Company Registration No. 03926192

Brainspark Plc

Annual Report and Financial Statements for the year ended 31 December 2011

Contents

Company information

Directors	Alfredo Villa, Chairman Cesare Suglia, Chief Executive Officer Enrico Petocchi, Chief Financial Officer Edward Burman, Non-Executive Director Gabriele Gresta, Non-Executive Director Dominic White, Non-Executive Director Francesco Emilani, Non-Executive Director
Company Secretary	Seymour Company Secretaries Limited
Company number	03926192
Registered office	New Derwent House 69 – 73 Theobalds Road London WC1X 8TA
Auditor	Welbeck Associates Chartered Accountants & Registered Auditor 31 Harley Street London W1G 9QS
Solicitors	CFMP Studio Legale Associato Via Fatebebefratell, 22 20121 Milan Italy
Nominated Adviser and Broker	Westhouse Securities Limited One Angel Court London EC2R 7HJ
Registrar	Capita Registrars Limited Northern House Woodsome Park Fenay Bridge Huddersfield HD8 0GA

Chief Executive Officer and Chairman's statement

Overview of the Year
Financial Review

The consolidated net asset value at 31 December 2011 was £13.6 million, slightly down from £13.9 million at 31 December 2010. At 31 December 2011, Brainspark's mid-market share price of £0.25p valued the Company at approximately £11.4 million.

The Group made a loss before tax in the period of £6.7 million, compared to the loss of £8.3 million in the year ended 31 December 2010. The audited figure for 2011 is substantially lower than the loss before tax of £11.7 million which had previously been reported in the Company's unaudited preliminary results, announced on 3 July 2012, due mainly to the reduction of the impairment charge provided in the unaudited report.

During the year under review, the Company has pursued its repositioning strategy, to establish Brainspark as a focused operator in the leisure sector, with operations located around the Mediterranean.

The impairment charge for the year was £3.0 million, compared to £6.2 in the previous year to December 2010.

With an outstanding fully diluted number of shares at 31 December 2011 of 45.8 million, the Equity Value per share, after loss and impairment charge was 29.6 pence per share (2010: 101.5 pence per share).

Operational Review

2011 was a year during which Brainspark consolidated and simplified its strategy in line with its existing investing policy. The Company has shifted direction from being an opportunistic investor across different sectors with a number of minority stakes, to becoming an investor in medium sized operational companies, mainly in the leisure business in the Mediterranean area.

To achieve this change in direction, Brainspark has sold some of its minority stakes and has increased its holdings in those companies that the Board wants to effect control over and manage directly. In line with its investing policy, the Company seeks to identify and acquire controlling stakes in companies focused in the leisure and media sectors; in addition to the Mediapolis project, current investments include: Ora Hotel Group S.p.A., Sipiem S.p.A. (Ondaland) and You Can Group S.r.l. (Sosushi).

This strategy has started to come to fruition. Before the year end the Company is expecting to complete all its contracted acquisitions, and to buy additional controlling stakes, if the Board considers them appropriate to the ongoing strategy of the Company, within its investing policy. The collateral needed to bring this strategy into full effect is expected to come from additional equity Placings and the sale of the Mediapolis, which the Board hopes it will finalise in 2012.

Investment Portfolio as at 30 June 2012

Name	Stake	Division
Mediapolis S.p.A.	69.45%	Leisure / Real Estate
Sipiem (Ondaland)	40.0%	Leisure
Ora Hotel Group	20.0%	Leisure
You Can Group (Sosushi)	51.1%	Leisure
Sixlove Group	10.0%	Leisure
Bibop	67.12%	Interactive Media
Geosim	13.0%	Interactive Media
Sforza S.r.l.	20.0%	Finance
Class Finance S.r.l.	20.0%	Finance
Ascend Capital	10.0%	Finance

Chief Executive Officer and Chairman's statement (continued)

Post Balance Sheet Events
The following events have taken place:

On 4 January 2012 the company announced that a large bond holder agreed to convert its holding of £3.5million, plus accrued interest of £449,000 (a total of £3,949,000), into 11 million Brainspark new ordinary shares, at a price of 36 pence per share, a 38 per cent. premium to the current share price.

On 23 February 2012 the company announced that it has placed 13,125,000 new ordinary shares of 2.5p at a price of between 15 to 16 pence per share raising a total of approximately £2 million, before costs, via institutional investors and certain Directors of the Company. The proceeds will be used to fund new investments as well as for working capital purposes.

On 23 March 2012 the company agreed to issue 150,000 new Ordinary Shares to a consultant to the Company in lieu of fees at a price of 30 pence per share. In addition the company has agreed with Argentaria S.r.l. to reverse the acquisition of an office building in Milan and will not therefore issue the 5,000,000 new ordinary shares.

On 3 April 2012 the company announced that it has placed 5,750,000 new ordinary shares of 2.5p at a price of 10 pence per share raising a total of £575,000 before costs, via institutional investors and a Director of the Company. The proceeds will be used to fund working capital purposes ahead of receiving funds from the sale of Mediapolis. Alfredo Villa, Chief Executive of the Company has subscribed for a further 1,500,000 shares in the placing and now has a beneficial holding of 10,029,039, representing 13.2% of the enlarged share capital.

On 13 April 2012 the company announced that the company has also allotted 6,306,667 new Ordinary Shares of 2.5p each to the vendors of Sipiem S.p.A.

On 4 May 2012 the company announced announce the acquisition of 10% of Sixlove Group S.p.A. for a total consideration of EUR 690,000, to be paid as follows: EUR 150,000 in cash, on or before 15 June 2012 and EUR 540,000 in exchange for 3,000,000 new Ordinary shares to be issued at 15 pence per share.

On 15 June 2012 the company announced the acquisition of a 50.1% equity interest in You Can Group S.r.l. was formally completed. The total consideration is EUR 751,500 (£608,715), which Brainspark has agreed to settle as follows:
(i) EUR 4,500 in cash, and
ii) EUR 747,000 through the allocation of already-issued 5,190,000 Brainspark new ordinary shares, at an average price of 11.66 pence per share.

On 26 June 2012 the Company announces that application has been made for admission to trading on AIM ("Admission") of 300,000 new ordinary shares of 2.5p each ("Ordinary Shares") which have been placed with Westhouse Securities at 4.67p each.

