



**INTERIM RESULTS**

**2005**

**FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2005**

**Interim Results 2005**  
**For the six month period ended 30 June 2005**

**Brainspark Plc**

## Chairman's statement

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In the six months ended 30 June 2005, the Company incurred a loss before taxation of £551k, compared to a loss for the comparative period last year of £556k. Of the loss of £551k, £133k principally represents operating costs and £418k is mainly attributable to the amortization of goodwill on acquisitions.

Operating costs for the period ended 30 June 2005 of £130k represent a decrease of £64k from the comparative period last year.

Actions for raising capital to support the first part of the above expansion have been launched during the period and we expect these to be completed in the second half of 2005.

### Financial Summary

The consolidated net asset value at 30 June 2005 was £2,216 k - down from £2,767 k at 31 December 2004.

The Group's cash reserves at 30 June 2005 stood at £57k compared with £28k at 31 December 2004.

### Investments Review

As of 30 June 2005 Brainspark had holdings in 8 companies, 5 in the UK, two in Italy and one in Israel. Its stakes range from nearly 5% to 50.3% of the relevant portfolio companies. The portfolio covers a wide range of business sectors, including web services, application service providers and advanced IT solutions.

### Outlook

At 30 June 2005, Brainspark's mid-market price per share of 0.3p valued the Company's issued capital at £576k against a consolidated net asset value of £2,216k.

A convertible loan for £305k has been approved by the Board. All the convertible loan has been subscribed and paid for in August 2005.

Moreover an agreement has been entered into with AISoftw@re SpA ("AIS"), an Italian software company listed on the Milan Stock Exchange, which grants AIS the right to buy Brainspark's stake in ACS, a Brainspark portfolio company; for an amount of £1,430k. Of that amount, £300k has already been paid in settlement of existing debts and financial commitments of the Company. The Agreement is subject to a number of conditions including a condition that, by 31 October 2005, Infusion 2002 Limited, the vehicle through which Brainspark holds its take in ACS, will have no assets or liabilities other than its investment in ACS.

Mr. Alfredo Villa has been appointed Brainspark Board Member on 2<sup>nd</sup> July 2005; we believe that his 20 year experience in Asset Management will be very valuable for the definition and implementation of the Company's new strategy.

A Formal termination notice has been sent to the Landlord of the Company's current office premises in order for the Company to exit the existing lease agreement at the end of March 2006. This will result will result in annual cost savings of £240k<sup>7</sup>

Finally, a Memorandum of Understanding has been signed on between Geosim Systems Ltd (an Israeli company 50.3% owned by Brainspark) and an undisclosed US investor. This transaction will provide, not only additional funds for Geosim, but also a strategic partner to pursue opportunities in the US market.

While all the above actions represent an important step forward for the Company we continue facing the future with guarded optimism.

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

Prof. Francesco Gardin  
**Chairman**  
29 September 2005

## Financial Statements

### Consolidated profit and loss account For the period ended 30 June 2005

	Notes	Six months to 30 June 2005 (Unaudited) £'000	Six months to 30 June 2004 (Unaudited) £'000	Year ended 31 December 2004 (Audited) £'000
Turnover	2a	-	-	-
Net operating expenses – recurring		(130)	(194)	(395)
<b>Total net operating expenses/Group operating loss</b>		(130)	(194)	(395)
Share of operating loss of associated undertakings	3	(418)	(362)	(1,186)
<b>Total operating loss: Group and share of associated undertakings</b>		(548)	(556)	(1,581)
Profit on disposal of associated undertakings		-	-	558
<b>Loss on ordinary activities before interest</b>		(548)	(556)	(1,023)
Net interest payable		(3)	(5)	(11)
Amounts written off investments		-	-	(37)
<b>Loss on ordinary activities before taxation</b>		(551)	(561)	(1,071)
<b>Tax on loss on ordinary activities</b>		-	-	-
<b>Loss on ordinary activities after taxation</b>		(551)	(561)	(1,071)
<b>Retained loss for the financial period</b>		(551)	(561)	(1,071)
<b>Loss per 1p ordinary share</b>				
Basic and diluted	4	(0.29p)	(0.29p)	(0.56p)

The loss for period is derived wholly from continuing activities.

The Company has no recognised gains or losses other than the loss for the period.

## Consolidated Balance sheet at 30 June 2005

	Notes	Six months to 30 June 2005 (Unaudited) £'000	Six months to 30 June 2004 (Unaudited) £'000	Year ended 31 December 2004 (Audited) £'000
<b>Fixed assets</b>				
Tangible assets		26	62	44
Investments in associated undertakings	5	1,059	2,277	1,451
Other investments	6	1,549	1,567	1,549
		2,634	3,906	3,044
<b>Current assets</b>				
Debtors		402	219	462
Cash at bank and in hand		57	41	28
		459	260	490
<b>Creditors: amounts falling due within one year</b>		(755)	(767)	(645)
<b>Net current liabilities</b>		(296)	(507)	(155)
<b>Total assets less current liabilities</b>		2,338	3,399	2,889
<b>Provisions for liabilities and charges</b>		(122)	(122)	(122)
<b>Net assets</b>		2,216	3,277	2,767
<b>Capital and reserves</b>				
Called up share capital		1,923	1,923	1,923
Share premium account		28,562	28,562	28,562
Other reserves		6,813	6,813	6,813
Profit and loss account (deficit)		(35,082)	(34,021)	(34,531)
<b>Total equity shareholders' funds</b>		2,216	3,277	2,767

