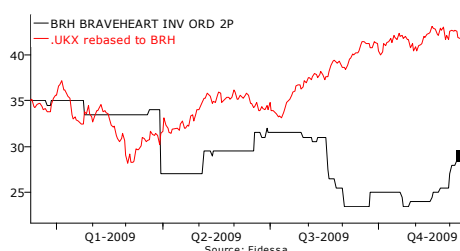


Braveheart Investment Group plc

29.0p

14 December 2009

Share Price: 29.0p



Source: Fidessa

12m High: 35.0p

12m Low: 23.5p

Market Cap: £4.0m

Shares in Issue: 13.9m

NAV/Share: 42.6p

Gearing: n/a

Interest Cover: n/a

EPIC Code: BRH.L

Sector: Equity Investment Instruments

Market: AIM

Broker: Seymour Pierce

PR: Tavistock Communications

Website:

www.braveheartinvestmentgroup.co.uk

Description: Braveheart Investment Group plc is an investment company that primarily invests in unlisted companies which have the potential to grow significantly through the commercialisation of IP.

Analyst: Rae Ellingham

Tel: +44(0)20 7929 3399

Email: rae@hardmanandco.com

Braveheart Investment Group plc ("Braveheart or the Group") was formed in 2003 as a holding vehicle for Braveheart Ventures Ltd, an informal investment syndicate formed in 1997. The Group has headquarters in Scotland, and offices in Yorkshire and London.

Braveheart operates three lines of business – fund management, private client management and management services. It primarily invests in early stage technology companies with strong potential growth opportunities, both on its own behalf and on behalf of its clients. To date the Group's overall client portfolio has returned 24% while its client exit portfolio has returned 33%.

The Group has strong relationships with a number of universities which provides it with access to investment opportunities – as these universities look to capitalise on their R&D efforts through the commercialisation of IP.

Its current portfolio is invested in Healthcare equipment and services (16%), Technology hardware and equipment (33%), Software and computer services (26%), Electronic and electrical equipment (18%), Pharmaceuticals and biotechnology (5%), Other (2%).

In the current economic climate, where investor appetite for higher risk investment has been low, Braveheart has taken the decision to focus in the main on its existing portfolio companies, supporting them in their ongoing funding needs.

In the six months to 30 September 2009 £360,000 was invested in nine portfolio companies. Total income recorded in the first half of the year was £424,000 cf £252,000 in the prior first half. Income was buoyed by an upward revaluation of the Group's investment portfolio and a contribution from Viking Fund Managers Ltd (formerly Inkopo Ltd), a company acquired by Braveheart in June 2009. On a like for like basis the investment management income component estimated at £135,000 was around two thirds of that earned in 1H08, reflecting lower investment levels.

At the period end Braveheart held cash of £2.2m and its investment portfolio was valued at £3.9m. With 13.9m shares in issue this translates into cash per share of 16p and a portfolio value of 28p per share. At 29.0p per share investors are assigning a value of 13.0p to the Group's portfolio, a 54% discount.

We place a current value of 55.0p on Braveheart's shares, a 90% premium to the current share price and note the potential for considerable future upside.

Y/E	Income	Declared Profit, IFRS	Adjusted Profit	Declared EPS, IFRS	NAV/share	Div	Yield
Mar	£m	£m	£m	p.	P	p.	%
2008A	1.1	0.1	0.1	0.74	52.8	-	-
2009A	0.3	(1.3)	(1.3)	(9.2)	44.4	-	-
2010E	0.8	(0.9)	(0.9)	(6.5)	35.7	-	-
2011E	1.7	(0.04)	(0.04)	(0.3)	36.6	-	-

STRENGTHS

- Braveheart's Chief Executive Officer, Mr Geoffrey Thomson, and the Group's Chief Investment Officer, Ms Carolyn Smith, have worked together as an investment team for over ten years.
- The Group employs a disciplined process in evaluating potential investment opportunities utilising its knowledge of early stage start-up companies, and draws upon the many skills of its client base to the benefit of its investee companies.
- It operates through three business lines, fund management, private client management and management services providing a diversity of revenue streams.
- The Group has strong relationships with a number of universities leading to Braveheart's access to potential investment opportunities and providing the Group with partners which can match its investments.
- The Group's client portfolio of, in the main technology companies, has to date, including realised and unrealised returns, shown an internal rate of return of 24%. Its client exit portfolio has shown an internal rate of 33%.

WEAKNESSES

- As at 30 September 2009 Braveheart had cash in bank of £2.2m, a limited resource with which to support a portfolio of potentially cash hungry technology companies.
- The Group would benefit from a scale up in size – an investment of £50,000 requires the same rigorous due diligence process as does an investment of £300,000.
- Despite its formation some 12 years ago Braveheart is relatively unknown and lacks a significant institutional shareholder base which could provide the Group with access to new funds.

