28 June 2002

BRAINSPARK PLC (“Brainspark” or “the Company”)

Preliminary Results for the year ended 31 December 2001

I am pleased to present my report for the year ended 31 December 2001.

The results represented a loss of £12.9 million and have been heavily influenced by the negative sentiment affecting the technology investment market as a whole and early stage companies in particular. The uncertainty surrounding the markets in general added to this difficulty. Furthermore, the tragic events of 11 September have had a significant effect on world markets since that date and Brainspark has not been immune to this. There is no evidence at present of an imminent improvement in this sentiment.

Therefore, the Board has agreed several changes within Brainspark to navigate through this continuing hostile environment, while pursuing, at the same time, a cost reduction policy.

Whereas Internet incubation can no longer represent a viable business model, the new Board of Brainspark has acknowledged the current market situation and is in the process of adopting a strategy of sharp departure from the sole incubator approach - focusing on additional lines of revenues, ranging from IT portfolio management, private placements, mergers and acquisitions and fund raising through advanced financial instruments.

I was appointed Chairman in February 2002 following the offer by AISoftware S.p.A. which resulted in it holding 65.5 per cent. of the Company’s issued share capital.

As the present Chairman, I will describe the period covered by this financial statement and give a brief outline of the subsequent first quarter of 2002.

Summary Financial Results

The Group cash reserves at 31 December 2001 stood at £5.6 million and the Company’s net asset value (“NAV”) at 31 December 2001 was £7.0 million compared with £24.0 million at 31 December 2000. This negative movement in NAV is disappointing. This was mainly due to the losses realised on the sale and winding down of a number of portfolio companies.

Market Environment

The underlying reason for this result has been the dramatic turn for the worse in capital market sentiment towards our investment arena during the whole of 2001. The businesses in which the Company invested seed capital last year and the year before have not been able to achieve follow-on funding and related valuation gains as originally planned.

Operational Changes

In response to these market conditions, the Board modified its operating approach. From the outset, the Company has provided a relatively comprehensive range of services and infrastructure to support the development of its investee businesses. This has remained our approach but in the current market the cost base should be further reduced. The previous Board adopted a programme that reduced our operating cash requirement during the whole year – reducing our operating cash requirement to below £200,000 per month. These actions reduced the negative impact operating expenses on our NAV. The present Board is focussed on further reducing the monthly cash requirement during 2002 to a minimum.

Board Changes

In keeping with the market and the operational changes, the Board was restructured on 28 February 2001. This restructuring was designed to align the skills and experience of the Board with Brainspark's modified operation and the specific challenges facing the Company. Following the offer by AISoftware S.p.A., the Board structure was modified to better represent the new shareholding structure. I considered that the Board would benefit from having additional experience available in order to better assist young companies better through difficult market conditions. In this respect, the individuals appointed to the present Board are – in my opinion – best able to support the business both in Europe and the United States of America.

Brainspark Evolution

At the outset, Brainspark was conceived to build a role in the initial stages of financing new business ideas. It would find, develop and then exit through trade sales or flotation a number of businesses relatively swiftly. The consequence of the current negative market conditions is that Brainspark has invested in fewer businesses and for a longer period than originally envisaged. As a result, some of our businesses were beyond the point where extensive hands-on support was making the difference between success and failure. Adding these factors together, we were at a stage of market development and our own portfolio development where Brainspark had to evolve its business model. While on the one hand, we had to significantly reduce the Brainspark headcount during 2001 – retaining just two employees by March 2002 – on the other hand, new sources of revenues, consistent with the Company's and new Board's know-how had to be identified. This process is currently ongoing, but the first areas of intervention have already been identified, which include, among others: IT portfolio management, private placements, mergers and acquisitions and fund raising through advanced financial instruments.

At the same time, an important asset acquisition is under evaluation, which would involve some key investments of Infusion S.p.A, the AISoftware 99.9 per cent. controlled investment vehicle, transferring to Brainspark, to create a portfolio covering a geographic area ranging from UK to Italy and Israel.