On 2 August 2012 the company announced that it has completed the first stage of its investment in Sipiem SpA the construction and leisure company in Biella, Italy. Sipiem owns 66% of Ondaland a reduction from the previously announced 90% as a result of a €7m investment from other investors. The €7m investment was secured to fund the construction of a new indoor theme park, "La Terra d'Endora", situated within the Ondaland complex. It is expected that this new attraction will be opened in time for Easter 2013 and will enable Ondaland to welcome visitors 12 months a year. The initial investment in Sipiem has been made through the swap of the Company's 20% shareholding in Ondaland, as well as €1.9m, which has been settled through €650,000 in cash, which was paid on 27 July 2012 and 6,306,667 ordinary shares in the Company, which were issued on 13 April 2012. As a result of the acquisition, Alfredo Villa has been appointed as a director of Sipiem. In addition, Brainspark has signed an agreement to subscribe for an additional 11% of Sipiem shares, for an amount of €800,000 to be paid on or before 31 December 2012.

On 28 August 2012 the company announced the fast growing international investment company announces that it has issued 4,000,000 new ordinary shares of 2.5p at a price of 5 pence per share in relation to an investment in London based corporate broking firm, Ascend Capital plc. Brainspark has acquired a 9.9 per cent. holding in Ascend Capital, which successfully completed two fundraisings for Brainspark, on 23 February 2012 and 3 April 2012, totalling £2.575 million. Alfredo Villa, Executive Chairman of Brainspark, will join the board of Ascend Capital as a Non-Executive Director.

Update on Bibop SpA

The Company is committed to divesting Bibop and as announced on 7 March 2012, Bibop signed a letter of intent to sell its Mycast video platform to a US company for USD 3 million. The board has now been informed that negotiations have not reached a conclusion due to the difficulty in applying for a US patent to fully protect the MyCast technology. Therefore the Company has today entered into an agreement with Inventia srl, giving the right to use, promote and develop the MyCast platform, implement the patents and undertake commercial use, in exchange for meeting all future development and commercial costs related to these activities.

Bibop still remains the owner of the Mycast platform and will receive the proceeds from any future sale, but will not have the cost burden related to bringing the platform up to a level where a sale can be deemed profitable. Brainspark still owns 67.12 per cent of Bibop, but from 1 October 2012 will not be required to pay any costs related to the Mycast platform, which instead will be met by Inventia.

Inventia has the right at any time to buy the Mycast platform from Bibop for a minimum price of EUR 1.5 million, or if the buyer is a third party (ie, not Inventia), then the minimum selling price is EUR 2.5 million, with a proportionate earn-out for Inventia. Inventia srl, is a company related to Cambria Coinvestment Fund, the other shareholder of Bibop.

Director profiles

Alfredo Villa

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.

Cesare Suglia

Chief Executive Officer

Was appointed 14 May 2012. Is also the CFO of ORH S.p.A., a manager of tour operators, hotels and resorts in Italy and East Africa, operating under the Ora Hotels & Ora Resorts brands. He is also a director of Class Finance, an M&A and financial advisory firm based in Milan. He has 20 years' experience in M&A, financial advisory and management. In the past 10 years he has launched several start-up businesses operating in IT services, E Commerce, consulting and distribution, all of which were subsequently sold to investment funds or larger companies, some of which were quoted. In addition, he has collaborated with and advised various real estate funds, including Pirelli RE and Amundi, in the launch of hotel funds. He has also worked with the management department of University Ca' Foscari Venezia to help develop its Financial Management degree programme.

Enrico Petocchi

Chief Financial Officer

Was appointed 30 April 2012. He is the President of Private Broker SpA, a Milan based financial advisory firm. He has 25 years experience in debt & capital markets as well as management consulting and seed investing. After having worked for major institutions such as IMI (now Intesa Banking Group), Mediobanca and Bain & Company, he founded Twice Corporate Finance in 1997, a corporate finance boutique which was the project leader in the foundation in 1999 of Twice SIM, one of the most successful online trading brokers for private Italian investors. In 2009 Twice SIM was sold for Euro 30 million to IWBank (UBI Group). Enrico studied for his undergraduate at Bocconi University and New York University and received his MBA from INSEAD in 1992. Enrico qualified as a Chartered Financial Analyst in 1993.

Chief Executive Officer and Chairman's statement (Continued)

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.

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.

Dominic White
Non-Executive Director
Was appointed on 30 April 2012. Has over 18 years of experience in the real estate sector working in private equity real estate, fund management and advisory businesses. Throughout his career as a Director or Equity Partner at international institutions such as Security Capital European Realty Private Equity, Henderson Global Investors Investment Management and Cordea Savills Investment Management, he has worked on many Pan-European investment deals completed as Principal, of more than €3.5bn in the UK, Germany, Italy, France, Switzerland and the Nordics. He has invested in all aspects across the real estate sectors including office, residential, retail, leisure and industrial. In the last five years Dominic has founded or been a major shareholder of numerous real estate businesses including an Italian asset manager, an Italian private equity real estate investment company, a Mediterranean marina owner operator and most recently, founded his own small cap European special situations investment and advisory company, White Amba Investments, to acquire smaller opportunistic real estate opportunities in core western Europe. He will oversee all of Brainspark's real estate assets, including the development of Mediapolis (once sold to Sorgente), the villas in Liscia di Vacca and the Ondaland theme park. He has also been charged with finding suitable new investment projects. He is a member of the Institute of Chartered Financial Analysts and is a Chartered Surveyor.

Francesco Emiliani
Non-Executive Director
Was appointed 29 May 2012. Has held a number of senior positions at some of Italy's top companies, including ENEL SpA, where he was CEO of ENEL IT and then CTO of the Group; he was Chairman of Schlumberger Italy between 2001 and 2003, CEO of SEMA Group between 1996 and 2001, and started his career at Olivetti in 1968 where he rose to become CEO of its IT division. He has served on the Board of Mediapolis SpA since February 2006 and acted as Chairman between 2007 and 2009.

Board Appointments and key staff

On 29 February 2012 Justin Drummond was appointed as Executive Chairman but due to other interests and commitments resigned on 16 April 2012. In addition, Haresh Kanabar and Alessandro Malacart also resigned on 16 April 2012 to pursue other interests. Gabriele Gresta resigned on 7 March 2012.

Edward Burman has resigned from the Company with immediate effect to pursue other projects.

On 30 April 2012 Enrico Petocchi was appointed as Chief Financial Officer and Dominic White was appointed as Non-Executive Director.

On 14 May 2012 Cesare Suglia was appointed as Chief Executive Officer.

On 29 May 2012 Francesco Emiliani was also appointed as Non-Executive Director.

