



INTERIM RESULTS 2003
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2003

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BRAINSPARK PLC

CHAIRMAN'S STATEMENT

In my statement issued with Brainspark's financial statement for the year ended 31 December 2002, I explained how the Board has begun to deal with the current negative market conditions affecting, in particular, the technology investment market. Although Brainspark was conceived to participate in the initial stages of financing new and young companies to assist in their development, the changing investment climate made this plan impossible to achieve. Meanwhile Brainspark is currently operating cautiously, cutting costs and protecting its current portfolio companies and assisting them to create value whenever possible awaiting the upturn of the economy.

Cost cutting measures begun in 2002 have reduced further the cash burn rate to under £36k per month in the second quarter from £97k per month in the first quarter 2002 and £76k per month in the second half of 2001.

One of the most important contribution to this reduction was the surrender of the lease of premises at The Lightwell, Laystall Street, London EC1R 4PA to Brainspark's landlord, Laystall House Limited. The existing lease, expiring March 24, 2015, was at an annual rent of £534k equivalent to about £28 per square foot. The deposit held by the landlord was forfeited and a reverse premium of £330k was paid to the landlord.

Laystall House Limited has granted the Company a new lease of two floors at The Lightwell at an annual rent of £170k, equivalent to about £22 per square foot. The new lease is terminable by the Company after three years.

The six investee companies which occupy office space as short-term licensees of the Company, remain unaffected by the above transaction.

The Company hopes to recover the rent payable to the landlord in full from the investee companies and/or others.

In line with the new approach envisaged by the Board, after creating with the acquisitions made last October a portfolio covering a geographic area ranging from UK, to Italy and Israel, Brainspark is concentrating on the needs of its existing portfolio.

In order to preserve cash resources and to demonstrate their own belief in Brainspark's future, the Directors resolved on 31 July to use their contractual remuneration in subscribing for equivalent equity in Brainspark or waiving their rights to such contractual remuneration in consideration of the grant of warrants over equity.

The Directors were offered a choice between using their contractual remuneration in subscribing for ordinary shares of one penny each and waiving that remuneration and receiving warrants exercisable into Shares. The Shares were allotted at 1.1p. The Warrants have an exercise price of 1.1p or 1.32p and exercisable within 3 years of grant. The mid-market price of the Shares at the close of business on 29 September was 1.13p.

Financial Summary

In the six months ended 30 June 2003, the Company incurred a loss before taxation of £1,582k, compared to a loss for the comparative period last year of £811k. Of the loss of £1,582k, £471k principally represents operating costs, £392k is attributable to the accumulated loss of investee companies, £539k is attributable to the depreciation of goodwill on acquisitions and the remainder £180k represents a write down on investments.

Operating costs ended 30 June 2003 (£471k) represent a decrease of 27% for the comparative period of last year (£647k).

The consolidated net asset value at 30 June 2003 was £5.1 million - down from £6.7 million at 31 December 2002.

CHAIRMAN'S STATEMENT

While the Company is seeking to improve its current cash position, Cross Atlantic Capital Partners, a major shareholder of Brainspark, has provided a £200k loan, secured by some Brainspark portfolio assets and has offered to provide an additional convertible loan to Brainspark of \$300k to cover more than one year current costs.

Investments Review

After the acquisition, made in October last year, of Infusion 2002 Ltd, an English company holding five minority participations in companies in Italy and Israel, Brainspark now has investments in thirteen companies. The Brainspark portfolio comprises a range of businesses including Web service businesses, application service providers and advanced technology solutions.

As a result of the negative sentiment of the market towards the technology sector, the investee companies have not been able to achieve follow-on funding and related valuation gains as originally planned. Many of the investee companies have not made progress as originally envisaged; but, in spite of that, all investee companies are concentrating on improving their businesses over a longer time frame.

Also in the period starting from January 1, 2003, Brainspark had to sustain some of its portfolio investments with cash injections through capital increases such as Metapack and Geosim.

