



Brainspark

Refocused and recharged

Brainspark is a rapidly growing investment company pursuing a dynamic strategy to create a portfolio of companies active in the leisure, entertainment, interactive media and financial services sectors.

- Brainspark has demonstrated a rapid execution of its investment strategy following a restructuring in 2009 that led to Alfredo Villa, the current CEO, joining the Board. The company's investing policy is to focus on the interactive media, leisure, entertainment and financial services sectors, mainly in Italy but also other European countries. Brainspark may take either an active or passive investor role, with proposed investments ranging from a minority position with strategic influence up to a large controlling position.
- The portfolio is currently dominated by Brainspark's theme park portfolio, particularly Mediapolis and Ondaland in northern Italy. However, there is also a significant presence in entertainment through a portfolio that focuses on new TV and media, and, as a result of the recent agreement with AC Ancona, football.
- Of great significance for the future, however, is the acquisition of Brainspark's stake in the London stockbroker Daniel Stewart, and the relationship with Lugano-based Portfolio Management Company RCF SA, of which Alfredo Villa is Managing Director and discretionary fund manager. These will enable Brainspark to increase its ability to provide exits via a stock market listing for each of its portfolio companies at the appropriate time. Longer term, these are expected to underpin the company, and further acquisitions in the financial sector are anticipated. Brainspark in two years time is likely to be a very different company to the present one.
- The share price has appreciated dramatically since September 2009, and the market capitalisation has appreciated almost twenty times over that period. The portfolio is underpinned by the land value of Mediapolis and shareholdings in listed companies. With a pipeline of deals lined up, and the management's proven ability to execute, and early success in raising finance through a convertible Eurobond issue Brainspark looks on track to achieve its target of becoming a £50m company by the end of the current year.

June 11, 2010

Company Details

EPIC	BSP
Share price p	0.50
52 week High / Low p	0.84 / 0.2
Market cap £m	12
Listing	AiM

Share Price, p



Source: ADVFN

All our research is available at www.equitydevelopment.co.uk

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Introduction

Created as an internet incubator in 1999, Brainspark underwent a strategic realignment in September 2009, in which it effectively sloughed off a Chinese Incubator business and the remnants of its dot.com era portfolio. Brainspark now invests in companies involved with theme parks, leisure, global entertainment, interactive media and financial services. Brainspark’s 2010 mission is to achieve a market capitalisation of £50m. Its current enterprise valuation of in excess of £15m represents a dramatic increase on the £600k market value in November 2009.

Its diversity of activity is visually demonstrated below:



BACKGROUND

Brainspark was launched in September 1999 with £6m of venture capital backing, with the purpose of finding, investing in, and accelerating the early stage development of promising new business ideas based on new technologies.

In November 1999, AISoftw@re, an Italian Software company founded by Professor Gardin, was listed on Nasdaq Europe and then on the Milan Stock Exchange in August 2000. AISoftw@re SpA completed the friendly takeover of Brainspark in January 2002, acquiring 65.5% of the company and leading to the appointment of Professor Gardin as executive Chairman of Brainspark, a position he currently holds.

Brainspark subsequently acquired Infusion SpA from AISoftw@re, with five assets including Geosim, US-based developers of photorealistic 3D modelling technology for cities.

During 2005, having a director based in China (Edward Burman), the company looked into the viability of an IPGroup model in China. This led to the creation of China IPO Group in 2007, and its subsidiary, IPO (Beijing) Investment Consulting Company Ltd, in Beijing. Both the China IPO and Infusion strategies were unsuccessful, and on 31 December 2008, Brainspark recorded a loss for the financial year (£2.3m) following a review of the fair value of the investment portfolio and a general write down of other investment values.

In September 2009 the Company appointed MacIntyre Hudson LLP to arrange the formal procedure of capital reconstruction of the Group with the objective of separating China IPO and Infusion 2002 Ltd from Brainspark. Two new companies were created: China IPO (2009) Limited and Infusion (2009) Ltd.

Brainspark also announced in September 2009, with the entry of Alfredo Villa, initially as a board member and subsequently as CEO, that it would define the company's new investing strategy, one that would be based on the acquisitions of assets, mainly in Europe, to be satisfied through the issue of new Brainspark shares and cash raised via private placements. The current investing policy is to focus on the interactive media, leisure, entertainment and financial services sectors, mainly in Italy but also other European countries. Brainspark may take either an active or passive investor role, with proposed investments ranging from a minority position with strategic influence up to a large controlling position. In addition, the company is, subject to shareholder approval at a general meeting on 14 June 2010, seeking to include investments in the renewable energy sector in its investing strategy.

