment of a dividend. (2009: A dividend in kind of £1.327 (0.22p per share) million was declared).

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. 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 and Mr Gresta's interest in Digital Magics and Bibop. 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 2010 and 1 January 2010 were as follows:

Beneficial holdings
Number of shares

	31 December 2010 (2.5p shares ordinary shares)	%	1 January 2010 (0.01p shares ordinary shares)
Executive Directors			
Prof. Francesco Gardin (resigned 22/02/2011)	273,048	1.98	68,261,973
Alfredo Villa	5,108,039	37.14	82,668,670
Non-Executive Directors			
Gabriele Gresta (Appointed 22/2/2011)	18	-	-
Edward Burman	2,727	-	681,818
Haresh Kanabar	-	-	-
Alessandro Malacart	-	-	-

The closing market price of the ordinary shares at 31 December 2010 was £0.75p and the highest and lowest closing prices during the year were £1.55p and £0.67p respectively.

There have been no changes in the Directors' interests between the year end and 30 November 2011.

Remuneration

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

	Board fees £'000	Salary £'000	Other payments £'000	2010 Total £'000	2009 Total £'000
Executive Directors					
Prof. Francesco Gardin (resigned 22 Febraury 2011)	-	80	50	130	203
Alfredo Villa *	-	150	-	150	19
Non-executive Directors					
Gabriele Gresta (appointed 22 February 2011)	-	-	-	-	-
Edward Burman	21	-	-	21	22
Haresh Kanabar	5	-	-	5	3
Alessandro Malacart	27	-	-	27	3
Total	53	230	50	333	250

None of the Directors had any pension entitlement.

*Mr Villa's 2010 salary for the year was settled by the issuance of 214,285 ordinary shares in the company.

Directors’ report (continued)

Prof. Francesco Gardin received other payments, via his personal services company, totalling £50,000 (2009: £123,000). These payments were for providing additional project support and investment appraisal planning as directed by the Board.

Directors’ interests in share options and warrants

At 31 December 2010, 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 2010	Exercisable 31 December 2010	Exercisable 31 December 2009
Prof Francesco Gardin (resigned 22/2/2011)	12,000,000	12,000,000	-	-	8,000,000
Alfredo Villa	5,000,000	5,000,000	-	-	3,333,333
Edward Burman	5,000,000	5,000,000	-	-	3,333,333

All the share options have now lapsed and no options were exercised in either 2010 or 2009 given the prevailing share price of the company.

Significant shareholders

As at 30 November 2011 so far as the directors are aware, the parties who are directly or indirectly 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 – CEO and Executive Chairman *	5,108,039	37.14
Sipiem	1,360,000	9.88
Digital Magics	792,000	5.76
RCF SA *	1,362,433	9.91
Homes for Hope **	1,227,773	8.93

* RCF SA is a portfolio management company for which A. Villa is Managing Director and Discretionary Fund Manager;
** A. Villa is also Director of Homes for Hope where he has discretionary control over this holding.

Corporate Governance

As an AIM-listed Company, Brainspark is not required to follow the provisions of the Corporate Governance 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.

Going concern

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

The directors are satisfied that the group has sufficient future resources, even though at the balance sheet date the group had no liquidity, in order to meet its ongoing operating costs and investment funding obligations. The directors are of the opinion that operational liabilities and contractual commitments can be settled from the timely disposal of investments, should the need arise, and from on-going future anticipated rounds of debt or equity funding. Whilst it is difficult to predict the timing of these cash flows, the board have no reason to believe that cash cannot be yielded at critical points to meet liabilities as they fall due. As a consequence, these financial statements are prepared on a going concern basis.

Directors' report (continued)

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 2010 was 100 days (2009: 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 are required to prepare group accounts under International Financial Reporting Standards (IFRSs) but have elected to prepare the entity financial statements in accordance with 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 auditor is 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 it has been communicated to the auditor.

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.

Auditor
On 21 November 2011, our auditor adopted the trading name MHA MacIntyre Hudson. MHA MacIntyre Hudson has indicated its willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

By order of the Board.
Alfredo Villa
Chief Executive Officer and Chairman 22 December 2011 Company Number: 3926192

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 2010 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 Equity and related notes 1 to 23. 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 and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) and 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.

Basis for qualified opinion on financial statements

The audit evidence available to us was limited because the company's going concern status is dependent upon raising additional funds from the following activities:-

i) The timely sale of investments
ii) Further rounds of equity fund raising
iii) Additional debt financing arrangements

The timings and funds generated from the above activities are not certain given that the company's investment portfolio largely comprises of holdings in privately owned companies for which there is no readily available market. In view of this, we have been unable to obtain appropriate audit evidence to support the directors' opinion regarding going concern.