Nilesh Jagatia was appointed Head of Finance on 3 September 2012, becoming Brainspark's first UK based employee. Nilesh is responsible for working with the external auditor and finance departments of the investee companies to ensure prompt delivery of financial statements

Chief Executive Officer and Chairman’s statement (Continued)

Outlook

The Board expects to complete its majority investments in ORH SpA (Ora Hotel Group) and Sipiem SpA (Ondland AquaPark) before the end of the year. Together with YouCan Group srl (SoSushi restaurants) the Company will then have three significant, majority owned assets in the leisure and real estate sectors, with combined annual revenues of EUR 60 million.

The Company will look to invest more of its resources, including cash, where needed, into these assets to allow them to follow their own programmes for expansion. With the Italian economy expected to stagnate for the next 12 months, the Company believes it is an excellent time to take advantage of cheap real estate prices and grow the assets of each of these subsidiaries.

Alfredo Villa
Chairman
18 October 2012

Directors' report

The Directors present their report together with the audited financial statements for the year ended 31 December 2011.

Principal Activity

The principal activity of the Group is that of an investment company pursuing a 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 2011 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 diverse leisure operations, the Group uses the following KPI's to track performance in each division. The Hotel group uses Average Room and Occupancy Rates, the Restaurant group uses customer per restaurant and the amusement park uses Visitor and Revenue numbers. The monthly management accounts of investee companies are reviewed on a monthly basis against budgeted values. Any significant variances are investigated and addressed and where appropriate adjustments are made to the fair value of the investments.

Financial risk management

Details of the Group's financial instruments and its policies with regard to financial risk management are contained in note 16 to the financial statements.

Results for the year and dividends

The loss for the year was £6.69 million (2010: loss of £8.29 million). Since the Company does not have any distributable reserves, the Directors are unable to recommend the payment of a dividend.

Directors

The present members of the Board of Directors together with brief biographies are shown on page 2.

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 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)

The board comprised the following directors who served throughout the year and up to the date of this report save where disclosed otherwise beside their name:

Alfredo Villa	(Appointed 1 October 2009)	
Cesare Suglia	(Appointed 27 April 2012)	
Enrico Petocchi	(Appointed 27 April 2012)	
Dominic Andrew White	(Appointed 27 April 2012)	
Gabriele Gresta	(Appointed 22 February 2011)	
Francesco Emiliani	(Appointed 29 May 2012)	
Edward Burman	(Appointed 7 November 2002)	
Justin Drummond	(Appointed 29 February 2012)	(Resigned 16 April 2012)
Francesco Gardin	(Resigned 18 February 2012)	
Alessandro Malacart	(Resigned 16 April 2012)	
Haresh Kanabar	(Resigned 16 April 2012)	
James Strachan	(Resigned 27 April 2012)	

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 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' interests

The interests of the directors who served at the end of the year in the share capital of the Company at 31 December 2011 and 1 January 2011 were as follows:

	31 December 2011	Holding %	31 December 2010
Executive Directors	(2.5p ordinary shares)		(2.5p ordinary shares)
Alfredo Villa	5,404,039	10.98	5,108,039
Cesare Suglia	350,000	-	-
Non-Executive Directors			
Gabriele Gresta	18	-	18
Edward Burman	2,727	-	2,727
Haresh Kanabar	-	-	-
Alessandro Malacart	-	-	-

The closing market price of the ordinary shares at 31 December 2011 was £0.25p and the highest and lowest closing prices during the year were £0.75p and £0.25p respectively.

There have been no changes in the Directors' interests between the year end and 30 September 2012.

Directors' report (continued)

Remuneration

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

	Board fees	Salary	2011 Total	2010 Total
	£'000	£'000	£'000	£'000
Executive Director				
Alfredo Villa *	-	157	157	150
Non-executive Directors				
Gabriele Gresta	12	-	12	-
Edward Burman	12	-	12	21
Haresh Kanabar	50	-	50	5
Alessandro Malacart	6	-	6	27
Total	80	157	237	203

None of the Directors had any pension entitlement.

*Mr Villa is the highest paid director in the year. His 2011 salary for the year was partly settled by the issuance of 225,000 (2010:214,285) ordinary shares in the company; with an amount outstanding of £125,000. The Company does not operate any long term incentive schemes and Mr Villa did not hold nor receive any share options during the year.

Directors' interests in share options and warrants

At 31 December 2011 no Directors had any interest in share options in the Company.

All former share options plans had lapsed and no options were exercised in any of the last three financial years given the prevailing share price of the company.

Significant shareholders

As at 30 September 2012 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	%
Avusy Commercio Servicios De Consultora E investmento LDA	9,750,000	21.27
Regilco S.R.L	7,190,000	15.68
Afredo Villa – Chairman	5,404,039	10.75
Lynchwood Nominees Limited	4,638,999	10.12
HSBC Global Custody Nominee (UK)	4,055,296	8.85
Vidacos Nominees Limited	4,047,042	8.83
Euroclear Nominees Limited	3,150,016	6.87
Gabbrielli & Associati SpA *	2,015,000	4.39
Jim Nominees Limited	1,461,277	3.19

*A. Villa is a 17% shareholder and partner in Gabbrielli & Associati SpA.

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

The directors are satisfied that the group has sufficient future resources, even though at the balance sheet date the group had extremely little liquidity, 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 there are inherent uncertainties in relation to future events, and therefore no certainty over the outcome of the matters described, the directors consider that, based upon financial projections and dependent on the success of their efforts to complete these activities, the Company and the Group will be going concerns for twelve months from the date of approval of these financial statements. As a consequence, these financial statements are prepared on a going concern basis.

Going Concern (continued)
The projections for the year ended 31 December 2013 do not include any receipts from the sale of the investments held for sale. However, within these projections is a private placing for £2.75m for which signed placing letters have been received however, they are dependent upon the suspension of its shares being lifted on AIM. The directors believe that they have now met the requirements to have their suspension lifted.

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 2011 was 294 days (2010: 100 days).

Directors' liability insurance and indemnity
The Company is in the process of arranging insurance cover in respect of legal action against its Directors. To the extent permitted by UK law, the Company also intends to indemnify 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 and in accordance with International Financial Reporting Standards.

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) and 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

Our auditor MHA MacIntyre Hudson resigned during the year and Welbeck Associates were appointed. Welbeck Associates 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
Chairman 18 October 2012

Independent auditor's report to the members of Brainspark Plc

We have audited the financial statements of Brainspark plc for the year ended 31 December 2011 which comprise the group income statement, the group statement of comprehensive income, the group and parent company statements of changes in equity, the group and parent company statements of financial position, the group and parent company statements of cash flows, and the related notes. The financial reporting framework that has been applied in the preparation of the group and parent company financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's 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 explained more fully in the statement of Directors' responsibilities set out on page 7, 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). 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

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2011 and of the group's loss for the year then ended;
- the group and parent company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union; 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 report of the directors 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.

