



INTERIM RESULTS

2004

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2004

Interim Results 2004
For the six month period ended 30 June 2004

Brainspark Plc

Chairman's statement

In my statement issued with Brainspark's financial statement for the year ended 31 December 2003, I explained how the Company is currently operating cautiously, cutting costs and protecting its current portfolio companies and assisting them to create value whenever possible - awaiting the upturn of the economy.

Cost cutting measures begun in 2002, which have further reduced the cash burn rate to £30k per month in the first half of 2004 from £41k per month in 2003, net of rent and charges made to the investee companies.

In line with the approach envisaged by the Board, Brainspark is concentrating on the needs of its existing portfolio companies, covering a geographic area ranging from UK, to Italy and Israel.

The actions taken are to help them in improving revenue, cutting costs and finding adequate resources to develop their businesses.

Brainspark also had to support directly some of its portfolio investments with cash injections through capital increases, day to day credit and new loans.

Financial Summary

In the six months ended 30 June 2004, the Company incurred a loss before taxation of £561k, compared to a loss for the comparative period last year of £1,582k. Of the loss of £561k, £199k principally represents operating costs and £362k is mainly attributable to the amortisation of goodwill on acquisitions.

Operating costs for the period ended 30 June 2004 of £194k represent a decrease of £314k from the comparative period last year.

The consolidated net asset value at 30 June 2004 was £3.3 million - down from £3.8 million at 31 December 2003.

Investments Review

Brainspark has holdings in eleven companies: seven in the UK, two in Italy, one in Israel and one in USA. Its stakes range from nearly 2 per cent to nearly 52 per cent of the relevant portfolio companies. The portfolio covers a wide range of business sectors including Web services, application service providers and advanced technology solutions.

Many of the portfolio companies have not made progress as originally envisaged; but, in spite of that, the Directors' believe that our portfolio companies are concentrating on improving their businesses over a longer time-frame.

Among many of the portfolio companies, positive signs are emerging especially at GeoSim, Kerb, MetaPack and The Usability Company.

Outlook

At 30 June 2004, Brainspark's mid-market price per share of 0.63p valued the Company's issued capital at £1.2 million against a consolidated net asset value of £3.3 million. The Board believes that this is a conservative valuation of the Company's future potential based upon the companies in Brainspark's portfolio.

We face the future with guarded optimism. We still have to consider certain issues going forward – the impact of external market conditions and internally, further rationalising the portfolio taking into consideration the opportunities that are presented by these companies.

At present there is some evidence of a return of confidence from investor and financial institution for start up companies that have navigated through the hostile economic environment, we are cautiously optimistic for the future because we think that the Board has taken the necessary steps to enable the financial performance of Brainspark to improve.

On 29 December 2003, the Board agreed to issue up to £500,000 convertible loan notes. An allotment of £50,000 Notes had been issued at 31 December 2003.

The Company's current strategy is to raise further capital from existing key shareholders, and sell some of the non-strategic portfolio companies, with the objective of using the proceeds for general working capital purposes and to support the most promising of the portfolio companies.

A handwritten signature in black ink, appearing to read "Prof. Francesco Gardin".

Prof. Francesco Gardin
Chairman
29 September 2004

Financial Statements

Consolidated profit and loss account For the period ended 30 June 2004

	Notes	Six months to 30 June 2004 (Unaudited) £'000	Six months to 30 June 2003 (Unaudited) £'000	Year ended 31 December 2003 (Audited) £'000
Turnover	2a	-	-	-
Net operating expenses – recurring		(194)	(508)	(680)
Net operating expenses – exceptional	2b	-	-	(39)
Total net operating expenses/Group operating loss		(194)	(508)	(719)
Share of operating loss of associated undertakings	3	(362)	(931)	(1,915)
Total operating loss: Group and share of associated undertakings		(556)	(1,439)	(2,634)
Loss on ordinary activities before interest		(556)	(1,439)	(2,634)
Interest receivable		-	37	39
Interest payable		(5)	-	-
Amounts written off investments		-	(180)	(311)
Loss on ordinary activities before taxation		(561)	(1,582)	(2,906)
Tax on loss on ordinary activities		-	-	-
Loss on ordinary activities after taxation		(561)	(1,582)	(2,906)
Retained loss for the financial period		(561)	(1,582)	(2,906)
Loss per 1p ordinary share				
Basic and diluted	4	(0.29p)	(0.84p)	(1.55p)

The loss for period is derived wholly from continuing activities.