Qualified opinion on financial statements

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph:

- 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 2010 and of the group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements 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 MHA MacIntyre Hudson
Statutory Auditor, Chartered Accountants
Equipoise House
Grove Place
Bedford
MK40 3LE 22 December 2011

Consolidated Statement of Comprehensive Income for the year ended 31 December 2010

	Note	2010	2009
Continuing operations		**£'000**	**£'000**
Commission		75	-
Investment revenue	7	-	6
(Loss)/gain on disposal of investments		(449)	196
Finance charges	8	(386)	-
Other operating expenses		(1,334)	(404)
Impairment charges		(6,192)	-
Loss before tax	9	**(8,286)**	**(202)**
Tax	11	**-**	-
Loss for the year from continuing operations		**(8,286)**	**(202)**
Discontinued operations			
Profit for the year from discontinued operations	12	-	74
Loss for the year		**(8,286)**	**(128)**
Other comprehensive income			
Net value gain on available for sale investments	15	5,460	851
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		**(2,826)**	**723**
Loss attributable to:			
Owners of the company		**(8,286)**	**(128)**
Total Comprehensive (Loss)/Income Attributable to:			
Owners of the company		**(2,826)**	**723**
(Loss)/profit per share:	13		
From continuing operations		(87p)	(15p)
From discontinued operations		-	5p
Basic and diluted loss per 2.5p ordinary share from continuing and discontinued operations		**(87p)**	**(10p)**

The accounting policies and notes on pages 17 to 35 form part of these financial statements.

Statement of Financial Position at 31 December 2010

	Notes	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Non-current assets					
Investments in subsidiaries	14	-	-	-	-
Available for sale investments	15	22,126	1,814	-	-
Trade and other receivables	16	-	-	23,448	904
Total non-current assets		22,126	1,814	23,448	904
Current assets					
Available for sale investments	15	844	-	-	-
Trade and other receivables	16	129	8	-	-
Cash and cash equivalents	18	-	11	-	-
Total current assets		973	19	-	-
Current liabilities					
Trade and other payables	17	(1,252)	(140)	-	(63)
Total current liabilities		(1,252)	(140)	-	(63)
Net current liabilities		(279)	(121)	-	(63)
Total assets less current liabilities		21,847	1,693	23,448	841
Non-current liabilities					
Borrowings	17	(7,896)	-	(7,896)	-
Net assets		13,951	1,693	15,552	841
Equity					
Share capital	19	344	59	344	59
Share premium account		13,983	1,059	13,983	1,059
Other reserves	20	6,813	6,813	-	-
Equity component of convertible instrument	17	1,875	-	1,875	-
Fair value adjustment to available for sale investments	20	6,311	851	-	-
Retained losses		(15,375)	(7,089)	(650)	(277)
Equity attributable to owners of the company		13,951	1,693	15,552	841

The financial statements were approved by the board of directors and authorised for issue on 22 December 2011. They were signed on its behalf by:

Alfredo Villa
Chief Executive Officer and Chairman

The accounting policies and notes on pages 17 to 35 form part of these financial statements.

Company Number 3926192

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

Group – Attributable to owners of the company	Share capital	Share Premium account	Other reserves	Equity component of convertible instrument	Fair value adjustment to available for sale investments	Retained losses	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'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 2010

Group – Attributable to owners of the company	Share capital	Share premium account	Other reserves	Equity component of convertible instrument	Fair value adjustment to available for sale investments	Retained losses	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2010	59	1,059	6,813	-	851	(7,089)	1,693
Loss for the year	-	-	-	-	-	(8,286)	(8,286)
Equity component	-	-	-	1,875	-	-	1,875
Fair value adjustment	-	-	-	-	5,460	-	5,460
Cost of share issue	-	(145)	-	-	-	-	(145)
Issue of shares in the year	285	13,069	-	-	-	-	13,354
At 31 December 2010	344	13,983	6,813	1,875	6,311	(15,375)	13,951
Company							
At 1 January 2010	59	1,059	-	-	-	(277)	841
Loss for the year	-	-	-	-	-	(373)	(373)
Issue of shares in the year	285	13,069	-	-	-	-	13,354
Equity component of convertible instrument	-	-	-	1,875	-	-	1,875
Cost of share issue	-	(145)	-	-	-	-	(145)
At 31 December 2010	344	13,983	-	1,875	-	(650)	15,552

The accounting policies and notes on pages 17 to 35 form part of these financial statements.

Statement of Cash Flows
For the year ended 31 December 2010

	Note	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Net cash used in operating activities	21	**(1,100)**	**(547)**	**(12,319)**	**(507)**
Cash flows from investing activities					
Interest received		-	6	-	-
Proceeds from sale of investments		680	300	-	-
Purchase of investments		(11,910)	(565)	-	-
Net cash expended in investing activities		**(11,230)**	**(259)**	**-**	**-**
Cash flows from financing activities					
Proceeds from issue of new ordinary shares (net of expenses)	19	2,934	507	2,934	507
Net proceeds of bond issue		9,385	-	9,385	-
Net cash generated from financing activities		**12,319**	**507**	**12,319**	**507**
Net decrease in cash for the year		**(11)**	**(299)**	**-**	**-**
Cash and cash equivalents at beginning of year		**11**	**310**	**-**	**-**
Cash and cash equivalents at end of year	18	**-**	**11**	**-**	**-**

The accounting policies and notes on pages 17 to 35 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 Chief Executive Officer'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.