Among the portfolio companies, positive signs are already coming in particular from EasyArt, Geosim, Kerb, Metapack and The Usability Company.


Outlook

At 30 June 2003, Brainspark's mid-market price per share of 1.25p valued the Company's issued capital at £2.3 million against a consolidated net asset value of £5.1 million. The Board believes that this is a conservative valuation of the Company's future potential based upon the companies in Brainspark's portfolio.

At present there are some early signals that could indicate a return of confidence and new interest for the start up companies that have navigated through the hostile economic environment.

If sentiment in the technology market improves, the Company's prospects will also improve, since the most important measures to achieve this are already in place and we have a number of interesting businesses operating in advanced sectors.

Based on this, the Board remains further committed to looking for value creation opportunities and believes, if the early signals are confirmed and the new market sentiment improves, Brainspark and the investee companies have the possibility to show good returns.



Prof. Francesco Gardin
Chairman
29 September 2003

FINANCIAL STATEMENTS

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 30 JUNE 2003

	Notes	Six months to 30 June 2003 (Unaudited) £'000	Six months to 30 June 2002 (Unaudited) £'000	Year ended 31 December 2002 (Audited) £'000
Turnover	2a	-	-	-
Net operating expenses – recurring		(508)	(769)	(1,612)
Net operating expenses – exceptional	2b	-	(3)	(1,087)
Total net operating expenses/Group operating loss		(508)	(772)	(2,699)
Share of operating loss of associated undertakings	3	(931)	(149)	(335)
Total operating loss: Group and share of associated undertakings		(1,439)	(921)	(3,034)
Loss on ordinary activities before interest		(1,439)	(921)	(3,034)
Net interest receivable		37	110	123
Amounts written off investments		(180)	-	(200)
Loss on ordinary activities before taxation		(1,582)	(811)	(3,111)
Tax on loss on ordinary activities		-	-	-
Loss on ordinary activities after taxation		(1,582)	(811)	(3,111)
Equity minority interests		-	-	-
Retained loss for the financial year		(1,582)	(811)	(3,111)
Loss per 1p ordinary share				
Basic and diluted	4	(0.84p)	(0.6p)	(2.31p)

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

**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE PERIOD ENDED 30 JUNE 2003**

Notes	Six months to 30 June 2003 (Unaudited) £'000	Six months to 30 June 2002 (Unaudited) £'000	Year ended 31 December 2002 (Audited) £'000
Loss for the financial year	(1,582)	(811)	(3,111)
Revaluation of fixed asset investments	-	-	-
Foreign exchange translation difference	30	-	32
Total recognised gains and losses for the year	(1,552)	(811)	(3,079)

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

CONSOLIDATED BALANCE SHEET AT 30 JUNE 2003

	Notes	Six months to 30 June 2003 (Unaudited) £'000	Six months to 30 June 2002 (Unaudited) £'000	Year ended 31 December 2002 (Audited) £'000
Fixed assets				
Tangible assets		170	400	306
Investments in subsidiary undertakings		-	-	-
Investments in associated undertakings	5	3,390	150	4,291
Other investments	6	1,661	329	1,826
		5,221	879	6,423
Current assets				
Debtors		529	1,046	921
Cash at bank and in hand		276	4,599	964
		805	5,645	1,885
Creditors: amounts falling due within one year		(887)	(291)	(525)
Net current assets		(82)	5,354	1,360
Total assets less current liabilities		5,139	6,233	7,783
Provisions for liabilities and charges		-	-	(1,092)
Net assets		5,139	6,233	6,691
Capital and reserves				
Called up share capital		1,874	1,233	1,874
Share premium account		28,558	26,473	28,558
Other reserves		6,875	6,813	6,845
Profit and loss account (deficit)		(32,168)	(28,286)	(30,586)
Total equity shareholders' funds		5,139	6,233	6,691