OPPORTUNITIES

- Braveheart's management envisage a number of ways in which it can add to its core service offering of fund management, private client management and management services including adding new fund lines, eg property.
- In 2008 Braveheart established a London office and in 2009 the Group acquired Viking Fund Managers Ltd (formerly Inkopo Ltd), a Yorkshire based investment manager. Further scope exists for the Group to expand its geographic reach, enabling better access to both new investment opportunities and to investors.
- As an investor in predominantly technology companies, Braveheart's investments are typically seen as high risk. An improving economic climate should lead to an increased appetite for such investments.

THREATS

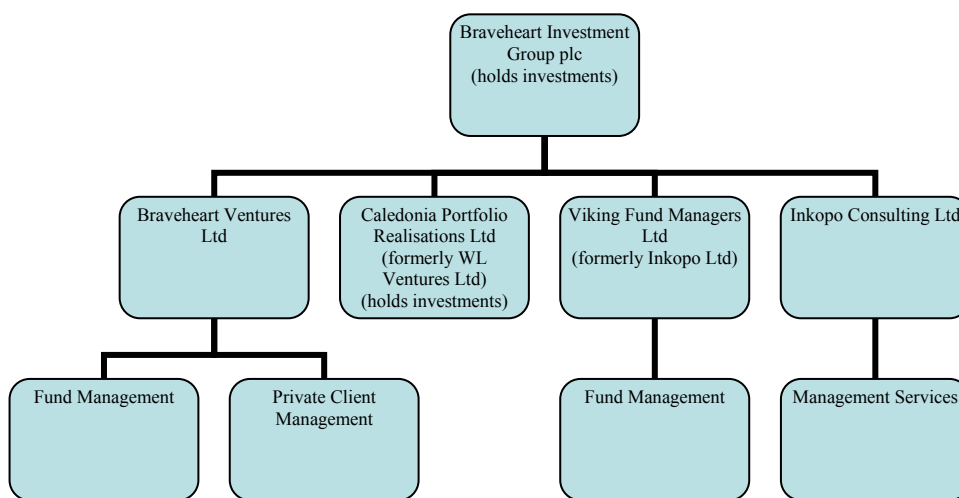
- Conversely, in poor economic climates Braveheart's investee companies may find it difficult to secure adequate funding.
- The Group's stated intention to pursue other lines of business outside of its core business areas may lead to a perceived lack of focus.
- The ultimate success of any of Braveheart's investments is unknown. A standard rule of thumb in venture capital investing is that out of every 10 investments 2-3 investments will result in total losses, 4-5 investments will make modest gains or losses, 2-3 investments will return 3-5x their cost while only 1-2 investments will return substantial gains.

Company Background

Braveheart Ventures Ltd originated as an informal investment syndicate in 1997 and is now an authorised investment vehicle regulated by the Financial Services Authority. It primarily invests in unlisted companies which have the potential to grow significantly through the commercialisation of IP.

Braveheart's investment management operations were acquired by Braveheart Investment Group plc in 2003, The Group's headquarters are in Perth, Scotland and there are two regional offices, one in Yorkshire and a second in Central London.

The key corporate and activity structure of the Group is set out below:



“Braveheart invests directly and also acts as an investment manager investing on behalf of both private clients and organisations”

The Group invests directly while Braveheart Ventures acts as an Investment manager both investing on behalf of both private clients and organisations and providing advisory services.

WL Ventures Ltd was acquired by the Group in 2007 and subsequently renamed Caledonia Portfolio Realisations Ltd. Inkopo was acquired in June of this year and subsequently renamed Viking Fund Managers with its management services business being separated into the recently established Inkopo Consulting Ltd. Viking Fund Managers manages the £5m Viking Fund, the £1m Viking Loan Fund and the Yorkshire Association of Business Angels. Inkopo Consulting provides consultancy services to both the Viking Fund companies and to external parties.

The Group's London office was established in 2008 and has primarily, a marketing function.

Group Strategy

Braveheart's core services are fund management, private client management and management services. Its business is built upon the principles of:

- Providing companies with the capital with which to grow their businesses
- Drawing on the skills of experienced business people to support development
- Building a diversified portfolio that generates excellent returns for its investors
- Working with academic and business communities to deliver economic benefit

In the current difficult economic climate the Group's focus is very much on managing its cash, supporting its existing portfolio companies by ensuring they are adequately funded and positioning itself for future growth opportunities.

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With the opening of a London office and the acquisition of Viking Fund Managers Braveheart has expanded its geographic reach out of Scotland. In time, and as markets improve, the Group intends to further expand the services that it offers, for example a potential move into property.

Portfolio Investment Criteria

Braveheart invests predominantly in technology companies, however on occasion it has invested in more traditional companies, ie manufacturing, support services and retail. A classic example of this is the Group's investment in AIM listed The Capital Pub Company. It does not invest in film production or hotels.

Typically the Group looks for investment opportunities that have the capacity to generate an internal rate of return of 40%-50%, where there is a novel technology, a real market need for the product and where the management team has the ability to deliver on growth.