Standards and amendments which became effective during the year have not had a material impact on the 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:

IFRS 1 (amended) Severe Hyperinflation and Removal of Fixed dates for First Time Adopters
IFRS 7 (amended) Disclosures - Transfer of Financial assets
IFRS 9 Financial Instruments
IFRS10 Consolidated Financial Statements
IFRS 11 Joint arrangements
IFRS 12 Disclosure of Interests in Other Entities
IFRS 13 Fair Value Management
IAS 12 (amended) Deferred tax: Recovery of Underlying Assets
IAS 1 (amended) Presentation of Items of Other Comprehensive Income
IAS 27 Separate Financial Statements
IAS 28 Investments in Associates and Joint Ventures
IFRIC 14, IAS 19 (amended) Limit on a Defined Benefit Asset, Minimum Funding Requirement and their interaction

There were no Standards and Interpretations which were in issue but not effective at the date of authorisation of these financial statements, including the above, that the Directors anticipate will have a material impact on the financial statements of the Group or the Company

Notes to the financial statements

2 Accounting policies

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

Basis of preparation and Going Concern
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.

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

The directors are satisfied that the group has sufficient future resources, even though at the balance sheet date the group had no liquidity, in order to meet its on-going operating costs and investment funding obligations. The directors are of the opinion that operational liabilities and contractual commitments can be settled from the timely disposal of investments, should the need arise, and from on-going future anticipated rounds of debt or equity funding. Whilst it is difficult to predict the timing of these cash flows, the board have no reason to believe that cash cannot be yielded at critical points to meet liabilities as they fall due. As a consequence, these financial statements are prepared on a going concern basis.

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.

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 bonds
Convertible bonds 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 £6,192,000 (2009: £Nil) have been made against investments. The carrying value of investments at 31 December 2010 is £22,970,000 (2009: £1,814,000).

Notes to the financial statements

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, USA and Italy.

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

	2010			**2009**	
	UK £'000	**Italy £'000**	**Total £'000**	**UK £'000**	**Total £'000**
Commissions	75	-	**75**	-	**-**
Investment revenue	-	-	**-**	6	**6**
Consultancy and contract termination	-	-	**-**	301	**301**
(Loss)/gain on disposal of investment	(449)	-	**(449)**	196	**196**
Release of provision	-	-	**-**	221	**221**
Finance charges	(386)	-	**(386)**	-	**-**
Other operating expenses	(1,334) -	-	**(1,334)**	(852)	**(852)**
Impairment of investments	(639)	(5,553)	**(6,192)**	-	**-**
Loss for the financial year	(2,733)	(5,553)	**(8,286)**	(128)	**(128)**

Italy had no income or expenditure during 2009.

	2010				**2009**			
	Segment assets	**Segment liabilities**	**Net additions To non-current Assets**	**Net assets**	**Segment assets**	**Segment liabilities**	**Additions to non-current assets**	**Net assets**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
UK	844	(8,148)	-	(7,304)	19	(140)	-	(121)
Italy	1,814	(1,000)	19,678	20,492	1,814	-	-	1,814
USA	-	-	763	763	-	-	-	-
	2,658	**(9,148)**	**20,441**	**13,951**	**1,833**	**(140)**	**-**	**1,693**

5 Employee information

	2010 Number	2009 Number
The average number of employees during the period was as follows:		
Management	2	2

	2010 £'000	2009 £'000
Staff costs during the period including directors comprise:		
Wages and salaries	333	260
Social security costs	-	-
Other pension costs	-	-
	333	260

6 Directors' remuneration

	2010 £'000	2009 £'000
Aggregate emoluments	333	250
	333	250

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

7 Investment revenue

	2010 £'000	2009 £'000
Interest revenue from bank deposits	-	6
	-	6

8 Finance charges

	2010 £'000	2009 £'000
Interest on 2014 bond at 7%	386	-
	386	-

Notes to the financial statements

9 Loss for the year

	2010 £'000	2009 £'000
Loss before tax is stated after charging:		
Auditor's remuneration:		
Audit of parent	10	6
Audit of subsidiaries	25	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 £373,000 (2009: Loss £138,000).