MANAGEMENT

Professor Francesco Gardin, Executive Chairman, graduated in Theoretical Physics at Padua University in 1979, before undertaking a UK Government research project at Exeter University (UK) from 1980 to 1982.

In 1983, he was employed by the Italian National Research Council and from 1984 to 1985 he worked at the European Union Research Centre in Ispra, Italy as a co-ordinator for the Artificial Intelligence Laboratory.

Since 1984, he has been an Associate Professor at Udine, Milano and Siena Universities. His academic writing includes more than 50 individual and joint publications. In 1983, Professor Gardin founded AISoftw@re, now called Exprivia, which went public on NASDAQ Europe in 1999 and Milano Stock Exchange in 2000.

Alfredo Villa, Chief Executive Officer, holds a degree in Economics from the University of Geneva. In 1991, he co-founded 'Givigest Fiduciaria SA' in Lugano, Switzerland, an investment banking enterprise, and in 1994 he co-founded 'SCF SA', a financial consulting firm offering asset management services. These two companies were sold in 2001.

Mr Villa is a 'Chartered Technical Analyst' (CTA) certified by the US Market Technicians Association in New York, as well as a 'Stock, Option and Futures Broker' certified by the National Association of Securities Dealers (NASD) and an authorized 'Financial & Commercial Fiduciary' in the Swiss Canton of Ticino.

He is a board member and partner of Gabbrielli & Associati in Milan, a financial consulting company. Mr Villa is also an independent consultant and private investor in several venture capital companies.

He is also a Director of Moggle, a Nasdaq listed Company. Mr Villa is also the chairman of "Fondazione Settembre Onlus" and VP of "Homes for Hope" Charities.

Alessandro Malacart, Non-Executive Director, was Co-founder and COO of AISoft@re S.p.A. (now Exprivia S.p.A., listed on Milan stock exchange), an Italian IT leader in decision support systems for banking and for the medical sector. Following the first IPO of the company on NASDAQ Europe (1999), he joined Inferentia DNM S.p.A. (now Fullsix S.p.A.) as a COO contributing to the successful listing of the company on the Milan Stock Exchange (2000). During the following two years, he was part of the team that managed Inferentia's fast growth, becoming the first new media agency in Europe through over twenty acquisitions and the consequent integration of mid-size companies in the sector. Back to AISoftw@re in 2003 as a CEO and CFO, he prepared the company for a merge to double the size. Since 2005, he has been a Managing Partner in FOR Advisory S.r.l., a financial services boutique, aimed at helping Italian entrepreneurial families to manage their assets. He was recently appointed CEO and CFO of an industrial group with plants in Italy, France, Poland and China, managing the complete restructuring of business and the production. He is experienced in corporate finance practices as well as business development and fast growing of start-ups.

Edward Burman, Non-Executive Director, worked for many years as an independent consultant in the Telecom and Internet sector, and from 1999 to 2003, was the Senior Partner responsible for those sectors in Ambrosetti Srl (Milan), the leading Italian consultancy. He was also a Director of Ambrosetti Stern Stewart, a joint-venture. Since 2003, he has been living and working in China, where he is a Director of China IPO Group and of IPO Beijing Ltd. Edward has published sixteen books, including *Shift: Hope, Hype and History in Internet* (John Wiley, 2003), and two recent works about present and future trends in China: *China, Stealth Empire* (2008) and *China and Iran* (2009).

Haresh Kanabar, Non-Executive Director, has over 20 years of experience in senior management for various companies and in various industries including many AIM listed companies. Haresh qualified as a certified accountant in 1986. Following a number of different positions in finance with Fisons plc, Reed International plc and Texas Homecare Limited, he became Finance Director of F E Barber Limited, a subsidiary of Hillsdown Holdings Limited, in 1994.

In 1997, he was appointed Group Finance Director of the Whitchurch Group plc which he left in May 1998 to become the finance director of TMV Finance Limited. In 1999 he joined Corvus Capital Inc. where he was the CEO until November 2002 before becoming the Finance Director of Gaming Insight plc. He is currently the director of a number of companies including Aurum Mining plc, Indian Restaurants Group plc, Gasol plc and India Star Energy plc.