Jonathan Bradley Hoare (Senior statutory auditor)
for and on behalf of Welbeck Associates
Chartered Accountants and Registered Auditor
London, United Kingdom

Group Statement of Comprehensive Income for the year ended 31 December 2011

	Note	2011	2010
Continuing operations		**£'000**	**£'000**
Commission		-	75
Gain/(loss) on disposal of investments		240	(449)
Finance charges	7	(1,448)	(386)
Other operating expenses		(2,460)	(1,334)
Impairment charges		(3,023)	(6,192)
Loss before tax	8	**(6,691)**	**(8,286)**
Tax	10	**-**	-
Loss for the year from continuing operations		**(6,691)**	**(8,286)**
Other comprehensive income			
Net value (loss)/gain on available for sale investments	13	(6,311)	5,460
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(13,002)**	**(2,826)**
Loss attributable to:			
Owners of the company		**(6,691**)	**(8,286)**
Total Comprehensive loss Attributable to:			
Owners of the company		**(13,002)**	**(2,826)**
Loss per share:	11		
From continuing operations		(24p)	(87p)
Basic and diluted loss per 2.5p ordinary share from continuing operations		**(24p)**	**(87p)**

The accounting policies and notes on pages 14 to 30 form part of these financial statements.

Group Statement of Financial Position at 31 December 2011

	Notes	Group 2011 £'000	Group 2010 £'000	Company 2011 £'000	Company 2010 £'000
Non-current assets					
Investments in subsidiaries	12	-	-	-	-
Available for sale investments	13	2,240	22,126	-	-
Other receivables	14	10,980	-	20,338	23,448
Total non-current assets		13,220	22,126	20,338	23,448
Current assets					
Available for sale investments	13	13,063	844	-	-
Trade and other receivables	14	-	129	-	-
Cash and cash equivalents	16	7	-	7	-
Total current assets		13,070	973	7	-
Current liabilities					
Trade and other payables	15	(5,435)	(1,252)	(487)	-
Borrowings	15	(902)		(902)	
Total current liabilities		(6,337)	(1,252)	(1,389)	-
Net current assets / (liabilities)		6,733	(279)	(1,382)	-
Total assets less current liabilities		19,953	21,847	18,956	23,448
Non-current liabilities					
Borrowings	15	(6,363)	(7,896)	(6,363)	(7,896)
Net assets		13,590	13,951	12,593	15,552
Equity					
Share capital	17	1,146	344	1,146	344
Share premium account		26,555	13,983	26,555	13,983
Other reserves	18	6,813	6,813	-	-
Equity component of convertible instrument	18	1,142	1,875	1,142	1,875
Fair value adjustment to available for sale investments	18	-	6,311	-	-
Retained losses		(22,066)	(15,375)	(16,250)	(650)
Equity attributable to owners of the company		13,590	13,951	12,593	15,552

The financial statements were approved by the board of directors and authorised for issue on 17 October 2012. They were signed on its behalf by:

Alfredo Villa
Chairman

Dominic White
Director

The accounting policies and notes on pages 14 to 30 form part of these financial statements.

Company Number 03926192

Group 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)
Issue and conversion of shares in the year	285	13,069	-	_	-	-	13,354
Cost of share issue	-	(145)	-	-	-	-	(145)
Equity component	-	-	-	1,875	-	-	1,875
Fair value adjustment	-	-	-	-	5,460	-	5,460
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 and conversion of shares in the year	285	13,069	-	-	-	-	13,354
Cost of share issue	-	(145)	-	-	-	-	(145)
Conversion of loan note	-	-	-	1,875	-	-	1,875
At 31 December 2010	344	13,983	-	1,875	-	(650)	15,552

Group Statement of Changes in Equity
For the year ended 31 December 2011

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 2011	344	13,983	6,813	1,875	6,311	(15,375)	13,951
Loss for the year	-	-	-	-	-	(6,691)	(6,691)
Fair value adjustment	-	-	-	-	(6,311)	-	(6,311)
Conversion	-	-	-	(733)	-	-	(733)
Issue of shares in the year	802	12,572	-	-	-	-	13,374
At 31 December 2011	1,146	26,555	6,813	1,142	-	(22,066)	13,590
Company							
At 1 January 2011	344	13,983	-	1,875	-	(650)	15,552
Loss for the year	-	-	-	-	-	(15,600)	(15,600)
Issue of shares in the year	802	12,572	-	-	-	-	13,374
Conversion in the year	-	-	-	(733)	-	-	(733)
At 31 December 2011	1,146	26,555	-	1,142	-	(16,250)	12,593

The accounting policies and notes on pages 14 to 30 form part of these financial statements.

Group Statement of Cash Flows
For the year ended 31 December 2011

	Note	Group 2011 £'000	Group 2010 £'000	Company 2011 £'000	Company 2010 £'000
Net cash generated/(used) in operating activities	19	**(1,252)**	**(1,100)**	**(88)**	**(409)**
Cash flows from investing activities					
Increase in loan to subsidiary		-	-	95	
Proceeds from sale of investments		2,349	680	-	-
Purchase of investments		(1,090)	(11,910)	-	(11,910)
Net cash expended in investing activities		**1,259**	**(11,230)**	**7**	**(11,910)**
Cash flows from financing activities					
Proceeds from issue of new ordinary shares (net of expenses)		-	2,934	-	2,934
Net proceeds of bond issue		-	9,385	-	9,385
Net cash generated from financing activities		**-**	**12,319**	**-**	**12,319**
Net increase /(decrease) in cash for the year		**7**	**(11)**	**7**	**-**
Cash and cash equivalents at beginning of year		**-**	**11**	**-**	**-**
Cash and cash equivalents at end of year	16	**7**	**-**	**7**	**-**

The accounting policies and notes on pages 14 to 30 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 and 2.

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:

		Effective for accounting periods beginning on or after:
IFRS 7 (amended)	Financial Instruments: Disclosures - Risk exposures relating to the transfers of Financial Assets and netting arrangements	1 July 2011
IFRS 9	Financial Instruments – Classification and measurement of financial assets and liabilities	1 January 2013
IFRS 10	Consolidated Financial Statements – Identification of the concept of control of an entity and the requirement to include in consolidated accounts	1 January 2013
IFRS 11	Joint Arrangements	1 January 2013
IFRS 12	Disclosure of Interests in Other Entities	1 January 2013
IFRS 13	Fair Value Measurement	1 January 2013
IAS 1 (amended)	Presentation of Items of Other Comprehensive Income	1 July 2012
IAS 12 (amended)	Deferred Tax: Recovery of Underlying Assets	1 January 2012
IAS 19 (revised)	Employee Benefits	1 January 2013
IAS 27 (revised	Separate Financial Statements	1 January 2013
IAS 28 (revised)	Investments in Associates and Joint Ventures	1 January 2013
IAS32(amended)	Financial Instruments: Presentation	1 January 2014

The Directors have considered these new standards and interpretations and do not expect them to have a material impact on the Group.