11 Tax

	2010 £'000	2009 £'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 2010 amount to approximately £11 million (2009: £11 million) and £4 million (2009: £4 million) respectively.
The standard rate of tax for the current year, based on the UK standard rate of corporation tax is 28% (2009 – 28%). The actual tax for the current and previous year varies from the standard rate for the reasons set out in the following reconciliation:

	2010 £'000	2009 £'000
Loss from continuing operations	(8,286)	(128)
Tax on ordinary activities at standard rate	(2,320)	(36)
Effects of:		
Expenses not deductible for tax purposes	1,672	-
Tax losses available for carry forward against future profits	648	36
Total tax	-	-

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

In the prior financial year 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

Profit/(loss) from discontinued operations	**2010**	**2009**
	£'000	**£'000**
Contract termination and consultancy income	-	301
Release of provision against investment	-	221
Other operating expenses	-	(448)
Profit before tax	-	74
Tax	-	-
Profit for the year from discontinued operations	-	74

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	**2010 Weighted average no of shares 000's**	**Per share Amount pence**	**Loss £'000**	**2009 Weighted average no of shares 000's**	**Per share Amount pence**
Earnings per share						
Basic and Diluted	(8,286)	9,560	(87p)	(128)	337,752	-
Restated for 250:1 consolidation	-	-	-	(128)	1,351	(10p)

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 and bondholders 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 Investments in subsidiaries

Company	Shares 2010 £'000	Shares 2009 £'000
Cost		
At 1 January	-	5,926
Demerger	-	(5,926)
At 31 December	-	-
Impairment		
At 1 January	-	(4,612)
Demerger	-	4,612
Provision for the year	-	-
At 31 December	-	-
Carrying amount		
At 31 December	-	-

The Company's subsidiary undertakings at 31 December 2010 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)

15 Available for sale investments

Group	2010 £'000	2009 £'000
Fair value		
At 1 January	1,814	541
Demerged from group	-	(404)
Impairment recognised in the income statement	(6,192)	-
Additions	23,017	929
Fair value gain recognised in equity	5,460	851
Disposals	(1,129)	(103)
Carrying value at 31 December	22,970	1,814
Non-current assets	22,126	1,814
Current assets	844	-
	22,970	1,814

The vast majority of available for sale investments are valued in accordance with IFRS 7 and Level 3 of the fair value hierarchy; with the exception of Level 1 investments which represent quoted equity investments, namely Daniel Stewart PLC, Cogeme SET SpA and Moggle Inc. Their fair value is determined by unadjusted quoted prices from active markets.

The Level 3, unquoted equity instruments comprise an aggregate 40.63% investment in the Mediapolis project via Mediapolis SpA and Mediapolis Investments SA, a 1.96% investment in Polarizonics, a 10.0% investment in Filmmaster Television S.R.L, a 13.4% investment in GeoSim, a 20% in Ondaland, a 51.75% in BIBOP and a 20% in ORH srl. Their fair value and the methodology adopted is determined on the basis of or a combination of either their net assets or, where a sale is imminent, the best estimate of the eventual proceeds. Given the methodology adopted, it is not envisaged that the adoption of alternative assumptions/methodologies, sensitivity analysis, would have a material impact upon the investments.

16 Trade and other receivables

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Other receivables	129	8	-	-
Amounts falling due after one year				
Amounts owed by subsidiaries	-	-	23,448	904
	129	8	23,448	904

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

Other receivables represent refundable investment deposits in respect of aborted transactions and are after a provision of £37,000 made in the year.

17 Borrowings, Trade and other payables

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Non-current liabilities				
2014 7% Convertible Bond (see below)	7,896	-	7,896	-
Current liabilities				
Accruals	252	140	-	63
Other payable	1,000	-	-	-
	1,252	140	-	63

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

On 31 March 2010 the company launched an issue of £10 million, before issue costs, 7.00% convertible bonds due 2014. The Bonds are convertible into new ordinary shares of 2.5 pence each in the company at a conversion rate of 400 New Ordinary Shares per Bond up until 15 March 2014. The nominal value of each Bond is GBP 1,000. The redemption date of the bonds is 31 March 2014 the coupon of 7% is payable at the end of each year. The company, between 1 and 7 April 2012, can repurchase and serve notice on any or all of the bondholders to sell their Bond in whole or in part at 110% of the nominal value. The bondholders, at any time prior to redemption, may serve a conversion notice to the company in respect of all or any integral multiple of GBP 1,000 nominal value of bonds held by them. At the balance sheet date no bondholder had served notice on the company and the company had not served notice on the bondholders.

Under IAS 32 the bonds contain two components liability and equity elements. The equity element is presented in equity under the heading of "equity component of convertible instrument". The effective interest rate of the liability element on initial recognition is 6.85% per annum.

	2010 £'000
Net proceeds of issue	9,385
Equity component	(1,875)
Liability component at date of issue	7,510
Interest charged at an effective rate of 6.85%	386
Liability component at 31 December 2010	7,896

The other payable of £1million represents the directors' assessment of the amount due to former shareholders of Mediapolis SA in order to fulfil contractual obligations under a purchase agreement.

18 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

The group had no cash at the balance sheet date ***(refer to note 2 – Basis of preparation of financial statements and going concern).*** The group continues to secure future funding and cash resources from disposals as and when required in order to meet its cash requirements. This is an on-going process and the directors are confident with their cash flow models.

Interest rate risk of financial assets

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

Group	**2010 £'000**	**2009 £'000**
Sterling deposits	-	-
Cash at bank and in hand	-	11
	-	11

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 2010 and 31 December 2009 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, with the exception of the Euro, to foreign currency movements at 31 December 2010. The group's functional currency is sterling. The group's monetary assets and liabilities at 31 December 2010 were denominated in sterling.