RECONCILIATION OF MOVEMENTS IN GROUP SHAREHOLDERS' FUNDS FOR THE PERIOD ENDED 30 JUNE 2003

Notes	Six months to 30 June 2003 (Unaudited) £'000	Six months to 30 June 2002 (Unaudited) £'000	Year ended 31 December 2002 (Audited) £'000
Loss for the period	(1,582)	(811)	(3,111)
New share capital issued	-	31	2,757
Foreign exchange translation differences	30	-	32
Net reduction in shareholders' funds	(1,552)	(780)	(322)
Opening shareholders' funds	6,691	7,013	7,013
Closing shareholders' funds	5,139	6,233	6,691

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 30 JUNE 2003

	Notes	Six months to 30 June 2003 (Unaudited) £'000	Six months to 30 June 2002 (Unaudited) £'000	Year ended 31 December 2002 (Audited) £'000
Net cash outflow from operating activities	8	(710)	(1,209)	(1,451)
Returns on investments and servicing of finance				
Interest received		37	110	125
Interest paid		-	-	(65)
Net cash inflow from returns on investments and servicing of finance		37	110	60
Capital expenditure and financial investment				
Purchase of tangible fixed assets		-	-	-
Receipts from sale of tangible fixed assets		-	3	11
Purchase of other investments		15	-	(128)
Sale of own shares		-	170	176
Net cash inflow (outflow) from capital expenditure and financial investment		15	173	59
Acquisitions and disposals				
Purchase of subsidiary undertaking		-	-	(2,324)
Purchase of investments in associated undertaking		-	(28)	(964)
Net cash outflow from acquisitions and disposals		(688)	(28)	(3,288)
Net cash outflow before financing		(688)	(954)	(4,620)
Financing				
Issue of ordinary share capital		-	-	31
Net cash inflow from financing		-	-	31
Decrease in net cash for the period		(688)	(954)	(4,589)
Reconciliation of cash flow to movement in net funds				
Net cash at beginning of period		964	5,553	5,553
Decrease in net cash in the period		(688)	(954)	(4,589)
Net cash at end of period		276	4,599	964

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation

Principal accounting policies

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

The comparative information for the year ended 31 December 2002 is an unbridged version of the statutory accounts for that year and those accounts, upon which the auditors issued an unqualified opinion, have been filed with the Registrar of Companies.

2. Profit and Loss

	Six months to 30 June 2003 (Unaudited) £'000	Six months to 30 June 2002 (Unaudited) £'000	Year ended 31 December 2002 (Audited) £'000
a) Turnover			
Group turnover including share of associated undertakings	184	474	1,291
Less: share of associated undertakings	(184)	(474)	(1,291)
	-	-	-

	Six months to 30 June 2003 (Unaudited) £'000	Six months to 30 June 2002 (Unaudited) £'000	Year ended 31 December 2002 (Audited) £'000
b) Net operating expenses - exceptional			
Penalties and legal costs arising from surrender of lease	-	-	970
Impairment charge	-	-	146
Profit on sale of own shares	-	-	(29)
Restructuring and closure costs	-	3	-
Total operating expenses – exceptional	-	3	1,087

NOTES TO THE FINANCIAL STATEMENTS

3. Share of operating loss of associated undertakings

	Six months to 30 June 2003 (Unaudited) £'000	Six months to 30 June 2002 (Unaudited) £'000	Year ended 31 December 2002 (Audited) £'000
Share of operating loss of associated Undertakings	(392)	(123)	(174)
Amortisation of goodwill on acquisition	(539)	(26)	(161)
Impairment of goodwill	-	-	-
	(931)	(149)	(355)

4. Loss per 1p ordinary share

	Six months to 30 June 2003 (Unaudited) £'000	Six months to 30 June 2002 (Unaudited) £'000	Year ended 31 December 2002 (Audited) £'000
Loss attributable to ordinary shareholders	(1,582)	(811)	(3,111)
Effect of dilutive shares options	-	-	-
Adjusted loss	(1,582)	(811)	(3,111)
Weighted average number of ordinary shares	187,405	123,258	134,681
Effect of dilutive share options	-	-	-
Adjusted weighted average number of ordinary shares	187,405	123,258	134,681
Basic loss per share	(0.84p)	(0.6p)	(2.31p)
Diluted loss per share	(0.84p)	(0.6p)	(2.31p)