The Group does not limit its investment to any stage, being prepared to invest from the early stage in a company's development through to investing in listed company shares. Importantly, the Group aims to have a balanced portfolio. Current holdings range from those representing less than 1% of the portfolio value through to 13% of the portfolio value. While there is no absolute maximum allowable holding it is unlikely that any one investment would exceed 20% of the Group's portfolio, though this is in part a function of subsequent valuation.

Under the Group's investment guidelines, together with its clients and other co-investors, it might commit up to £2.0 million to any one investment. Typically however, aggregated investments have ranged from between £100,000 to £1.0 million with the average aggregated investment commitment being circa £500,000 and it is unlikely, at this time, that Braveheart itself would commit from its own resources any more than £500,000 to any one investment.

Investment opportunities are sourced through an extensive network of contacts, including a number of universities and science parks with which Braveheart has close working relationships. Braveheart's partners and clients, with which it often co-invests include:

- **Alpha EIS Fund** is a tax efficient investment vehicle that makes investments in university spin-out companies. Partners include Braveheart, Scottish Enterprise and several other Braveheart private clients.
- **Scottish Enterprise** is responsible for two funds with which the Group partners, the Scottish Co-Investment Fund and the Scottish Venture Fund. The first is a £72m fund set up to invest in deals worth a maximum of £2m. The fund, partly financed by the European Regional Development Agency, matches investments by its partners. The second fund has been set up to participate in fund-raising of between £2m and £10m by privately owned Scottish companies. The fund itself has the capacity to invest between £500,000 to £2m, an amount matched by at least one of its partners. Braveheart has been a partner in the Scottish Co-Investment Fund since 2003 and the Scottish Venture Fund since 2006.
- **Strathclyde Innovation Fund** is a £4.5m fund set up to invest in commercial opportunities arising from R&D spun out of the University of Strathclyde. The fund has an expected life time of eight years, extendable to ten on the agreement of its partners. Braveheart both manages the fund and is a founding investor.
- **University of Aberdeen** has a particularly strong expertise in the commercialisation of R&D and has been involved in a number of company spin-outs. Braveheart has an agreement with the University whereby the Group will provide the financing to fund spin-out companies. The two partners will work together to increase the commercialisation of IP coming out of the university.

“prepared to invest from the early stage in a company's development through to investing in listed companies”

“Braveheart has been a partner in the Scottish Co-Investment Fund since 2003 and the Scottish Venture Fund since 2006”

Investment Process

On average Braveheart reviews circa 400 investment opportunities each year, received through multiple sources including the Group’s university associations, its clients and intermediaries. From these initial applications 60 of these opportunities might be investigated further from which a short list would be seriously considered as investment candidates.

Should a company proceed to this stage then, prior to any investment being made an in-depth due diligence process is undertaken including a Q&A session where the potential investee company presents to both Braveheart’s management team and to Braveheart’s client base of investors.

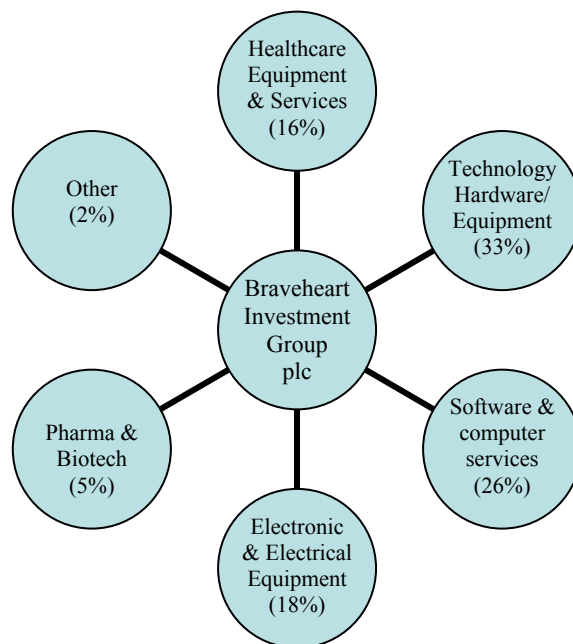
Once a company enters Braveheart’s portfolio its performance is rigorously monitored and regular updates on each company are provided to investors no less than twice yearly. These detailed updates provide investors with information on the company’s performance to date, its future prospects, current valuation and exit strategy.

In order to assist its investee companies in their development Braveheart typically has the right to appoint up to two directors to each of its investee company’s boards. Such appointments may be made from Braveheart’s client base. As Braveheart’s investors are generally high net worth individuals, and often successful entrepreneurs in their own right, this provides the companies with access to valuable skills and networks. In addition, Braveheart itself has “observer rights” where a member of Braveheart’s investment team has the right to attend board meetings, but not the right to vote. The model differs to that of a standard venture capital company where the venture capital company itself will take a board seat, and frees up Braveheart’s valuable management time.