STRATEGY

The main elements of Brainspark's strategy comprise:

- Market leadership in the theme park sector;
- Build up a portfolio of investments in strategically relevant companies, and
- To exit profitably from these investments through an IPO or trade sale.

In terms of achieving market leadership in the theme park sector, Brainspark will pursue this through the:

- Ownership and management of the Mediapolis theme park aimed at being one of the largest Italian theme parks in terms of investment, size, innovation, technology and number of visitors per year.
- Creation of a Theme Park concept: "The Social Network Park" to create a physical place where the dynamics used in the virtual world can be mixed with the ones of the real world through partnerships/agreements with major players in social networks, linking the virtual world with the real world.
- Acquisition of shares in other European theme parks in order to unify a particularly fragmented sector. - Proposal of engineering services on a turnkey basis to build theme parks on behalf of third parties

The portfolio of significant minority stakes in other strategically relevant companies will be built through:

- Acquisitions of medium-sized companies which demonstrate a steady growth in income and profits.
- Selecting companies which have synergies with the theme parks already within the Brainspark Group, in order to generate added value, higher turnover and growth among subsidiaries.

To ensure an exit for each investment through either an IPO or trade sale:

- Brainspark encourages each of its investment companies to develop and grow independently by following their own strategies, thereby reaching peak valuation.
- Through its investment in UK Broker Daniel Stewart and its relationship with RCF SA, a Portfolio Management company in Switzerland (a company which Alfredo Villa is Managing Director and discretionary fund manager), Brainspark will increase its ability to provide exits via a stock market listing for each of its portfolio companies at the appropriate time.

In the future, we would expect the nature of Brainspark to change as it exits portfolio companies and builds on its presence in the financial sector, so that ultimately the company could become increasingly like a merchant bank in shape.

Theme Parks in Italy

The global backdrop to the theme park market in Italy is the growth in popularity of mass entertainment and an increasing share of families' free time being spent on outdoor entertainment in a market that is forecast to reach in excess of US\$28bn by 2015 (Global Industry Analysts, Inc). These consultants expect growth in attendance to stem from entertainment-related technology development and sophistication, which help offer visitors cutting-edge amusement, and fun.

Future growth is likely to be underpinned by advancements in entertainment technologies such as "real life" simulations, virtual reality, and high quality visual imagery. Another emerging concept is that of indoor theme parks combined with retail shopping centres – eg Lotte World in South Korea and Mall of America in Minneapolis, USA.

In Italy, there are currently almost 50 theme parks of note, mostly sited in Emilia Romagna, the Veneto, Lombardy and Piedmont (i.e. in the north of Italy) encompassing the early wave of the 1960s and 1970s like Fiabilandia and Gardaland (the third largest in Europe and which still attracts over 3.5m visitors per year) through the aqua park boom of the late 1980s and early 1990s to the current generation of entertainment parks. An increasingly demanding public is looking for sophisticated entertainment, access to highways and hotels, and this is reflected in the designs of the coming generation of theme parks like Mediapolis and Rainbow Magicland, scheduled for Rome in 2011.

The variety in types of Italian theme park is evident among the largest parks (by area):

- Gardaland, theme/mechanical (600,000 sqm) in Castelnuovo del Garda, Lake Garda;
- Mirabilandia, theme/mechanical/aqua park (400,000 sqm) in Savio, near Ravenna;
- Safari Park, nature/mechanical (400,000 sqm) in Pombia, Piedmont;
- Ondaland waterpark (230'000 sqm) in Vicolungo (Piedmont)

PORTFOLIO OF BUSINESSES

Theme Park Investments

In addition to Mediapolis, the company's theme park business comprises a stake in an existing aqua park in Italy.

Ondaland is well-established and operational, while construction on Mediapolis is expected to commence in H1 2010.

Portfolio: stake held	
Mediapolis	28.8%
Ondaland	20.0%

Source: Company

Mediapolis

Mediapolis S.p.A. is a major entertainment investment based on a theme park in northern Italy between Milan and Turin. In the short term this will represent Brainspark's core investment, although in the longer term it will serve to attract interest from other companies and as a stimulus to growth for companies either already in or to be added to the portfolio.

Turin-based Mediapolis SpA itself was founded in 1991 by architect Sergio Porcellini. The Gruppo Mediapolis has the theme park activity and a practice involved in the promotion and development of projects in Italy. The range of services offered includes project management, research and coordination of project partners, management of authorization process, and project communication.