19 Called up share capital

	2010 Number	2009 Number	2010 £'000	2009 £'000
Allotted, called up and fully paid				
Ordinary shares of 0.01p each	-	591,055,698	-	59
Ordinary shares of 2.5p each	13,751,854	-	344	-
	13,751,854	591,055,698	344	59

On 14 June 2010 the Company undertook a consolidation of its share capital whereby every 250 of its existing ordinary shares of 0.01p each were consolidated into 1 new ordinary share of 2.5p each.

The following shares were issued during the year:

On 26 January 2010, the Company issued 350,000,000 ordinary shares of 0.01p each at 0.7p by way of a placing.

Also on 26 January 2010 the Company issued 19,230,769 ordinary shares of 0.01p each at 0.65p to Mr A. Villa following the conversion of his loan note to the company.

On 5 March 2010 the Company issued 72,000,000 ordinary shares of 0.01p each at 0.7p by way of placing.

On 19 March 2010 the Company issued 100,000,000 ordinary shares of 0.01p each at 0.7p in order to satisfy the first tranche payment for AC Ancona.

On 24 March 2010 the Company issued 400,000,000 ordinary shares of 0.01p each at 0.75p in order to partly satisfy the consideration payable under the Ondaland investment.

On 26 March 2010 the Company issued 198,000,000 ordinary shares of 0.01p each at 0.75p in order to partly satisfy the consideration payable for the investment in Bibop/Digitial Magics.

On 31 March 2010 the Company issued 539,386,200 ordinary shares of 0.01p each in order to increase its investment holding in Mediapolis SA and Mediapolis SpA.

On 14 May 2010 the Company issued 111,000,000 ordinary shares of 0.01p each at 0.7p being the second tranche payment for its investment in AC Ancona.

On 6 August 2010 the Company issued 3,600,000 ordinary shares of 2.5p each at 62p being the additional investment in Mediapolis SA.

On 9 November 2010 the Company issued 241,071 ordinary shares of 2.5p each at 70p to Mr Villa in lieu of his salary entitlement for the year.

On 25 November 2010 the Company issued 388,092 ordinary shares of 2.5p each at £1.10p as partial consideration in Banca Federciana.

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	31 December 2010	Exercisable 31 December 2010	Exercisable 31 December 2009
F. Gardin	12,000,000	12,000,000	-	-	8,000,000
A. M. Villa	5,000,000	5,000,000	-	-	3,333,333
E. Burman	5,000,000	5,000,000	-	-	3,333,333

All share options have lapsed in the year and none were exercised since the commencement of the scheme.

20 Reserves

The Group considers its capital to comprise ordinary share capital, share premium, retained losses and its convertible bonds. 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 2010 £'000	Group 2009 £'000
Share capital	344	59
Share premium account	13,983	1,059
Other reserves	6,813	6,813
Fair value adjustment to available for sale investments	6,311	851
Equity component of convertible instrument	1,875	-
Retained losses	(15,375)	(7,089)
Total equity	13,951	1,693

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.

A fair value adjustment, in the year, of £5,460,000 to available for sale investments represents a net increase in some of the group's available for sale investments based upon assessments made by the directors'.

21 Cash used in operations

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Loss before tax	(8,286)	(128)	(373)	(138)
Amounts written off investments	6,192	-	-	1,314
Investment revenue recognised in income statement	-	(6)	-	-
Loss/(gain) on disposal of investment	449	(196)	-	-
(Increase)/decrease in receivables	(121)	704	(22,544)	(501)
Increase/(decrease) in payables	10,883	(186)	10,598	(163)
Other non-cash movements	(10,217)	(735)	-	(1,019)
Cash used in operations	(1,100)	(547)	(12,319)	(507)

Notes to the financial statements

22 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.

Prof. Francesco Gardin received reimbursable travel, accommodation and ancillary support costs of £78,000 (2009:£124,925) in addition to his remuneration as director, prior to his resignation.

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

RCF SA invoiced £145,000 (2009 £42,500) in respect of the successful placing of shares; Mr Alfredo Villa is Managing Director of RCF SA.

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.

23 Post balance sheet events

The following events have taken place:

On 9 February 2011 75,000,000 ordinary shares of 0.25p each in Daniel Stewart Securities plc were placed at 2p each. As a result of this transaction the Group had no interest in the share capital of Daniel Stewart Securities plc.

Brainspark has invested a further EUR180,000 in T.L.T. Tempo Libero e Turismo S.p.A (trading as "Ondaland"), Italy's largest water theme park, representing the Company's 20% participation to a EUR 900,000 capital raise by Ondaland. This new funding was to be used by the owners of Ondaland to install a new ride in the park in time for the 2011 summer season.

On 24 February 2011 Brainspark increased its stake in Bibop S.p.A. ("Bibop"), the multi-platform digital content management company, by 1.56% taking its holding to 51.76% of Bibop's share capital. The shares were bought from Mr Giuliano Borsari.