“Braveheart typically has the right to appoint up to two directors to each of its investee company’s boards”

Portfolio Companies

Companies held in the Group’s investment portfolio currently total 30. Sector allocations are – Healthcare equipment and services (16%), Technology hardware and equipment (33%), Software and computer services (26%), Electronic and electrical equipment (18%), Pharmaceuticals and biotechnology (5%), Other (2%). All but one of the Group’s investee companies are unlisted.



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As at 30 September 2009 the top five companies by value in Braveheart's portfolio accounted for circa 43% of the total portfolio. A brief commentary on each of the top five follows below while a full list of the portfolio is provided in the Appendix.

Bloxx Ltd – 13.2% of portfolio

Braveheart's investment in Bloxx, acquired as a part of the Caledonia Portfolio Realisations Ltd acquisition, has returned the Group an impressive 641% on its initial investment.

Bloxx Tru-View Technology analyses and categorises web pages instantly classifying web content as it is accessed. This web filtering technology helps organisations to prevent loss of employee productivity, mitigates exposure to risk and to network security threats. The company's target market includes Healthcare, Education, Government, Large Business, Small to Medium Enterprises and Charitable Organisations.

Bloxx has offices in the USA, the UK, The Netherlands and Australia and its range of web filtering appliances are sold internationally through a network of reseller partners. In 2009 Bloxx was listed as one of five Scottish companies in Deloitte's "Fast 50" - the Top 50 Fastest Growing Technology companies in the UK. Bloxx momentum shows no sign of diminishing. In its latest sales quarter ended 30 September 2009 the company reported a 53% increase in revenues over the same quarter in 2008, a number of new resellers have added Bloxx to their portfolio offerings and several new products are expected to be launched in 2010.

"In 2009 Bloxx was listed as one of five Scottish companies in Deloitte's 'Fast 50' – the Top 50 Fastest Growing Technology companies in the UK"

Pyreos Ltd – 8.6% of portfolio

Pyreos is a relatively young company having been founded in 2007 to develop a range of commercial applications based on a unique thin film pyroelectric ceramic infrared sensor technology acquired from Siemens. The company's intention is to become the "leading global supplier of infrared sensor arrays and components for commercial applications".

Its current range of products is aimed primarily at industrial applications including energy management, security and gas sensing. The company, which estimates that the global market for sensors will reach £1b by 2013, announced orders worth £8m earlier this year.

In 2008 it received £2m from a consortium of investors, including Braveheart, the Scottish Enterprise's Scottish Venture Fund and Siemens Technology Accelerator, an organisation responsible for the commercialisation of technologies developed within Siemens itself.

Biopta Ltd - 8.1% of portfolio

Biopta is a contract research organisation specialising in ex vivo human tissue services. The organisation aims to improve the predictability of drug development by testing for safety and efficacy earlier in the development process than currently occurs. Tests on freshly donated human tissues are believed to aid in the identification of compounds likely to have the most clinical success reducing the high costs typically associated with clinical failures. Of the drugs that fail approximately 40% fail due to safety related issues and another 40% fail due to a lack of efficacy.

Founded in 2002, the company has won several awards for innovation, including a Scottish Enterprise Proof of Concept Award, a regional John Logie Baird Award and a Scottish Executive SMART Award. To date the company has been involved in development projects for over 30 clients across a wide range of areas, including asthma, diabetes, hypertension, cancer and migraine.

Cascade Technologies Ltd – 6.7% of portfolio

Cascade, which was spun out of the University of Strathclyde in 2003, has developed novel products using quantum cascade lasers that create instant DNA type fingerprints of gases enabling their presence and quantity to be detected. The technology can be applied to multiple applications such as emissions monitoring in the marine and power generation industries and the detection of explosives and chemical agents.

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The technology is low maintenance, requiring little or no calibration. Cascade has received circa £4.0 million from a variety of investors alongside Braveheart including Scottish Enterprise, Partnerships UK, the Bank of Scotland, the University of Strathclyde and private investors.

Elonics Ltd – 6.4% of portfolio

Elonics was founded in 2003 and has developed a radio frequency architecture that allows for the design of high performance multi-band radio transceivers with low power consumption and low system cost. These products are ideal for use in portable consumer electronics applications where size, performance, price and power consumption are important. Applications targeted include TV set top boxes and PC dongles.

In September Hama, a leader in consumer electronics accessories, debuted the world's smallest TV receiver enabled by a state-of-the-art silicon tuner produced by Elonics. The company's market is experiencing rapid growth fuelled by the switch over from analogue to digital broadcasting standards, a trend toward silicon tuner solutions owing to their cost and power consumption benefits and the arrival of new mobile TV markets.

Portfolio Performance

No one investment is intended to be held for greater than five years and the average holding period for a client portfolio exit has been around three years.