The Mediapolis theme park has endured a decade-long process of obtaining regulatory approval, causing a financial drain on Mediapolis and thus offering Brainspark the opportunity to gain a significant stake.

The major shareholders of Mediapolis SpA are Mediapolis Investments SA Luxembourg with 70.4% and Telecom Italia Group with 8.59%. Telecom Italia SpA holds its stake through Olivetti Multiservices.

Mediapolis has total ownership and rights over the Mediapolis Project, and pending the final building permits, construction is expected to commence in H2 2010. Brainspark currently holds 28.8% of Mediapolis Investments and 1.8% of Mediapolis S.p.A.

Shareholder capital is €9m, and Mediapolis has been evaluated by the Real Estate Advisory Group SpA, American Appraisal REAG, at a market value of €52 m, and by Praxi, the management consultancy, at a market value of €49 m.

The site is located on the Milan-Turin-Aosta highway junction; 60 minutes drive from Milan, 50 minutes from Turin and 60 minutes from the Mont Blanc Tunnel, one of the main arteries between France and Northern Italy. It is expected that construction on land which the company already owns will begin in the summer of 2010, once final approvals have been confirmed.

Mediapolis is designed as two different areas - an outdoor area of 148,000 sq m, and an indoor area of 25,000 sq m. The outdoor area is a theme park to be called the "Tivoli Gardens", consisting in some themed areas with around 22 attractions of various types. The indoor area will be open throughout the year the full year, and will comprise 5 attractions incorporating new technologies like 4D cinema, hi-tech simulators and dark rides. The indoors area will also have a further area of entertainment-retail with a multiplex cinema, a ballroom, a museum of rock music and themed restaurants.

In all, the Mediapolis project has five components:

- A leading European theme park
- A large scale specialized shopping centre
- An hotel and hospitality facilities
- Energy generation plants
- Satellite TV and events.

A significant differentiator is that this venue will produce and distribute media (Filmmaster Television), broadcasting around the clock via themed channels, including shows, music, cinema, TV, new media, games and travel. There is considerable scope for Brainspark to incorporate a very rich mix of content and technologies from the members of its portfolio, and could thus offer, for example, virtual versions of its attractions.

Mediapolis: envisaged layout



Source: Company

Mediapolis will be the largest entertainment venue in the Milan - Turin urban area, and can be reached within one hour's drive by 4 million people, within two hour's drive by 12 million, within three hour's drive by 18-20 million and within 4 hour's drive by 45 million.

The Milan-Turin area is one of the most important in Europe, with over 18 million inhabitants, and with the Alps - Mediterranean region, it accounts for a total of 35 million people, it is the third European urban macro-aggregate with its high purchasing power and the lack of competition in this sector.

With an area of 670,000 square metres (about 165 acres), fronting the A6 motorway for 1 km, a "major league" theme park could act as an "engine" able to generate visibility and attract visitors from a wide catchment area. Approximately 6m visitors are expected annually, of which 1.6 million are anticipated to be paying admissions.

The overall development costs of the site are estimated by the management of Mediapolis SpA at €220,000,000 (£201,653,000) over a period of three years, with the theme park element expected to be operational in less than two years.

The project financing for the overall development is managed by Unipol Gruppo Finanziario. For the year ended 31 December 2008, Mediapolis Investments generated a loss before tax of €0.49m and had net assets of €5.8m.

Ondaland

Ondaland, the largest water park in Italy, is located in Vicolungo (Novara) between Milan and Turin, and 30 km from the Mediapolis site.

Brainspark announced on 24 March 2010 that it had entered into an agreement with T.L.T., Tempo Libero e Turismo SpA, trading as Ondaland, to acquire 20% of Ondaland's issued share capital for a total consideration of €5.74m. This was structured through a cash payment of €2.4m and the issue of 400m new ordinary shares. The cash consideration was in three instalments: an immediate payment of €0.9m, with two subsequent payments paid in March and April 2010.

The price was fixed by an independent evaluation of Ondaland at €29m.



Source: Brainspark

Ondaland occupies 45 acres, and has 27 attractions, including more than 20 water slides for children and grown-ups, a 2.200 m² wave pool, 5.000 m² white "Caribbean" beaches, 50.000 m² grassy area, and 11 catering points.

For the 8 months to 31 August 2009, Ondaland reported €1.25m profit before tax on revenues of €4m, and the Water Park also reported 350,000 visitors during the three months summer season.