In addition, on 28 February 2011, Brainspark signed a Letter of Intent with Digital Magics S.p.A., the Milan based technology incubator investment company, to acquire its entire 42.03% holding in Bibop, which would give Brainspark a total shareholding in Bibop of 93.79%. It was intended that the contract, which would be entered into by no later than 30 June 2011, would be funded through a cash payment of EUR 1,034,935 and EUR 1 million in Brainspark ordinary shares, to be calculated by using the mid-price of Brainspark shares over a 30 day period prior to completion of the acquisition. The contract was conditional, among other things, on Brainspark shareholders approving at a General Meeting the requisite authorities to allot new shares and to Brainspark raising the necessary funds needed to satisfy the cash element of the consideration.

On 3 March 2011 Brainspark announced that it has completed a contract to invest in ORH S.r.l. ("Ora"), a successful hotel and travel business, which owns the Ora Hotel Group, managing nearly 40 hotels across Italy and around the world, and a medium sized Italian travel operator, called Staff & Co Ltd. Brainspark has paid EUR 1 million in cash for a 20% stake in Ora.

On 7 March 2011 Brainspark announced that it had entered into a contract to acquire 30% of the issued share capital of Mobnotes S.r.l. ("Mobnotes"), an Italian mobile location based application company. Under the terms of the agreement Brainspark agreed to pay a total consideration of EUR 600,000, of which EUR 300,000 would be payable in cash over a 12 month period. The first instalment of EUR 50,000 had already been paid. The remaining EUR 300,000 consideration would be paid in Brainspark ordinary shares, calculated at the average share price over the 30 day period to the end of March 2011.

Notes to the financial statements

23 Post balance sheet events (continued)

On 11 March 2011 Brainspark announced that it has entered into an agreement with Gruppo Bancario Mediterraneo Holding SpA ("GBM Holding"), a Rome head-quartered bank, focused on the advisory arena. Under the provision of this agreement GBM Holding would coordinate a fund raising programme in Italy on behalf of Brainspark of up to EUR 10 million. The proceeds would in part facilitate Brainspark exercising its existing options to underwrite 9.9% of the issued share capital of Banca Federiciana S.p.A., a banking entity controlled by GBM Holding, as announced by Brainspark on 25 November 2010. The cost of exercising the options would be approximately EUR 3 million.

On 17 March 2011 Brainspark announced that it had invested in two companies which will provide financial control and management services for certain assets of the Company. The first acquisition was a EUR 200,000 investment in Class Finance S.r.l., a consulting business, run by seasoned professionals Cesare Suglia and Lorenzo Cocco, which would become responsible for the financial control of the Mediapolis project and Ora Hotel Group, as well as acting as financial consultant for Bibop S.p.A.. Brainspark received a 20% stake in Class Finance in exchange for Brainspark ordinary shares. The second investment of EUR 65,000 cash was for a 20% stake in Sforza S.r.l. a recently established, specialist real-estate management company. Sforza would provide management services for Brainspark's rapidly growing property portfolio, including its theme parks, Mediapolis and Ondaland, its hotel group, Ora Hotels, and the Company's new corporate office in Milan, the purchase agreement for which was expected to be signed within the next 30 days.

On 31 March 2011 Brainspark announced that it had agreed a contract with Gabbrielli & Associati of Milan to acquire 71,580 shares in B'Parks & Leisure S.A. (formerly Mediapolis Investments SA Luxembourg), equivalent to 16.37% of B'Parks & Leisure, taking Brainspark's holding in the company to 71.72%. Consideration for the acquisition would be satisfied by the issue of 2,015,000 Brainspark new ordinary shares, at a price of 50 pence per share. In addition the Company signed a formal agreement with the first nine partners of a consortium, which is being created to provide all the necessary services pertinent to the development, build and fit out of the Mediapolis theme park in Italy.

Also, with the agreement of the majority of investors in the Company's £10 million convertible bond, payment of interest due on 31 March 2011 and totalling £700,000 was postponed until 30 June, in order to allow the Company to continue to pursue its acquisition strategy.
Also on 31 March 2011, Mr Alfredo Villa, CEO, had acquired a further 31,000 Brainspark ordinary shares of 2.5p each ("Ordinary Shares"), for an average cash consideration of 34.5p per share. Mr Alfredo Villa also agreed to convert his entitlement under his salary and expenses of approximately £112,500 into new Ordinary Shares at a conversion rate of 50p per Ordinary Share, a premium of 45% to the previous days closing mid market price. As a result, Mr Alfredo Villa agreed to subscribe for 225,000 new Ordinary Shares.