Exits will typically take place through either a trade sale or through an IPO. Since the Group's inception six companies have listed on a market, three have been exited via a trade sale/secondary purchase and ten have ceased to trade.

The Group's most notable exit to date is the IPO of Edinburgh based micro-chip designer, Wolfson Microelectronics, which listed on the London Stock Exchange in 2003 raising £50m and which now has a market capitalisation of £120m.

Portfolio performance is reported on an annual basis. As at 31 March 2009 the Group's client exit portfolio had shown an internal rate of return of 33%. The Group's overall client portfolio, including both realised and unrealised investments had shown an internal rate of return of 24%.

“As at 31 March 2009 the Group's client exit portfolio had shown an internal rate of return of 33%”

Braveheart's Team

Braveheart employs 22 staff in total, twelve in Scotland, nine in Yorkshire and one in London. Key team members are:

Geoffrey Thomson : Chief Executive

Mr Thomson is one of the original founders of Braveheart. He is well known as a business angel having written several columns on investment and regularly speaking at business events. He is a Director of NESTech, the challenge fund of the Universities of St Andrews, Dundee and Aberdeen and is on the Advisory Board of EPSRC, a steering body for innovation in UK biotechnology. Last year he was the recipient of a special Ernst & Young Entrepreneur of the Year award.

“Geoffrey Thomson is well known as a business angel having written several columns on investment and regularly speaking at events”

Carolyn Smith : Chief Investment Officer

Ms Smith is responsible for the overseeing of Braveheart's investment operations. Prior to joining Braveheart she worked in private equity with LINC Scotland, the national association for business angels in Scotland. She has an honours degree in accountancy from the University of Stirling and is a Chartered Secretary.

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Colin Grant : Chief Financial Officer

Mr Grant is both Braveheart's Chief Financial Officer and also Company Secretary. He was previously Chief Financial Officer and Company Secretary of Digital Bridges Ltd, a global provider of mobile entertainment software applications. Before this he held the position of Finance Director at Vision Group plc, a designer of CMOS imaging sensors. Mr Grant has a Bachelor of Commerce degree from Edinburgh University and is a Chartered Accountant.

Portfolio Management Team

Judy Mackie is responsible for monitoring the investments in Braveheart's portfolio. Prior to joining Braveheart she was a member of 3i's Small and Medium Sized Investment Team. Kate Full, Lesley Jardine and Chris Corden are responsible for the evaluation of investment opportunities. Stephen Hart is the Group's Legal Counsel.

Richard Nunnally : Director of Marketing

Mr Nunnally heads up Braveheart's London based marketing effort. He has extensive experience in the financial services sector having spent time with BZW, Mercury Asset Management, Cazenove and Kaupthing Singer and Friedlander.

Andrew Burton and Viv Hallam

Mr Burton and Mr Hallam joined Braveheart following the Group's acquisition of Viking Fund Managers. Prior to leading the management buy-out which led to the formation of Viking Fund Managers Mr Burton took his own electronics business from start-up stage to a trade sale. Mr Hallam has over 20 years experience in the technology sector focusing in later years on the development and bringing to market of new technology products.

Non-Executive Directors

Non-executive Directors are Mr Garry Watson (Chairman), Mr Ken Brown, Mr Edward Cunningham and Mr Jeremy Delmar-Morgan.

Mr Watson is a former managing director of Hill Samuel Bank, Legal Services Ombudsman for Scotland and a Governor and Deputy Chairman of the Macaulay Land Use Research Institute in Aberdeen.

Mr Brown was previously the Finance Director of Kenmore Property Group, a property investment company with circa £1.8b worth of investments across the UK, Europe, Scandinavia and the Middle East. Prior to joining Kenmore Mr Brown held the position of Group Finance Director with two other listed companies.

Mr Cunningham has been the Chairman of several company Boards including a number of 3i invested companies. He was previously Director, Industry and Enterprise Development with the Scottish Development Agency and a Director of TSB Bank Scotland.

Mr Delmar-Morgan was the CEO and Chairman of stockbrokers Teathers & Greenwood from 1988 through 2001 and its Non-Executive Chairman from 2001 until his retirement in 2004. From 2004 until 2008 Mr Delmar-Morgan was the Chairman of the Board of Hichens Harrison. He is Chairman of the Brendoncare Foundation and Chairman of the Board of the London Symphony Orchestra and several other companies.