Currently, as an aquapark Ondaland has a limited season – the three months from June to August inclusive – so there are plans to extend its opening by a further three months by adding other attractions and entertainment.

Entertainment and Digital Technologies

The entertainment portfolio focuses on new TV and media, and, as a result of the recent agreement with AC Ancona, football. There is also a legacy stake in Geosim.

Investments and stake held

Company	Share owned by Brainspark
Bibop	50.2%
Filmmaster Television	10%
Geosim	13%
Ancona Football club	44.8%

Source: Company

Bibop

Brainspark announced on 25 March 2010 an agreement with Digital Magics SpA to acquire a 50.2 per cent interest in the issued share capital of Bibop S.p.A. Digital Magics owns 90.0 per cent of the issued share capital of Bibop.

The total consideration payable by Brainspark was €2.65m through a cash payment of €150,000 and the issue of 198,000,000 new ordinary shares of 0.01 pence in Brainspark.

Brainspark has invested an additional € 850,000 in Bibop. Bibop will use these proceeds to acquire certain assets from Digital Magics and to develop its video-community platform on an international level through the expansion of its sales and marketing structures.

Bibop was founded in 1995 by Gabriele Gresta as a new media content production company. In 2004 it became a portfolio company of the Digital Magics group, which had been set up in that year as an incubator for innovative and emerging concepts in the digital sector. Its purpose was the development of new and unique modes of communication and marketing utilizing the full internet potential. The start-up companies in Digital Magic's portfolio specialise in new modes of communication, as well as in the production of interactive content and unique advertising formats intended for digital platforms such as broadband, mobile and i-TV.

Bibop operates as a digital publisher of entertainment web productions and interactive videos. Bibop applies a business pattern that makes use of digital formats and libraries in partnership and sharing revenues (VAS) with the web portals. Bibop also owns the second largest gossip Italian channel online (<http://gossip.virgilio.it/>) and the MyCast platform. MyCast is a system enabling participative TV formats where consumers can be 'inserted' in live TV shows using off-the-shelf equipment (either a webcam or a 3G videophone), under the control of the show director and conductor.

Bibop is an important element in Brainspark's aim to introduce total entertainment to theme parks, incorporating a digital-to-physical-to-digital continuum. For example, if one of the attractions at the park is a car race track, a visitor can practice driving the course at home online, and then physically drive the course when visiting the park. After the visit, the visitor can build on that experience by further on-line sessions.

Filmmaster Television

Filmmaster Television was created in 2007 from the merger of Filmmaster Television Ltd. (a company owned by Filmmaster Group SpA specialising in the production of television programmes and music videos) and Mad Entertainment Ltd (a company owned by Cinecittà Entertainment SpA - the major shareholder of Filmmaster Television. Filmmaster Television is one of the largest companies in this field in Italy, with annual revenues of £16m and around £1.5m EBIT.

Filmmaster Television has 3 divisions: Channels, Entertainment Shows and Fiction. Channels is a digital terrestrial television producer and broadcaster, currently producing two channels and broadcasting another three on behalf of Dahlia TV (thereby generating €13m annual revenues). The company is currently negotiating with major editorial producers with regard to the production and broadcasting of five further channels. It has plans to produce the "Roma Channel" and manage the official channel of Roma football club.

The Entertainment Shows division holds the rights for an extensive range of show formats, including *Alta Tensione*, an early evening show produced in partnership with state broadcaster RAI TV, and 2waytraffic.

Formerly Celador International, 2waytraffic owns, distributes, licenses and operates over 200 game show formats such as *'Who Wants to Be a Millionaire?'* in the USA and Europe. It became a subsidiary of Sony Pictures Entertainment (SPE) in 2008.

The third division, Fiction, is scheduled to be spun out in the first half of 2010 into a new company, 51% owned by Filmmaster TV and 49% by William Ariè, a television producer of fiction series.

Vyke (AIM: VYKE)

Brainspark announced on 14 May 2010 its acquisition of an 11.56 per cent interest in Vyke Communications plc for a consideration of £748,750, which has been fully settled in cash. This investment was made as part of a placing by Vyke to raise £4.2m, which was announced by Vyke on 22 April 2010 and was approved by shareholders of Vyke at a general meeting, held on 10 May 2010.