NOTES TO THE FINANCIAL STATEMENTS

5. Investments in associated undertakings

	Six months to 30 June 2003 (Unaudited) £'000	Six months to 30 June 2002 (Unaudited) £'000	Year ended 31 December 2002 (Audited) £'000
Share of net assets			
At 1 January	621	198	198
Additions	-	28	565
Disposals	-	-	-
Exchange translation difference	30	102	32
Share of loss for the year	(392)	-	(174)
At period end	259	124	621
Goodwill			
At 1 January	3,670	52	52
Arising on acquisition	-	-	3,779
Disposals	-	-	-
Amortisation of goodwill	(539)	(26)	(161)
At period end	3,131	26	3,670
Loans to associated undertakings			
At 1 January	-	300	300
Additions	-	-	-
Loans capitalised	-	-	-
Provisions against loans and disposal	-	-	(300)
At period end	-	300	-
Net book amount at period end	3,390	450	4,291
Provisions			
At 1 January 2002	-	(300)	-
Provided in year	-	-	(300)
At period end	-	(300)	(300)

Group	Investments in associated undertakings £'000	Loans to associated undertakings £'000	Total £'000
Net book amount			
At period end	3,390	-	3,390
At 31 December 2002	4,291	-	4,291
At 31 December 2001	250	-	250

NOTES TO THE FINANCIAL STATEMENTS

6. Other investments

	Six months to 30 June 2003 (Unaudited) £'000	Six months to 30 June 2002 (Unaudited) £'000	Year ended 31 December 2002 (Audited) £'000
At 1 January	1,826	350	350
Additions	15	-	1,676
Revaluation	(180)	(21)	(200)
At period end	1,661	329	1,826

7. Investment in own shares

	Six months to 30 June 2003 (Unaudited) £'000	Six months to 30 June 2002 (Unaudited) £'000	Year ended 31 December 2002 (Audited) £'000
Cost or valuation			
At 1 January	-	2,445	147
Disposal	-	(2,478)	(176)
Profit on disposal	-	33	29
At period end	-	-	-

8. Reconciliation of operating loss to net cash outflow from operating activities

	Six months to 30 June 2003 (Unaudited) £'000	Six months to 30 June 2002 (Unaudited) £'000	Year ended 31 December 2002 (Audited) £'000
Operating loss	(508)	(772)	(2,699)
Depreciation charge	135	182	521
Goodwill valuation adjustment on associated undertaking	-	123	-
Provision against loans to associated undertakings	-	-	-
Provision against investment in own shares	-	(147)	-
Loss on disposal of fixed assets	-	-	-
Profit on sale of own shares	-	-	(29)
Decrease/(increase) in debtors	393	(65)	123
(Decrease)/increase in creditors	362	(471)	(337)
(Decrease)/increase in provisions	(1,092)	(59)	970
Net cash outflow from operating activities	(710)	(1,209)	(1,451)

NOTES TO THE FINANCIAL STATEMENTS

9. Ultimate parent company

The immediate and ultimate parent company and controlling party from February 2002 has been AISoftware S.p.A., a company registered in Italy.

AISoftware S.p.A. distributed a dividend in kind to its shareholders Brainspark's shares owned on June, 23, 2003; as a result, AISoftware S.p.A. holds less than 0,07% of Brainspark's shares.

10. Surrender of the lease and related guarantees

During the first half 2003, Brainspark was requested by the Landlord a guarantee to close the surrender of the lease deal. AISoftw@re S.p.A. granted Brainspark to cover the risk amounting to £166,250 and Brainspark gave a collateral security to AISoftw@re S.p.A. amounting to £250,000. Both these guarantees have expired without enforcement.

11. Availability of Interim Results

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



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