Investments Review

To date, Brainspark has invested in eighteen projects. Seventeen investments were made during 2000 and one in 2001. At the beginning of 2001, our portfolio comprised a broad range of businesses including exchanges, Web service businesses and application service providers. As the follow-on funding environment became tougher, we have had a longer-term view in our initial selection criteria and also our decisions on whether or not to continue supporting businesses that were not attracting new third party funding. This has been the case for the last few months and it will certainly continue. Some of our businesses have not made the progress that was originally envisaged. We announced the closure or sale of ten companies at the end of 2001. We have also made provisions in the year end accounts for the losses on disposal of our interests in certain other portfolio businesses. The aggregate impact of these activities has been a £6.0 million reduction in the value of the Company's portfolio.

In May 2002, following the takeover of Brainspark, the Board announced it had entered into negotiations with Infusion S.p.A. - an Italian incubator owning eight minority holdings in advanced technology companies - with a view to the acquisition of certain of Infusion's trade and assets. A further announcement will be made in due course.

Prospects

We face the future with optimism – especially if the transaction between Brainspark and Infusion takes place. We still have to consider certain issues going forward – externally market conditions and internally further rationalising the portfolio taking into consideration the opportunities that are presented by these companies.

I believe that the Board has now approved the necessary steps to enable the financial performance of Brainspark to improve – especially when market sentiment in the technology sector improves. If and when the acquisition of Infusion is completed, we will have a number of interesting businesses operating in technologically advanced sectors. A few companies are already prepared for the public sale of shares when the market conditions are more favourable than now.

Prof. Francesco Gardin
Chairman

Consolidated profit and loss account
for the year ended 31 December 2001

	Notes	2001 £'000	2000 £'000
Turnover		-	-
Net operating expenses – recurring		(4,149)	(5,644)
Net operating expenses – exceptional		(3,550)	(4,054)
Total net operating expenses/group operating loss – continuing		(7,699)	(9,698)
Share of operating loss of associated undertakings		(5,329)	(4,548)
Total operating loss: group and share of associated undertakings		(13,028)	(14,246)
Exceptional items			
Profit on deemed disposal of interests in associated undertakings		421	1379
Loss on disposal, liquidation and provisions for loss on disposal of interests in associated undertakings		(223)	(2433)
Loss on ordinary activities before interest		(12,830)	(15,300)
Net interest receivable		396	736
Amounts written off investments		(499)	-
Loss on ordinary activities before taxation		(12,933)	(14,564)
Tax on loss on ordinary activities		-	(27)
Loss on ordinary activities after taxation		(12,933)	(14,591)
Equity minority interests		34	37
Retained loss for the financial year		(12,899)	(14,554)
Loss per 1p ordinary share			
basic and diluted	2	(10.5p)	(14.9p)

The loss for the year is derived wholly from continuing activities.

Consolidated statement of total recognised gains and losses
for the year ended 31 December 2001

	Notes	2001 £'000	2000 £'000
Loss for the financial year		(12,899)	(14,554)
(Impairment)/Revaluation of fixed asset investments		(719)	719
Total recognised losses for the year		(13,618)	(13,835)

Consolidated Balance sheet
as at 31 December 2001

	2001 £'000	2000 £'000
Fixed assets		
Tangible assets	616	1,135
Investments in associated undertakings	250	4,987
Other investments	350	1,568
Investment in own shares	147	2,445
	1,363	10,135
Current Assets		
Debtors	981	1,609
Cash at bank in hand	5,553	9,766
	6,534	11,375
Creditors: amounts falling due within one year	(762)	(586)
Net current assets	5,772	10,789
Total assets less current liabilities	7,135	20,924
Provisions for liabilities and charges	(122)	(385)
Net assets	7,013	20,539
Capital and reserves		
Called up share capital	1,233	1,233
Share premium account	26,442	26,442
Revaluation reserve	-	719
Other reserves	6,813	6,813
Profit and loss account/(deficit)	(27,475)	(14,702)
Total equity shareholders' funds	7,013	20,505
Equity minority interests	-	34
Capital employed	7,013	20,539

Reconciliation of movements in shareholders' funds
for the year ended 31 December 2001