Company Financials – Current Year

Braveheart's latest set of financial results, for the period ended 30 September 2009, are set out below:

Income Statement

HY/E Sept	2009	2008	Change
(£000's)	Actual	Actual	%
Revenue	244	219	+11.4%
Other Revenue	27	-	-
Unrealised (loss)/profit on investment revaluation	192	(170)	-
Contingent consideration	(70)	64	-
Finance revenue	31	139	-77.7%
Total income	424	252	+68.3%
Operating Costs	(839)	(643)	+30.5%
(Loss)/profit before tax and minorities	(415)	(391)	-6.1%
(Loss)/profit after tax	(422)	(391)	-7.9%
(Loss)/earnings per share	(3.08)	(2.91)	-5.8%

Investment management income of £244,000 was 11.4% higher than the £219,000 earned in the prior six month period. This figure, however, includes a four month contribution from Yorkshire based Viking Fund Managers acquired in June of this year. Stripping the estimated contribution of Viking Fund Managers from the six monthly figures suggests like for like investment management income of circa £135,000. Investor appetite for higher risk investments continues to be diminished resulting in a low level of investment. The Group itself invested £360,000 in the current period compared to an investment of £630,000 in the prior corresponding period. During the period funding in the form of either equity or convertible loans was made available to nine existing portfolio companies.

“£360,000 was invested in the current period with funding being made available to nine existing portfolio companies”

Other non-recurring income of £27,000 was recorded during the period as was £31,000 in finance revenue. Contingent consideration payable on exit of certain of Braveheart's portfolio companies on exit increased by £70,000.

The Group's portfolio was re-valued upward by £192,000. This compared to a re-valuation loss of £170,000 recorded in the prior period and reflects an increasingly buoyant market. Braveheart values its listed investments in line with International Private Equity and Venture Capital Guidelines which include reference to recent market transactions, earnings and profit multiples and indicative offers. Most commonly, Braveheart values its investments according to the 'price of most recent investment' methodology. The value of its listed investments is determined by reference to bid prices.

“The Group's portfolio was re-valued upward by £192,000 reflecting an increasingly buoyant market”

Operating costs incurred in the period of £839,000 were 30.5% higher than those incurred in the six months to 30 September 2008. The higher cost base reflects not only the additional costs arising from the Inkopo acquisition but also the appointment of three senior team members – Colin Grant, Chief Financial Officer, Richard Nunneley, Director of Marketing and Stephen Hart, Braveheart's Legal Counsel.

A loss before tax and minority interest of £415,000 was recorded in the period ended 30 September 2009. With no taxation charge and a credit of £7,000 to minority interests a loss after tax of £422,000 was recorded, translating into a loss of 3.08p per share.

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Balance Sheet and Cash flow

As at 30 September 2009 Braveheart's investment portfolio was valued at £3.9m and cash held by the Group at the end of the period was £2.2m. The only significant liability on the Group's balance sheet was a contingent consideration item of £479,000, circa 40% of which relates to the June acquisition of Viking Fund Managers. The Group expects that this consideration will be settled in shares. Net assets totalled £5.9m, yielding a net asset value per share of 42.6p per share.

“As at 30 September 2009 Braveheart's investment portfolio was valued at £3.9m and cash held was £2.2m”

Company Financials – The Future

Braveheart earns its income from a number of sources including client subscriptions, deal fees and related transaction costs, monitoring fees, portfolio revaluations and of course, through exiting its investments.

Although investor appetite appears to be increasingly turning to higher risk investments we do not envisage a significant uplift in fees earned in the short to medium term, nor is it envisaged that any exits will take place in the current year.

Two to three of Braveheart's portfolio companies are, however, at a stage where an exit may be possible within a period of two to three years. Actual exits and timing will likely depend to a large degree on the state of the economy. In the current investment climate an exit via trade sale is more likely than through IPO.

US based Martin Wolf Securities publish data on M&A transactions in the technology sector. According to the company's Scoreboard of Transactions reported in July 2009 the Price to Sales ratios paid for technology companies ranged from .09x through to 4.9x with the median Price to Sales ratio paid being 1.4x.

An exit of any one of Braveheart's portfolio companies could increase the Group's cash considerably. On our projections a sale of the two companies identified in the Group's portfolio as most likely to be exited near term could add circa £3.5m to Braveheart's top line. Our forecasts to end March 2011 conservatively allow for the sale of only one company, from which management specifically expects an exit within the next two years.

“An exit from one or two of Braveheart's portfolio companies could add circa £3.5m near term”

Valuation

The performance of most investment trusts tends to be measured on a premium/discount to net asset value. At 29.0p Braveheart's shares are trading at a discount to net asset value of 32.0%. This is in line with the Group's peers where the average discount to net asset value for Braveheart's peer group (excluding Imperial Innovations which receives royalties from licencing agreements – in the year ended 31 July 2009 royalties amounted to £1.2m) is 34.3%.

Company	Reported NAV	Shares as at	Discount to NAV
	Dec 2009	Dec 2009	Dec 2009
Braveheart	42.6	29.0	32.0%
Fusion IP	56.2	34.0	39.4%
IP Group	68.0	53.0	22.1%
Imperial Innovations	148.5	390.0	2.66x
Sigma Capital	20.8	15.0	27.9%
IPSO Ventures	26.2	50.0	47.6%
Average discount to NAV ex Braveheart & Imperial Innovations			34.3%

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With Braveheart carrying a significant amount of cash on its books - £2.2m as at 30 September 2009 - it is appropriate to consider also how the Group's portfolio is being valued on a stand-alone basis. Braveheart's £2.2m cash equates to circa 16.0p per share, implying that investors are assigning a value to the Group's investment portfolio of 13.0p per share. This is a 54% discount to the portfolio carrying value of 28.0p.