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 extremely little liquidity, 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 there are inherent uncertainties in relation to future events, and therefore no certainty over the outcome of the matters described, the directors consider that, based upon financial projections and dependent on the success of their efforts to complete these activities, the Company and the Group will be going concerns for twelve months from the date of approval of these financial statements. As a consequence, these financial statements are prepared on a going concern basis.

The projections for the year ended 31 December 2013 do not include any receipts from the sale of the investments held for sale. However, within these projections is a private placing for £2.75m for which signed placing letters have been received however, they are dependent upon the suspension of its shares being lifted on AIM. The directors believe that they have now met the requirements to have their suspension lifted.

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.

Notes to the financial statements

2 Accounting policies (Continued)

Business Combinations (continued)
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.

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.

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.

Notes to the financial statements

2 Accounting policies (Continued)

Taxation (continued)
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
The Company is exposed to a number of different risks arising from normal course business exposures, as well as the Company's use of financial instruments. These risk factors include: (1) foreign currency risk and interest rate risk; (2) liquidity risk; and, (3) credit risk. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and establishes and monitors risk management policies to: identify and analyse the risks faced by the Company; to set appropriate risk limits and controls; and to monitor risks and adherence to market conditions and the Company's activities. The Company determines the fair value of its financial instruments based on the following hierarchy:

LEVEL 1 – Where financial instruments are traded in active financial markets, fair value is determined by reference to the appropriate quoted market price at the reporting date. Active markets are those in which transactions occur in significant frequency and volume to provide pricing information on an ongoing basis.

LEVEL 2 – If there is no active market, fair value is established using valuation techniques, including discounted cash flow models. The inputs to these models are taken from observable market data including recent arm's length market transactions, and comparisons to the current fair value of similar instruments; but where this is not feasible, inputs such as liquidity risk, credit risk and volatility are used.

LEVEL 3 – Valuations in this level are those with inputs that are not based on observable market data.

Financial Assets
Financial assets are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

The Group's financial assets are classified into the following specific categories: "available for sale investments", "trade and other receivables", and "cash and cash equivalents". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

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.

Notes to the financial statements

2 Accounting policies (Continued)

Investments (continued)
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.

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.

Financial liabilities
Financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

The Group's financial liabilities comprise convertible bonds and trade payables.

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 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 £3,172,000 (2010: £6,192,000) have been made against investments. The carrying value of investments at 31 December 2011 is £15,303,000 (2010: £22,970,000).

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 category of these segments is Italy.

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

	2011			2010		
	UK £'000	**Italy £'000**	**Total £'000**	**UK £'000**	**Italy £'000**	**Total £'000**
Commissions	-	-	**-**	75	**-**	**75**
Gain/(loss) on disposal of investment	-	240	**240**	(449)	**-**	**(449)**
Finance charges	(1,448)	-	**(1,448)**	(386)	**-**	**(386)**
Other operating expenses	(2,311)	-	**(2,311)**	(1,334)	**-**	**(1,334)**
Impairment of investments	-	(3,172)	**(3,172)**	(639)	(5,553)	**(6,192)**
Loss for the financial year	(3,759)	(2,932)	**(6,691)**	(2,733)	(5,553)	**(8,286)**

	2011				2010			
	Segment assets £'000	**Segment liabilities £'000**	**Net additions To non-current Assets £'000**	**Net assets £'000**	**Segment assets £'000**	**Segment liabilities £'000**	**Net Additions to non-current assets £'000**	**Net assets £'000**
UK	7	(2,392)	-	(2,385)	844	(8,148)	-	(7,304)
Italy	23,226	(10,308)	3,057	15,975	1,814	(1,000)	19,678	20,492
USA	-	-	-	-	-	-	763	763
	23,233	**(12,700)**	**3,057**	**13,590**	**2,658**	**(9,148)**	**20,441**	**13,951**

5. Employee information

	2011 Number	**2010 Number**
The average number of employees during the period was as follows:		
Management	3	2

	2011 £'000	**2010 £'000**
Staff costs during the period including directors comprise:		
Wages and salaries	237	203
Social security costs	-	-
Other pension costs	-	-
	237	203

Notes to the financial statements

6. Directors' remuneration

	2011 £'000	2010 £'000
Aggregate emoluments	237	203
	237	203

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

7. Finance charges

	2011 £'000	2010 £'000
Interest on 2014 bond at 7%	1,448	386
	1,448	386

8. Loss for the year

	2011 £'000	2010 £'000
Loss before tax is stated after charging:		
Auditor's remuneration:		
Audit of parent	10	10
Audit of subsidiaries	25	25
Non audit services:		
Other services	-	-

9. 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 £15,600,000 (2010: Loss £373,000).

10. Tax

	2011 £'000	2010 £'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 2011 amount to approximately £11 million (2010: £11 million) and £4 million (2010: £4 million) respectively.

Notes to the financial statements

10. Tax (continued)

The standard rate of tax for the current year, based on the UK standard rate of corporation tax is 26.5% (2010 – 28%). The actual tax for the current and previous year varies from the standard rate for the reasons set out in the following reconciliation:

	2011 £'000	2010 £'000
Loss from continuing operations	(6,691)	(8,286)
Tax on ordinary activities at standard rate	(1,773)	(2,320)
Effects of:		
Expenses not deductible for tax purposes	1,621	1,672
Tax losses available for carry forward against future profits	152	648
Total tax	-	-

11. 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	2011 Weighted average no of shares 000's	Per share Amount pence	Loss £'000	2010 Weighted average no of shares 000's	Per share Amount pence
Earnings per share						
Basic and Diluted	(6,691)	27,968	(24p)	(8,286)	9,560	(87p)

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.

Notes to the financial statements

12. Investments in subsidiaries

Company	2011 £'000	2010 £'000
Loans to subsidiary undertaking	20,338	23,448

The Company's subsidiary undertakings at 31 December 2011 were as follows:

Subsidiaries	Country of incorporation	Status	% Owned	Nature of Business
Brainspark Associates Limited *	England	Dissolved	100	Internet incubation
Gordons 153 Limited	England	Dormant	100	Special Purpose Vehicle (Filmmaster acquisition)

* Brainspark Associates Limited was struck off the register at Companies House due to an administrative error. The Directors are in the process of having the company reinstated.