Consolidated statement of total recognised gains and losses For the period ended 30 June 2004

	Six months to 30 June 2004 (Unaudited) £'000	Six months to 30 June 2003 (Unaudited) £'000	Year ended 31 December 2003 (Audited) £'000
Loss for the financial period	(561)	(1,582)	(2,906)
Foreign exchange translation difference	-	30	-
Total recognised gains and losses for the period	(561)	(1,552)	(2,906)

There are no differences between the results disclosed and the historical cost equivalents.

Consolidated Balance sheet at 30 June 2003

	Notes	Six months to 30 June 2004 (Unaudited) £'000	Six months to 30 June 2003 (Unaudited) £'000	Year ended 31 December 2003 (Audited) £'000
Fixed assets				
Tangible assets		62	170	80
Investments in associated undertakings	5	2,277	3,390	2,639
Other investments	6	1,567	1,661	1,567
		3,906	5,221	4,286
Current assets				
Debtors		219	529	295
Cash at bank and in hand		41	276	68
		260	805	363
Creditors: amounts falling due within one year		(767)	(887)	(689)
Net current liabilities		(507)	(82)	(326)
Total assets less current liabilities		3,399	5,139	3,960
Provisions for liabilities and charges		(122)	-	(122)
Net assets		3,277	5,139	3,838
Capital and reserves				
Called up share capital		1,923	1,874	1,923
Share premium account		28,562	28,558	28,562
Other reserves		6,813	6,875	6,813
Profit and loss account (deficit)		(34,021)	(32,168)	(33,460)
Total equity shareholders' funds		3,277	5,139	3,838

Reconciliation of movements in Group shareholders' funds For the period ended 30 June 2004

Notes	Six months to 30 June 2004 (Unaudited) £'000	Six months to 30 June 2003 (Unaudited) £'000	Year ended 31 December 2003 (Audited) £'000
Loss for the period	(561)	(1,582)	(2,906)
New share capital issued	-	-	53
Foreign exchange translation differences	-	30	-
Net reduction in shareholders' funds	(561)	(1,552)	(2,853)
Opening shareholders' funds	3,838	6,691	6,691
Closing shareholders' funds	3,277	5,139	3,838

Consolidated cash flow statement For the period ended 30 June 2004

	Notes	Six months to 30 June 2004 (Unaudited) £'000	Six months to 30 June 2003 (Unaudited) £'000	Year ended 31 December 2003 (Audited) £'000
Net cash inflow from operating activities	7	47	(710)	(967)
Returns on investments and servicing of finance				
Interest received		-	37	39
Net cash inflow from returns on investments and servicing of finance		-	37	39
Capital expenditure and financial investment				
Purchase of other investments		-	15	(15)
Sale of other investments		-	-	77
Net cash inflow from capital expenditure and financial investment		-	15	62
Acquisitions and disposals				
Purchase of investments in associated undertaking		(147)	-	(165)
Loans to associated undertakings		-	-	(15)
Net cash outflow from acquisitions and disposals		(147)	(688)	(180)
Net cash outflow before financing		(100)	(688)	(1,046)
Financing				
5% Convertible bond issue		-	-	50
Loan from major shareholder		-	-	200
Partial repayment of loan to major shareholder		-	-	(100)
Short term loans		110	-	-
Repayment of short term loans		(37)	-	-
Net cash inflow from financing		73	-	150
Decrease in net cash for the period		(27)	(688)	(896)
Reconciliation of cash flow to movement in net funds				
Net cash at beginning of period		68	964	964
Decrease in net cash in the period		(27)	(688)	(896)
Net cash at end of period		41	276	68

Notes to the financial statements

1. Basis of preparation

Principal accounting policies

The financial statements have been prepared under the historical cost convention modified to include certain investments at valuation, and in accordance with applicable accounting standards. Fixed annual charges are appointed to the interim period on the basis of time elapsed and other expenses are accrued in accordance with the same principles used in the preparation of the annual accounts. The financial information contained in this interim statements is unaudited and does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985.