On 8 April 2011 Brainspark announced that it had entered into an agreement with UK based Firkon Ltd to acquire 20% of the issued share capital of Wall s.r.l., an Italian property company, which owns significant interests in two construction companies. Wall owns 80 per cent. of CO.GE.VI s.r.l., a specialist commercial construction company, and 100% of Cullati Impresa Costruzioni, a well regarded general building contractor. Both companies are based in Torino, Italy. Brainspark would acquire the shares in Wall s.r.l. for the consideration of EUR 175,000, to be paid in Brainspark ordinary shares at a price of 50 pence per share. The Company was in the process of creating a wholly owned subsidiary, Brainspark Consulting Ltd, which would own the assets of the recently acquired Sforza s.r.l., Class Finance as well as Wall s.r.l. and would be responsible for the Mediapolis project and other aspects of the Brainspark group of companies.

On 26 May 2011 Brainspark announced that it had completed the additional investment announced on 1 March 2011, in Bibop S.p.A. ("Bibop"), a leading digital media company, taking its holding to 93.78%. Brainspark purchased the additional 42.03% interest in Bibop from Digital Magics S.p.A., an Italian technology incubator investor. Following this transaction Digital Magics no longer had an investment in Bibop; the remaining 6.22% is held by management of Bibop.

On 27 May 2011 Brainspark announced it had subscribed to an increase in capital of EUR 2.5 million in Mediapolis SpA ("Mediapolis"), bringing the Company's direct and indirect holding (including Mediapolis Investment SA) in Mediapolis to just over 75% of the issued share capital. Brainspark intended to satisfy its participation in the share capital increase in Mediapolis by contributing to Mediapolis its 20% interest in ORH s.r.l. (the holding company of the Ora Hotel Group) at an implied valuation, confirmed by a third party expert, of EUR 2 million and its holding of 1,400,000 shares in Moggle, Inc. The EUR 2 million valuation for the 20% stake in ORH s.r.l. represents a 100% premium

23 Post balance sheet events (continued)

on the acquisition cost of that stake announced in March this year. Concurrently, Mediapolis had also received a non-binding indicative offer for the land near Albiano (Ivrea) and the Company's interest in the Mediapolis theme park (the "Mediapolis Interests") at a multiple of the book value of these assets. The indicative offer envisaged that the consideration payable to Brainspark would be satisfied via the issue of shares in an Italian real estate fund, authorised by the Bank of Italy (the "Real Estate Fund").

On 13 June 2011 Brainspark announced that in order to partly satisfy previously announced investment commitments application been made for admission to trading on AIM of 5,185,000 new ordinary shares of 2.5p each.

On 27 June 2011 Brainspark announced an agreement with Cambria Ltd. A well regarded manager of UK Private Equity Funds, whereby Cambria will invest EUR 1.9 million cash in Bibop S.p.A. for a 27.54% holding. Following this transaction, Brainspark will hold 66.12% of Bibop S.p.A.

On 28 June 2011 Brainspark announced it had entered into an agreement to increase its holding in ORH S.p.A to 51%from the 20% it acquired in March 2011. To acquire this additional interest in ORH, Brainspark would pay to Avusy Commercio Servicios de Consulttoria e Investimentos LDA a consideration of EUR 1.6 million in cash, before 20 December 2011, and 9,750,000 Brainspark ordinary shares.

On 19 October 2011 Brainspark announced that it had acquired a 20% stake and an option to acquire a further 31% stake in You Can Group srl, the holding company for Italy's largest Japanese restaurant chain, Sosushi, for a consideration of 1,750,000 Brainspark new ordinary shares. The stake and the option have been transferred to Mediapolis SpA, the Company's subsidiary active in the development of a theme park near Turin, as consideration in exchange for the Company's participation to Mediapolis' increase in capital. Mediapolis had an option to buy an additional 31% of You Can for EUR 1.2 million to be exercised on or before 15 November 2011. If exercised, Mediapolis would control 51% of You Can Group srl.

On 8 November 2011 Brainspark announced that it had signed the final agreement for the sale of the Company's interests in the land near Albiano (the proposed Mediapolis theme park) for a consideration of EUR 28 million, a multiple of three times its initial investment. The interests have been sold to the Michelangelo 2 Real Estate Fund ("Michelangelo 2") and the consideration will be satisfied on or before 31 December 2011 through the issue to Mediapolis SpA ("Mediapolis"), which is a 69.12% owned subsidiary of the Company, of shares in Michelangelo 2. The fund currently had more than EUR 170 million of assets under management and is managed by Sorgente SGR (www.sorgentesgr.it) a leading real estate management company with over EUR 2 billion of assets under management, including some of the world's most iconic buildings, such as the Chrysler Building (recently sold) and the Flatiron in New York and Galleria Colonna in Rome. In addition, Mediapolis would remain entitled to develop, build and manage the future theme park and the hotel, where it would be expected to face certain professional costs which would however be tempered by compensation in the form of success fees. Mediapolis has agreed to pay a penalty up to a maximum of EUR 3 million to Sorgente SGR in case of non-performance of some of the tasks included in the development, building and management contracts related to the new theme park. The penalty, should it be required to be paid, can be paid partially at the end of the first year with the balance to be paid at the end of the third year, or in total at the end of the third year. Mediapolis would indemnify Sorgente on the fiscal aspect of the sale of the land to the Fund, but this transaction was expected by the Mediapolis board to be neutral for the parties involved based on the current Italian tax legislation. Brainspark considers the Michelangelo 2 shares, which are unquoted, as a liquid asset for Brainspark and will be utilised by Mediapolis to facilitate the funding of its acquisition strategy in the leisure sector.