13. Available for sale investments

Group	2011 £'000	2010 £'000
Fair value		
At 1 January	22,970	1,814
Impairment recognised in the income statement	(3,023)	(6,192)
Transfer from trade and other receivables	129	-
Transfer to trade and other receivables	(10,980)	-
Additions	14,627	23,017
Fair value (loss)/gain recognised in equity	(6,311)	5,460
Disposals	(2,109)	(1,129)
Carrying value at 31 December	15,303	22,970
Non-current assets	2,240	22,126
Current assets	13,063	844
	15,303	22,970

Notes to the financial statements

13. Available for sale investments (continued)

The vast majority of available for sale investments are valued in accordance with IFRS 7 and Level 3 of the fair value hierarchy. The Level 3, unquoted equity instruments comprise an aggregate 69.45% investment in the Mediapolis project via Mediapolis S.p.A. 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 and a 67.12% in BIBOP. S.p.A. 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.

14. Trade and other receivables

	Group 2011 £'000	Group 2010 £'000	Company 2011 £'000	Company 2010 £'000
Trade and other receivables	-	129	-	-
Amounts falling due after one year				
Amounts owed by subsidiaries	-	-	19,858	23,448
Participating loans in associated undertakings	10,980	-	-	-
	10,980	**129**	**19,858**	**23,448**
Non-current assets	10,980	-	19,858	23,448
Current assets	-	129	-	-

The directors consider that the carrying value of trade and other receivables approximates to their fair value. Non-current trade and other receivables include investment deposits in Ondaland, ORH S.p.A., Mobnotes S.r.l., Sforza S.r.l. and IMAC and are after an impairment charge of £1,531,000 (2010:£37,000) made in the year. These deposits will be converted to equity once contractual obligations have been fulfilled. The non-current receivables also included £1,164,000 relating to disposal proceeds receivable in respect of AC Ancona and Cogeme SET which have been disposed-of. A provision of £1,164,000 has been made against these receivable balances.

15. Borrowings, Trade and other payables

	Group 2011 £'000	Group 2010 £'000	Company 2011 £'000	Company 2010 £'000
Non-current liabilities				
2014 7% Convertible Bond (see below)	6,363	7,896	6,363	7,896
Current liabilities				
Accruals	1,347	252	-	-
Other payable	4,088	1,000	-	-
Borrowings	902		902	
	6,337	1,252	902	-

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.

Notes to the financial statements

15. Borrowings, Trade and other payables (continued)

During the year a bond holder converted £2.64 million into equity shares for which 8,035,856 ordinary shares of 2.5p each were issued in exchange for the bond and cumulative interest due thereon.

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 12.5% per annum.

	2011 £'000	**2010 £'000**
Liability component at 1 January	7,896	-
Net proceeds of issue	-	9,385
Equity component	-	(1,875)
Liability component at date of issue	7,896	7,510
Interest charge for the year	1,448	386
Conversion during the year including interest	(2,079)	-
Liability component at 31 December	7,265	7,896

The other payable of £4.08 million (2010; £1million) represents the directors' assessment of the amounts due to fulfil contractual obligations relating to purchase of investments.

16. Financial instruments

The Group's financial instruments comprise cash, available for sale investments, 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, with the exception of amounts due to fulfil contractual obligations of £4,088,000 (2010: £1,000,000). 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.

FINANCIAL ASSETS BY CATEGORY

The IAS 39 categories of financial assets included in the balance sheet and the headings in which they are included are as follows:

	2011 £'000	2010 £'000
Financial assets:		
Available for sale investments	15,303	22,970
Loans and receivables:	10,980	129
Cash and cash equivalents	7	-
	26,290	23,099

FINANCIAL LIABILITIES BY CATEGORY

The IAS 39 categories of financial liability included in the balance sheet and the headings in which they are included are as follows:

	2011 £'000	2010 £'000
Financial liabilities at amortised cost:		
Trade and other payables	5,435	1,252
Borrowings	7,265	7,896
	12,700	9,148

Financial instruments measured at fair value

16. Financial instruments (continued)

	Level 1 £'000	Level 2 £'000	Level 3 £'000
As at 31 December 2011			
Available for sale investments	-	-	15,303
As at 31 December 2010			
Available for sale investments	-	-	22,970

The company had adopted fair value measurements using the IFRS 7 fair value hierarchy.

Categorisation within the hierarchy has been determined on the basis of the lowest level of input that is significant to the fair value measurement of the relevant asset as follows:

Level 1 -valued using quoted prices in active markets for identical assets
Level 2 -valued by reference to valuation techniques using observable inputs other than quoted prices included in Level 1.
Level 3 -valued by reference to valuation techniques using inputs that are not based on observable markets criteria

Capital risk management
The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through optimisation of the debt and equity balance. The capital structure of the Group consists of debt attributable to convertible bond holders, borrowings, cash and cash equivalents, equity attributable to equity holders of the Group, comprising issued capital, reserves and retained earnings, all as disclosed in the Statement of Financial Position.

Significant accounting policies
Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument disclosed in note 2 to the financial statements.

Financial risk management objectives
The company is exposed to a variety of financial risks which result from both its operating and investing activities. The Group's risk management is coordinated by the board of directors, and focuses on actively securing the Company's short and medium term cash flows by raising liquid capital to meet current liability obligations.

Market price risk
The company's exposure to market price risk mainly arises from potential investments in the fair value of its investments. The Group manages this price risk within its long-term investment strategy to manage a diversified exposure to the market. If each of the Group's equity investments were to experience a rise or fall of 5% in their fair value, this would result in the Group's net asset value and statement of comprehensive income increasing or decreasing by £775,000 (2010: £1,149,000).

Foreign currency risk management
The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Amounts due to fulfil contractual obligations of £4,088,000 are denominated in Euros. An adverse movement in the exchange rate will impact the ultimate amount payable, a 10% increase or decrease in the rate would have a profit or loss of £408,000; to foreign currency movements at 31 December 2011. The Group's functional currency is the sterling, as all the monetary assets and liabilities at 31 December 2011 were denominated in sterling.

Notes to the financial statements

16. Financial instruments (continued)

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which monitors the Group's short, medium and long-term funding and liquidity management requirements on an appropriate basis. The Group has very little cash balance 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. The is an on-going process and the directors are confident with their cash flow models.