	2001 £'000	2000 £'000
Loss for the period	(12,899)	(14,554)
New share capital issued for cash	-	26,799
Revaluation of fixed asset investments	(719)	719
Charge for issue of shares at below market value	126	395
Net (reduction)/ additions to shareholders' funds	(13,492)	13,359
Opening shareholders' funds	20,505	7,146
Closing shareholders' funds	7,013	20,505

Consolidated cash flow statement
for the year ended 31 December 2001

	Notes	2001 £'000	2000 £'000
Net cash outflow from operating activities	1	(3,696)	(6,260)
Returns on investments and servicing of finance			
Interest received (net)		381	723
Net cash inflow from returns on investments and servicing of finance		381	723
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(61)	(1,392)
Receipts from sale of tangible fixed assets		13	-
Purchase of other investments		-	(849)
Purchase of own shares		-	(5,322)
Net cash outflow from capital expenditure and financial investment		(48)	(7,563)
Acquisitions and disposals			
Purchase of subsidiary undertaking		-	(550)
Cash acquired with subsidiary undertaking		-	550
Purchase of investments in associated undertakings		(385)	(6,800)
Loans to associated undertakings		(465)	(780)
Net cash outflow from acquisitions and disposals		(850)	(7,580)
Net cash outflow before financing		(4,213)	(20,680)
Financing		-	
Issue of ordinary share capital			26,799
Net cash inflow from financing		-	26,799
(Decrease)/Increase in net cash for the period		(4,213)	6,119
Reconciliation of cash flow to movement in net cash			
Net cash at beginning of period		9,766	3,647
(Decrease)/Increase in net cash in the period		(4,213)	6,119
Net cash at end of period		5,553	9,766

Notes to the financial statements

1 Reconciliation of operating loss to net cash outflow from operating activities

	2001 £'000	2000 £'000
Operating loss	(7,699)	(9,698)
Depreciation charge	467	257
Goodwill written off on acquisition of subsidiary undertaking	-	71
Provisions against loans to associated undertakings	645	-
Provision against investment in own shares	2,298	2,877
Loss on disposal of fixed assets	100	7
Decrease/(Increase) in debtors	383	(1,025)
Increase in creditors	247	471
Charge for issue of shares at below market value	126	395
(Release of) /Increase in provisions	(263)	385
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Net cash outflow	(3,696)	(6,260)
	========	========

2 Loss per share

The loss per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group has one class of dilutive potential ordinary shares being those share options and warrants granted where the exercise price is less than the average market price of the Company's ordinary shares during the period. However, these are not considered dilutive as their conversion to ordinary shares would reduce the net loss per share from continuing operations.

Reconciliation of the loss and weighted average number of shares used in the calculation are set out below:

	Loss £'000	2001 Weighted average no. of shares 000's	Per share Amount pence	Loss £'000	2000 Weighted average no. of shares 000's	Per share Amount pence
Basic loss per share						
Loss attributable to ordinary shareholders	(12,899)	123,258	(10.5)	(14,554)	97,555	(14.9)
	------	------	------	------	------	------
Effect of dilutive shares						
Options	-	18,390	-	-	8,318	-
Diluted loss per share	------	------	------	------	------	------
Adjusted loss	(12,899)	141,648	(10.5)	(14,554)	105,873	(14.9)
	======	======	======	======	======	======

3. Dividend

The Directors are not proposing the payment of a dividend in respect of the year ended 31 December 2001.

4. Publication of non-statutory accounts

The financial information for the year ended 31 December 2000 is extracted from the Group's financial statements to that date which received an unqualified auditors' report and have been filed with the Registrar of Companies.

The financial information set out in this preliminary announcement does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985.

The consolidated balance sheet at 31 December 2001 and the consolidated profit and loss account, consolidated cash flow statement and associated notes for the year then ended have been extracted from the Group's financial statements. Those financial statements have not yet been delivered to the Registrar of Companies.

5. Report and Accounts

Copies of the Report and Accounts will be sent to shareholders and will be available from the Company's registered office, The Lightwell, 12-16 Laystall Street, London EC1R 4PF later today.