Also on 8 November 2011, Brainspark announced it had acquired from Regilco srl, 10 villas on the Liscia di Vacca bay in Sardinia, one of the most prestigious resort towns in Italy. The consideration for the acquisition was EUR 4.15 million which would be satisfied through the issue of 7,150,000 Brainspark new ordinary shares at a price of 50 pence per share, a 67% premium to the closing price before suspension. The issuing of Brainspark new ordinary shares, used as a payment by Mediapolis, has created a credit for Brainspark in Mediapolis of EUR 4.11 million that could be converted in Mediapolis equity capital should the Company wish to do so. The real estate would be managed and rented by the Company's 20% owned property management subsidiary, Sforza srl.

23 Post balance sheet events (continued)

In addition, through Mediapolis, the Company has acquired a 3,000 sq m office building in via Astesani, Milan, from Argentaria srl for EUR 2.5 million. The property is to become the head office for the Brainspark group and will house the operations and staff of Bibop, the Company's majority owned digital media subsidiary. The consideration for the acquisition will be satisfied through the issue of 5,000,000 Brainspark new ordinary shares at a price of 50 pence per share, a 67% premium to the closing price before suspension. The issuing of Brainspark new ordinary shares, used as a payment by Mediapolis, has created a credit for Brainspark in Mediapolis of EUR 2.5 million that can be converted in Mediapolis equity capital should the Company wish to do so. The property is to be managed by Sforza srl.

As a result of the above transactions, should Brainspark choose to convert the credits thus created towards Mediapolis it would increase its holding in Mediapolis beyond the 69.12% which it currently owns.

On 18 November 2011 Brainspark announced that, through its majority owned subsidiary, Mediapolis spa, it has agreed to swap its 20% holding in Ondaland (the largest waterpark in Italy), in addition to shares in Michelangelo 2 Real Estate Fund ("Michelangelo 2 Shares") for a 40% stake in Sipiem spa ("Sipiem"), a construction and leisure company based in Biella, Italy, which currently owns an additional 70% of Ondaland. Following this transaction Brainspark, through its subsidiary Mediapolis, will own 40% of Sipiem which, in turn, will own 90% of Ondaland, including additional real estate assets and a medium size construction company. At the end of 2010, Sipiem had net assets of EUR 18 million and generated a net profit of EUR 1.9 million in 2010. The transaction was carried out through an increase in the share capital of Sipiem. Brainspark would subscribe to the Sipiem's capital increase via Mediapolis, through its 20% holding in Ondaland and a further EUR 1.9 million to be satisfied in Michelangelo 2 Shares at their current Net Asset Value. Following this transaction, Brainspark, which owns 69.12% of Mediapolis, will also increase its credit towards Mediapolis which, if converted in Mediapolis shares, would result in Brainspark increasing its holding in Mediapolis to a percentage to be determined on the basis of the participation of other Mediapolis minority shareholders to such a capital increase.

Brainspark has concluded the sale of its stake in Cogeme as it no longer considers this investment to be aligned with its strategy to operate within the Leisure and Real Estate sectors. This sale was carried out at the closing price for the Cogeme shares at 31 December 2010, of EUR 0.37 per share representing a 81% premium to their current market price.

Brainspark has settled with Investors Unlimited Srl ("Investors Unlimited"), for its 36.6% investment in Italian football club, AC Ancona, following legal action by the Company. Investors Unlimited would pay a minimum of EUR 100,000 to Brainspark and would cover all the associated costs from the legal suit against the Federazione Italiana Gioco Calcio and the various banks involved in Ancona's withdrawal from the Italian 2010-2011 Serie B football league. The eventual cash positive result of this legal action will be shared equally between Brainspark and Investors Unlimited. In case of a readmission of Ancona to Serie B league, Brainspark will receive an additional EUR 800,000 from Investors Unlimited, or a 30% rights in the football club.

Notice of 2012 annual general meeting

Notice is hereby given that the 2012 Annual General Meeting of Brainspark PLC will be convened at 12-16 Laystall Street, London WC1R 4PF on 27 January 2012 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 2010.

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

3 To re-elect A. Villa (who retires by rotation) as a Director.

4 To re-elect A. Malacart (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 2.5p 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 2012 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

Haresh Kanabar
Company secretary

The Lightwell, 12 - 16 Laystall Street, London EC1R 4PF
Company Secretary 22 December 2011

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
2012 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 12-16 Laystall Street, London EC1R 4PF on 27 January 2012, 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 A. Villa as a Director	FOR***/AGAINST/WITHELD***
4 `	To re-elect A. Malacart 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 2012

*** 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