The following are the undiscounted contractual maturities of financial liabilities, excluding borrowings in convertible bonds:

	Carrying Amount	**Between 6 months and 1 year**	**Between 1 and 5 years**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
As at 31 December 2011				
Trade payables	5,435	5,435	-	5,435
Borrowings	7,265	902	6,363	7,265
	12,700	6,337	6,363	12,700
As at 31 December 2010		-	-	
Trade payables	1,252	1,252	-	1,252
Borrowings	7,896		7,896	7,896
	9,148	1,252	7,896	9,148

Management believes that based on the information provided in Note 2 – Basis of preparation and going concern, that future cash flows from operations will be adequate to support these financial liabilities.

Interest rate risk of financial assets

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

Group	**2011 £'000**	**2010 £'000**
Sterling deposits	-	-
Cash at bank and in hand	7	-
	7	-

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. The Group's exposure to interest rate risk is minimal as cash balances earn nominal interest and the loan payable is a fixed (effective) rate instrument and is not subject to fluctuations in interest risk. The Group has no other loans subject to interest rate.

Credit risk management

The Group's financial instruments, which are subject to credit risk, are considered to be trade and other receivables, there are risks that the amount to be received becomes impaired. The Group's maximum exposure to credit risk is £10,980,000 (2010: £129,000) comprising receivables during the period.

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Notes to the financial statements

17. Called up share capital

	2011 Number	2010 Number	2011 £'000	2010 £'000
Allotted, called up and fully paid				
Ordinary shares of 2.5p each	45,847,710	13,751,854	1,146	344
	45,847,710	13,751,854	1,146	344

The following shares were issued during the year:

On 7 March 2011 the Company issued 660,000 ordinary shares of 2.5p each at 37p being the investment in Mobnotes S.r.l..

On 17 March 2011 the Company issued 440,000 ordinary shares of 2.5p each at 37p being the investments in Class Finance S.r.l..

On 31 March 2011 the Company issued 2,015,000 ordinary shares of 2.5p each at 50p as further investments in Mediapolis S.p.A..

On 4 April 2011 the Company issued 225,000 ordinary shares of 2.5p each at 50p to Mr Villa in lieu of his 2011 remuneration.

On 8 April 2011 the Company issued 310,000 ordinary shares of 2.5p each at 48p being the investment in Wall S.r.l..

On 26 May 2011 the Company issued 1,760,000 ordinary shares of 2.5p each at 50p being a further investment in BIBOP S.p.A..

On 28 June 2011 the Company issued 9,750,000 ordinary shares of 2.5p each at 40p being a further investment in ORH S.p.A. hotels.

During July 2011 the Company issued 8,035,856 ordinary shares of 2.5p each at 35p in respect of a bond holder converting £2.64 million of their bond into equity shares.

On 19 October 2011 the Company issued 1,750,000 ordinary shares of 2.5p each at 28p for an investment in You Can Group S.r.l..

On 8 November 2011 the Company issued 7,150,000 ordinary shares of 2.5p each at 50p for a further investment in Mediapolis S.p.A. for the acquisition of 10 villas.

Notes to the financial statements

18. 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 2011 £'000	**Group 2010 £'000**
Share capital	1,146	344
Share premium account	26,555	13,983
Other reserves	6,813	6,813
Fair value adjustment to available for sale investments	-	6,311
Equity component of convertible instrument	1,142	1,875
Retained losses	(22,066)	(15,375)
Total equity	13,590	13,951

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 £6,311,000 (2010:£5,460,000) to available for sale investments represents a net decrease in some of the group's available for sale investments based upon assessments made by the directors'.

19.Cash used in operations

	Group 2011 £'000	**Group 2010 £'000**	**Company 2011 £'000**	**Company 2010 £'000**
Loss before tax	(6,691)	(8,286)	(15,600)	(373)
Amounts written off investments	3,023	6,192	13,464	-
Loss/(gain) on disposal of investment	(240)	449	-	-
Finance charges	1,448		1,448	
Shares issued in settlement of director's fees	113		113	
(Increase)/decrease in receivables	-	(121)	-	-
Increase/(decrease) in payables	1,095	10,883	487	(63)
Other adjustments	-	(10,217)	-	27
Cash generated (used) in operations	(1,252)	(1,100)	(88)	(409)

Notes to the financial statements

20. 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.

RCF SA invoiced £Nil (2010 £145,000) 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.

21. Post balance sheet events

The following events have taken place:

On 4 January 2012 the company announced that a large bond holder agreed to convert its holding of £3.5million, plus accrued interest of £449,000 (a total of £3,949,000), into 11 million Brainspark new ordinary shares, at a price of 36 pence per share, a 38 per cent. premium to the current share price.

On 23 February 2012 the company announced that it has placed 13,125,000 new ordinary shares of 2.5p at a price of between 15 to 16 pence per share raising a total of approximately £2 million, before costs, via institutional investors and certain Directors of the Company. The proceeds will be used to fund new investments as well as for working capital purposes.

On 23 March 2012 the company agreed to issue 150,000 new Ordinary Shares to a consultant to the Company in lieu of fees at a price of 30 pence per share. In addition the company has agreed with Argentaria S.r.l. to reverse the acquisition of an office building in Milan and will not therefore issue the 5,000,000 new ordinary shares.

On 2 April 2012 the company announced that it has agreed with the vendors of You Can Group S.r.l. (the holding company of SoSushi) that cash consideration of EUR1.2 million due to it will now be satisfied by the issue of 6,880,000 new Brainspark ordinary shares at a price of 2.5 pence per share. This further investment in Sosushi will take the Company's holding from 20 per cent. to 51 per cent and it is expected to be completed on 4 April 2012.

On 3 April 2012 the company announced that it has placed 5,750,000 new ordinary shares of 2.5p at a price of 10 pence per share raising a total of £575,000 before costs, via institutional investors and a Director of the Company. The proceeds will be used to fund working capital purposes ahead of receiving funds from the sale of Mediapolis. Alfredo Villa, Chief Executive of the Company has subscribed for a further 1,500,000 shares in the placing and now has a beneficial holding of 10,029,039, representing 13.2% of the enlarged share capital.

On 13 April 2012 the company announced that the company has also allotted 6,306,667 new Ordinary Shares of 2.5p each to the vendors of Sipiem S.p.A.

On 4 May 2012 the company announced the acquisition of 10 per cent. of Sixlove Group S.p.A. for a total consideration of EUR 690,000, to be paid as follows: EUR 150,000 in cash, on or before 15 June 2012 and EUR 540,000 in exchange for 3,000,000 new Ordinary shares to be issued at 15 pence per share.

On 15 June 2012 the company announced the acquisition of a 50.1% equity interest in You Can Group S.r.l. was formally completed. The total consideration is EUR 751,500 (£608,715), which Brainspark has agreed to settle as follows:

Notes to the financial statements

21. Post balance sheet events (continued)

(i) EUR 4,500 in cash, and
(ii) EUR 747,000 through the allocation of already-issued 5,190,000 Brainspark new ordinary shares to be issued at an average price of 11.66 pence per share.