“Investors are assigning a value to the Group's investment portfolio of 13.0p, a 54% discount to the portfolio carrying value of 28.0p”

Examining the value placed on Braveheart relative to its peer group suggests that the discount applied to Braveheart's investment portfolio is larger than might be warranted.

Company	Market Cap £m	Enterprise Value £m	Enterprise Value/Portfolio Value
	Dec 2009	Dec 2009	Dec 2009
Braveheart	4.0	1.8	46.1%
Fusion IP	18.4	13.4	61.2%
IP Group	133.9	103.3	1.06x
Sigma Capital	7.0	3.9	2.2x
IPSO Ventures	6.6	5.4	3.6x
Average Enterprise Value/ Portfolio Value			1.9x

*Imperial Innovations excluded for reasons previously mentioned

Braveheart's shares are relatively tightly held – circa 50% of the Group's shares are held by three investors – and therefore a liquidity discount to this average value is warranted.

Applying an Enterprise Value/Portfolio Value of 1.5x to our estimated value of Braveheart's portfolio as at 31 March 2010 suggests an Enterprise Value of 46.6p per share. Adding back cash of 8.4p per share implies a current valuation of 55.0p, 90% higher than today's share price.

This valuation does not, however, take into account the likely upside from successful near term exits from the Group's portfolio, which could add circa £3.5m to Braveheart's income and translate into additional cash of circa 20p per share.

Conclusion

Although at this time the majority of Braveheart's investments are Scottish based the Group has over the last two years expanded its geographic base more widely, opening an office in London and establishing a presence in Yorkshire.

It has made a number of investments outside of Scotland – in London, The Capital Pub Company plc and Convivial London Pubs, Im-Sense Ltd in Cambridge, Atlas Genetics in Bath, and most recently an investment in Yorkshire based Phase Focus.

In the short term the Group is committed to ensuring the success of its portfolio of investee companies, providing ongoing support and preserving its cash in order that it is able to participate in second and sometimes third round fund raisings.

In the longer term the Group expects to grow both organically and through acquisition, most likely in the management services/consultancy side of its business where the market is heavily fragmented.

We believe that a share price of 55.0p, a 90% uplift on today's share price, represents a fair value for the Group's shares. Longer term, the Group's shares have the potential for considerable further upside.

“a share price of 55.0p per share, a 90% uplift, represents a fair value for the Group's shares”

Braveheart Investment Group plc

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Braveheart Investment Group plc

<i>Profit and loss, year to March</i>	2008A	2009A	2010E	20011E
Turnover				
Revenue	659,449	350,335	569,000	1,466,200
Unrealised (loss)/profit on revaluation	458,142	(377,815)	268,059	240,000
Movement on contingent consideration	(309,717)	100,206	(70,000)	
Finance Revenue	330,856	214,675	47,000	26,000
Total Income	1,138,730	287,401	814,059	1,732,200
Total Costs	(1,032,719)	(1,542,402)	(1,724,330)	(1,770,000)
Net profit before tax	106,011	(1,255,001)	(910,271)	(37,800)
Tax	(6,828)	1,772		
Net profit after tax	99,183	(1,253,229)	(910,271)	(37,800)
Minority Interest		(17,327)	(12,585)	(523)
Net profit attributable to parent	99,183	(1,235,902)	(897,686)	(37,277)
Basic Earnings Per Share	0.7	(9.2)	(6.5)	(0.3)
Cash flow, year to March				
Net profit before tax	106,011	(1,255,001)	(910,271)	(37,800)
Depreciation	8278	12,399	12,399	12,399
Working Capital	(202,509)	319,718	(42,000)	(13,000)
Decrease/(Increase) in revaluation	(456,492)	377,815	(268,058)	(120,000)
Interest Income	(330,856)	(214,675)	(47,000)	(26,000)
Increase in Investments	(1,171,947)	(1,063,732)	(720,000)	(710,000)
Other	24,341	80,284		
Operating cash flow	(2,023,174)	(1,743,192)	(1,974,930)	(894,401)
Interest	330,856	214,675	47,000	26,000
Net Capex	(8,776)	(31,314)	(12,399)	(12,399)
Free cash flow	(1,701,094)	(1,559,831)	(1,940,329)	(880,800)
Acquisitions and disposals	20,963		(124,000)	
Other	7,250	(27,195)		
Increase/decrease in cash	(1,672,881)	(1,587,026)	(2,064,329)	(880,800)
Balance Sheet, year to March				
Fixed Assets				
Property Plant and Equipment	26,734	44,034	44,034	44,034
Investments at Fair Value	2,574,595	3,260,512	4,350,059	5,330,059
Current Assets				
Trade & Other Receivables	442,879	99,804	159,320	178,080
Current Tax Assets	24,577			
Cash and Cash Equivalents	4,808,870	3,221,844	1,157,515	276,715
Total assets	7,877,655	6,626,194	5,710,928	5,828,888
Current Liabilities				
Trade & Other Payables	198,712	172,693	189,676	194,700
Contingent Consideration	309,717	209,511	479,000	479,000
Deferred Income	22,442	22,585	20,000	20,000
Borrowings		9,875	9,875	9,875
Non-current Liabilities				
Deferred Tax Liabilities	1,772			
Borrowings		41,078	41,078	41,078
Total Liabilities	532,643	455,742	739,629	744,653
Net Assets	7,345,012	6,170,452	4,971,299	5,084,235
Shareholder Funds	7,345,012	6,170,452	4,971,299	5,084,235