The comparative information for the year ended 31 December 2003 is an unbridged version of the statutory accounts for that year and those accounts, upon which the auditors issued an unqualified opinion, have been filed with the Registrar of Companies.

2. Profit and Loss

	Six months to 30 June 2004 (Unaudited) £'000	Six months to 30 June 2003 (Unaudited) £'000	Year ended 31 December 2003 (Audited) £'000
a) Turnover			
Group turnover including share of associated undertakings	206	184	884
Less: share of associated undertakings	(206)	(184)	(884)
	-	-	-

	Six months to 30 June 2004 (Unaudited) £'000	Six months to 30 June 2003 (Unaudited) £'000	Year ended 31 December 2003 (Audited) £'000
b) Net operating expenses - exceptional			
Profit on disposal of other investments	-	-	(77)
Impairment charge	-	-	116
Total operating expenses – exceptional	-	-	39

Notes to the financial statements

3. Share of operating loss of associated undertakings

	Six months to 30 June 2004 (Unaudited) £'000	Six months to 30 June 2003 (Unaudited) £'000	Year ended 31 December 2003 (Audited) £'000
Share of operating loss of associated Undertakings	(39)	(392)	(523)
Amortisation of goodwill on acquisition	(323)	(539)	(836)
Impairment of goodwill	-	-	(556)
	(362)	(931)	(1,915)

4. Basic and diluted loss per 1p ordinary share

	Six months to 30 June 2004 (Unaudited) £'000	Six months to 30 June 2003 (Unaudited) £'000	Year ended 31 December 2003 (Audited) £'000
Loss attributable to ordinary shareholders	(561)	(1,582)	(2,906)
Adjusted loss	(561)	(1,582)	(2,906)
Weighted average number of ordinary shares	192,273	187,405	187,487
Adjusted weighted average number of ordinary shares	192,273	187,405	187,487
Basic loss per share	(0.29p)	(0.84p)	(1.55p)
Diluted loss per share	(0.29p)	(0.84p)	(1.55p)

Notes to the financial statements

5. Investments in associated undertakings

	Six months to 30 June 2004 (Unaudited) £'000	Six months to 30 June 2003 (Unaudited) £'000	Year ended 31 December 2003 (Audited) £'000
Share of net assets			
At beginning of period	61	621	621
Transfer: Change in ownership from associate to investment	-	-	(37)
Exchange translation difference	-	30	-
Share of loss for the period	(39)	(392)	(523)
At period end	22	259	61
Goodwill			
At beginning of period	2,578	3,670	3,670
Arising on further acquisition in associates	-	-	300
Amortisation of goodwill	(323)	(539)	(1,392)
At period end	2,255	3,131	2,578
Loans to associated undertakings			
At beginning of period	300	-	300
Provisions against loans and disposal	(300)	-	(300)
At period end	-	-	-
Net book amount at period end	2,277	3,390	2,639

Notes to the financial statements

6. Other investments

	Six months to 30 June 2004 (Unaudited) £'000	Six months to 30 June 2003 (Unaudited) £'000	Year ended 31 December 2003 (Audited) £'000
At beginning of period	1,567	1,826	1,826
Additions	-	15	15
Transfer from associate to investment as a result of dilution in holding	-	-	37
Amounts written off in the year	-	-	(311)
Revaluation	-	(180)	-
At period end	1,567	1,661	1,567

7. Reconciliation of operating loss to net cash inflow from operating activities

	Six months to 30 June 2004 (Unaudited) £'000	Six months to 30 June 2003 (Unaudited) £'000	Year ended 31 December 2003 (Audited) £'000
Operating loss	(194)	(508)	(719)
Depreciation charge	18	135	226
Rental income converted into shares in investments	-	-	(75)
Fair value of shares issued to directors' in lieu of salary	-	-	53
Profit on sale of investments	-	-	(77)
Decrease in debtors	76	393	641
Increase in creditors	147	362	(46)
(Decrease)/increase in provisions	-	(1,092)	(970)
Net cash inflow from operating activities	47	(710)	(967)

8. Ultimate controlling party

The group has no ultimate controlling party.

9. Availability of Interim Results

Copies of the interim results will be available from The Lightwell, 12-16 Laystall Street, London EC1R 4PF.



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