On 26 June 2012 the Company announces that application has been made for admission to trading on AIM ("Admission") of 300,000 new ordinary shares of 2.5p each ("Ordinary Shares") which have been placed with Westhouse Securities at 4.67p each.

On 2 August 2012 the company announced that it has completed the first stage of its investment in Sipiem SpA the construction and leisure company in Biella, Italy. Sipiem owns 66% of Ondaland a reduction from the previously announced 90% as a result of a €7m investment from other investors. The €7m investment was secured to fund the construction of a new indoor theme park, "La Terra d'Endora", situated within the Ondaland complex. It is expected that this new attraction will be opened in time for Easter 2013 and will enable Ondaland to welcome visitors 12 months a year. The initial investment in Sipiem has been made through the swap of the Company's 20% shareholding in Ondaland, as well as €1.9m, which has been settled through €650,000 in cash, which was paid on 27 July 2012 and 6,306,667 ordinary shares in the Company, which were issued on 13 April 2012. As a result of the acquisition, Alfredo Villa has been appointed as a director of Sipiem. In addition, Brainspark has signed an agreement to subscribe for an additional 11% of Sipiem shares, for an amount of €800,000 to be paid on or before 31 December 2012.

On 28 August 2012 the company announced the fast growing international investment company announces that it has issued 4,000,000 new ordinary shares of 2.5p at a price of 5 pence per share in relation to an investment in London based corporate broking firm, Ascend Capital plc. Brainspark has acquired a 9.9 per cent. holding in Ascend Capital, which successfully completed two fundraisings for Brainspark, on 23 February 2012 and 3 April 2012, totalling £2.575 million. Alfredo Villa, Executive Chairman of Brainspark, will join the board of Ascend Capital as a Non-Executive Director.

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

When considering what action you should take, you are recommended to consult an independent financial advisor authorised under the Financial Services and Markets Act 2000. If you have sold or otherwise transferred all of your shares in Brainspark Plc (the "Company"), please forward this document and the accompanying documents to the purchaser or transferee of those shares or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee of those shares.

BRAINSPARK PLC

(Registered in England and Wales with Company Number: 03926192)

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Brainspark PLC will be convened at 1 Grosvenor Crescent, London, SW1X 7EF on 28 November 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.

A member entitled to attend and vote at a general meeting of the Company is entitled to appoint one or more proxies to attend, and on a poll, to vote instead of him. A proxy need not also be a member of the Company. Please refer to the detailed notes contained in the form of proxy attached to this notice. Completion and return of a proxy form will not preclude members from attending and voting at the general meeting in person.

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 and adopt the report and accounts of the Company for the year ended 31 December 2011.

2 To re-appoint Messrs Wellbeck Associates as auditor and authorise the Directors to determine their remuneration.

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

4 To re-elect C. Suglia (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**") (in substitution for all existing authorities), to exercise all the powers of the Company to allot ordinary shares of 2.5p pence each in the Company (unless previously renewed, varied or revoked by the Company in general meeting before such expiry) and to grant rights to subscribe for or convert any security into ordinary shares *.* Such authority will expire on the date of the annual general meeting of the Company to be held in 2013 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 THAT, subject to the passing of resolution 5 above, the directors be and are generally empowered pursuant to sections 570 and 571 of the Companies Act 2006 (the "Act") to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the authority conferred by resolution 5 above as if section 561(1) of the Act did not apply to the allotment. This power is limited to:

a) the allotment of equity securities ; and
b) will expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution but the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of that offer or agreement as if the power conferred by this resolution had not expired.

7 To consider and, if thought fit, to pass, with or without amendment, the following resolution as a special resolution:

"That the name of the Company be changed to Clear Leisure Plc."

By order of the Board

Seymour Company Secretaries Limited
Company secretary

New Derwent Housel, 69 - 73 Theobalds Road, London WC1X 8TA
Company Secretary 17 October 2012

Notes

1. Resolution 5 - Authority to Allot Shares

This resolution relates to the authority of the directors to allot shares. Under section 551 of the Act, the directors of a company may allot shares if authorised to do so by shareholder resolution. Resolution 5, if passed, will continue the directors' flexibility to act in the best interests of shareholders, when opportunities arise, by issuing new shares. Resolution 5 will, if passed, permit the directors to exercise all powers of the Company to allot shares in the Company or to grant rights to subscribe for, or to convert any security into shares in the Company. The authority will expire at the conclusion of the next Annual General Meeting of the Company unless renewed, varied or revoked at a General Meeting of the Company in the intervening period.

2. Resolution 6 - Disapplication of Pre-Emption Rights

This resolution relates to the disapplication of pre-emption rights and is a special resolution. If equity securities are to be allotted for cash pursuant to the authority proposed to be given by resolution 5, section 561(1) of the Act requires that those securities are offered first to existing shareholders in proportion to the number they each hold at that time and otherwise in accordance with the technical requirements of the Act. There may be circumstances, however, when it is in the interests of the Company to be able to allot new equity securities or sell shares held in treasury for cash without first offering them to existing shareholders or otherwise than strictly in compliance with those requirements, for example to finance business opportunities. The authority proposed to be given by resolution 6 will allow the directors to allot equity securities for cash without first offering them to existing shareholders in accordance with the Act, but limits such allotments:

i. to those made in connection with a rights issue or other pre-emptive offer to shareholders (subject to the directors' ability to make arrangements to deal with certain legal or practical problems arising in connection with such an offer); and otherwise

3. 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.

4. 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
ANNUAL GENERAL MEETING
OF
BRAINSPARK PLC
(Company number: 03926192)

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 on 28 November 2012, 11 am at 1 Grosvenor Crescent, London, SW1X 7EF, 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 the year ended 2011	FOR***/AGAINST/ WITHELD***
2.	To re-appoint the auditors Messrs Wellbeck Associates and authorise the directors to determine their remuneration	FOR***/AGAINST/ WITHELD***
3.	To re-elect A. Villa as a Director	FOR***/AGAINST/WITHELD***
4.	To re-elect C. Suglia as a Director	FOR***/AGAINST/WITHELD***
5.	To give Directors authority to allot ordinary shares	FOR***/AGAINST/WITHELD***
6.	To give authority to allot, equity securities on non-rights issue basis	FOR***/AGAINST/WITHELD***
7.	That the name of the Company be changed to Clear Leisure Plc	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 New Derwent House, 69-73 Theobalds Street, London, WC1X 8TA, 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.