## Reconciliation of movements in Group shareholders' funds For the period ended 30 June 2005

Notes	Six months to 30 June 2005 (Unaudited) £'000	Six months to 30 June 2004 (Unaudited) £'000	Year ended 31 December 2004 (Audited) £'000
Loss for the period	(551)	(561)	(1,071)
<b>Net reduction in shareholders' funds</b>	(551)	(561)	(1,071)
<b>Opening shareholders' funds</b>	2,767	3,838	3,838
<b>Closing shareholders' funds</b>	2,216	3,277	2,767

## Consolidated cash flow statement For the period ended 30 June 2005

	Notes	Six months to 30 June 2005 (Unaudited) £'000	Six months to 30 June 2004 (Unaudited) £'000	Year ended 31 December 2004 (Audited) £'000
Net cash flow from operating activities	7	-	47	(240)
<b>Returns on investments and servicing of finance</b>				
Interest paid on 5% Convertible bond		-	-	(2)
Net cash outflow from returns on investments and servicing of finance		-	-	(2)
<b>Acquisitions and disposals</b>				
Sale of investments in associated undertakings		55	-	360
Purchase of investments in associated undertaking		-	(147)	(70)
Loans to associated undertakings		(26)	-	(110)
Net cash inflow (outflow) from acquisitions and disposals		29	(147)	180
<b>Net cash inflow (outflow) before financing</b>		29	(100)	(62)
<b>Financing</b>				
Repayment of 5% Convertible bond issue		-	-	(50)
Loan from major shareholder		-	-	110
Partial repayment of loan to major shareholder		-	-	(38)
Short term loans		-	110	-
Repayment of short term loans		-	(37)	-
Net cash inflow from financing		-	73	22
<b>Increase (decrease) in net cash for the period</b>		29	(27)	(40)
<b>Reconciliation of cash flow to movement in net funds</b>				
Net cash at beginning of period		28	68	68
Increase (decrease) in net cash in the period		29	(27)	(40)
<b>Net cash at end of period</b>		57	41	28



## Notes to the financial statements

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### 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 apportioned 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 2004 is an abridged version of the statutory accounts for that year and those accounts, upon which the auditors issued an unqualified opinion.

### 2. Profit and Loss

	Six months to 30 June 2005 (Unaudited) £'000	Six months to 30 June 2004 (Unaudited) £'000	Year ended 31 December 2004 (Audited) £'000
<b>Turnover</b>			
Group turnover including share of associated undertakings	238	206	669
Less: share of associated undertakings	(238)	(206)	(669)
	-	-	-

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## Notes to the financial statements

### 3. Share of operating loss of associated undertakings

	Six months to 30 June 2005 (Unaudited) £'000	Six months to 30 June 2004 (Unaudited) £'000	Year ended 31 December 2004 (Audited) £'000
Share of operating loss of associated Undertakings	-	(39)	(11)
Amortisation of goodwill on acquisition	(418)	(323)	(836)
Impairment of goodwill	-	-	(339)
	(418)	(362)	(1,186)

### 4. Basic and diluted loss per 1p ordinary share

	Six months to 30 June 2005 (Unaudited) £'000	Six months to 30 June 2004 (Unaudited) £'000	Year ended 31 December 2004 (Audited) £'000
Loss attributable to ordinary shareholders	(551)	(561)	(1,071)
Adjusted loss	(551)	(561)	(1,071)
Weighted average number of ordinary shares	192,273	192,273	192,273
Adjusted weighted average number of ordinary shares	192,273	192,273	192,273
Basic loss per share	(0.29p)	(0.29p)	(0.56p)
Diluted loss per share	(0.29p)	(0.29p)	(0.56p)

## Notes to the financial statements

### 5. Investments in associated undertakings

	Six months to 30 June 2005 (Unaudited) £'000	Six months to 30 June 2004 (Unaudited) £'000	Year ended 31 December 2004 (Audited) £'000
<b>Share of net assets</b>			
At beginning of period	28	61	61
Disposal	-	-	(22)
Share of loss for the period	-	(39)	(11)
<b>At period end</b>	<b>28</b>	<b>22</b>	<b>28</b>
<b>Goodwill</b>			
At beginning of period	1,313	2,578	2,578
Adjustment	-	-	(90)
Amortisation of goodwill	(418)	(323)	(1,175)
<b>At period end</b>	<b>895</b>	<b>2,255</b>	<b>1,313</b>
<b>Loans to associated undertakings</b>			
At beginning of period	410	300	300
Further advances in the period	26	-	110
Provisions against loans and disposal	(300)	(300)	(300)
<b>At period end</b>	<b>136</b>	<b>-</b>	<b>110</b>
<b>Net book amount at period end</b>	<b>1,059</b>	<b>2,277</b>	<b>1,451</b>

## Notes to the financial statements

### 6. Other investments

	Six months to 30 June 2005 (Unaudited) £'000	Six months to 30 June 2004 (Unaudited) £'000	Year ended 31 December 2004 (Audited) £'000
At beginning of period	1,549	1,567	1,567
Additions	-	-	19
Amounts written off in the year	-	-	(37)
<b>At period end</b>	<b>1,549</b>	<b>1,567</b>	<b>1,549</b>

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

	Six months to 30 June 2005 (Unaudited) £'000	Six months to 30 June 2004 (Unaudited) £'000	Year ended 31 December 2004 (Audited) £'000
Operating loss	(133)	(194)	(395)
Depreciation charge	18	18	36
Rental income converted into shares in investments	-	-	(19)
Decrease in debtors	5	76	53
Increase in creditors	110	147	85
Net cash flow from operating activities	-	47	(240)

### 8. Ultimate controlling party

The group has no ultimate controlling party.

### 9. Availability of Interim Results

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



**BRAINSPARK PLC**

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