Appendix 1

AppShare Ltd – Web collaboration software design
Atlas Genetics Ltd – Rapid point of care molecular diagnostic equipment
Biopta Ltd – Contract research services for drug and tissue management
Bloxx Ltd – Web filtering and internet filtering software
The Capital Pub Company plc – Purchase and operation of pubs
Cascade Technologies Ltd – Laser based equipment to detect presence of gases
Conjunct Ltd – Optical communications components
Convivial London Pubs Ltd – Purchase and operation of pubs
Design LED Productions Ltd – Design of thin printed lightguide products
Dimensional Imaging Ltd – 3D and 4D image capture systems
Eastern Choice Ingredients Ltd – Supplier of ingredients for Chinese and Far Eastern foods
EctoPharma Ltd – Therapeutic healthcare pesticides
Elonics Ltd – Multi band radio frequency products
Hydrosense Ltd – Identification of microbial contamination in industrial and environmental hygiene markets
Im-Sense Ltd – Image signal processing technology
Leading Software Ltd – IT services
MicroStencil Ltd – Manufacture of stencils for microelectronics sector
NiTech Solutions Ltd – Design manufacturing solutions for chemical and process industries
NXVision Ltd – Place-shifting technology
PSI Electronics Ltd – Equipment to pinpoint faults in power cables
Phase Focus – Lensless microscopy technology
Pufferfish Ltd – 360 degree display solutions principally for promotional activities
Pyreos Ltd – Infrared sensor arrays and components for commercial applications
Quantum Filament Technologies Ltd – Flat screen display technology
Scalar Technologies Ltd – Thin film measurement
Scensive Ltd – Producer of biomimetic sensor instruments for research and commercial applications
Spiral Gateway Ltd – Low power solutions for integrated circuit design
Tayside Flow Technologies Ltd – Cardiovascular medical devices
Traak Systems Ltd – Intelligent self learning RFID identification and sensor solutions
Verbalis Ltd - Language translation software

Braveheart Investment Group plc

14 December 2009

Management	Major Shareholders												
<p>Chief Executive Officer: Geoffrey Thomson</p> <p>Chief Financial Officer & Company Secretary: Colin Grant</p> <p>Chief Investment Officer: Carolyn Smith</p> <p>Non-executive Directors:</p> <ul style="list-style-type: none"> - Garry Watson - Ken Brown - Edward Cunningham - Jeremy Delmar-Morgan 	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 70%;">Geoffrey C B Thomson</td> <td style="text-align: right;">19.8%</td> </tr> <tr> <td>Kenmore Private Equity Ltd</td> <td style="text-align: right;">18.0%</td> </tr> <tr> <td>Uberior Investments PLC</td> <td style="text-align: right;">9.6%</td> </tr> <tr> <td>Andrew M Threipland</td> <td style="text-align: right;">3.8%</td> </tr> <tr> <td>Edward B Cunningham</td> <td style="text-align: right;">3.5%</td> </tr> <tr> <td>Kenneth J Campbell</td> <td style="text-align: right;">3.3%</td> </tr> </table>	Geoffrey C B Thomson	19.8%	Kenmore Private Equity Ltd	18.0%	Uberior Investments PLC	9.6%	Andrew M Threipland	3.8%	Edward B Cunningham	3.5%	Kenneth J Campbell	3.3%
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Key Dates	Key Milestones												
<p>Next Full Year Results: July 2010</p> <p>AGM: September 2010</p> <p>Next Interim Results: December 2010</p>	<p>1997: Braveheart Ventures Ltd formed</p> <p>2003: Braveheart Investment Group plc formed, acquiring Braveheart Ventures</p> <p>2007: AIM listing, raising £6m Acquisition of WL Ventures Ltd</p> <p>2009: Opening of London office Acquisition of Viking Fund Managers Ltd</p>												

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Hardman & Co

4-5 Castle Court
London
EC3V 9DL
United Kingdom

Tel: +44(0)20 7929 3399
Fax: +44(0)20 7929 3377

www.hardmanandco.com