Vyke is a leading Voice over Internet Protocol ("VoIP") service provider with a focus on mobile applications. The strategic goal of Vyke is to combine its expertise in VoIP-based communication systems, mobile data service creation/handset technology and wholesale carrier network management to provide a converged communication solution. Vyke's current set of mobile-oriented products offers up to a 98% discount compared to current typical mobile operator pricing structures. Brainspark aims to exploit the natural synergy it sees between Vyke and other members of its portfolio, especially Mediapolis, Filmmaster and BiBOP.

Formed in 2004, Vyke is headquartered in the UK with subsidiaries and offices in Norway, USA, Iceland and Malaysia. For the twelve months to 31 December 2009 Vyke generated revenues of £11.17m, with a pre-tax loss of £5.82m.

Geosim

Geosim, acquired in the Infusion deal, builds precise and realistic 3D models of cities that offer a range of products and services for developers and city planners, tourism and real estate, security and defence, 3D yellow pages, advertising, media and entertainment. The company's proprietary suite of hardware and software tools provides photo-realistic quality very cost-effectively.

AC Ancona

On 18 March 2010 Brainspark announced an agreement with Investor Unlimited (a company controlled by Enrico Petocchi, the CEO of AC Ancona) to acquire 36.6% of the total issued share capital of Associazione Calcio Ancona, the Serie B Italian Football League club.

The total consideration payable by Brainspark was €1.66m via an issue of 211m new ordinary shares to Investor Unlimited. Brainspark announced on 14 May 2010 a further investment of € 850,000 in AC Ancona as part of a €10.2m capital raising exercise currently being undertaken by AC Ancona.

A total of €1.48m of this round, including Brainspark's investment, has been raised to date. Following the investment Brainspark currently holds 44.8 % of the total issued share capital of AC Ancona

AC Ancona finished the 2009/10 season in 17th place in Serie B, only missing out on a playoff place by a few points. Founded in 1905, AC Ancona has had a relatively turbulent recent history, playing in Serie A and Serie C before returning to Serie B after the 2007/8 season. In the financial year to 30 June 2009, AC Ancona reported revenues of €6m and a net loss of €2.12m, the latter covered by a capital increase of €2.15m as of 29 January 2010. AC Ancona's assets as of 30 June 2009 stood at €5.2m.

Ancona is the Capital City of the Le Marche Region whose Adriatic Coast has numerous resorts, but as a region lacks theme and aqua parks. There is thus an opportunity for developing new parks in the region, and developing a water park on the club's land bordering the Adriatic.

The deal with AC Ancona is beneficial for the Club, bringing finance and management expertise that offer the security and guidance needed to restore it to Serie A. Brainspark also benefits from the raised profile stemming from this association, and as this opens up channels helpful in getting permission to develop other parks nearby.

Restaurant and Food

Brainspark has a 29.9% stake in the **Indian Restaurant Group Plc** (AIM:IRGP), which has two categories of restaurant: Chowki Indian Casual Dining and Mela Premium Informal Dining, operating in London. IRG currently operates 3 Indian restaurants in the UK and recently opened a Mela-branded restaurant situated in Redhill, Surrey.

Brainspark announced its agreement with IRG on 23 April 2010 to subscribe for 5,578,994 new ordinary shares in IRG, equivalent to 29.9 per cent of the enlarged issued share capital of IRG. The total consideration for the investment by Brainspark is £139,474.85, equivalent to 2.5 pence per new ordinary share in IRG, which was fully settled in cash.

Brainspark sees this acquisition as a vehicle to create an Indian fast food chain based on the concept of a scalable project called Giallo Curry aimed at food courts in shopping malls, commercial centres and theme parks. The Indian Restaurants Group can also be used as a listed vehicle to bring Brainspark's Restaurants and Food division to market.

For the year to 30 September 2009 IRG generated revenues of £ 2.47 m, with a loss before tax of £ 0.68 m. Audited net assets of IRG as at 30 September 2009 were £ 1.73 million.

Alfredo Villa joined the board of Indian Restaurant Group on 19 May 2010 as a Non-Executive Director.

Brainspark has planned further acquisitions in this sector.

Financial Services Sector

Portfolio: stakes held

Company	Share owned by Brainspark
Daniel Stewart plc	5.7%

Source: Company

On 3 March 2010 Brainspark announced an agreement with AIM listed London-based stockbroker, **Daniel Stewart Securities plc**, to subscribe for 25,000,000 new ordinary shares of 0.25 pence each in Daniel Stewart at a price of 2 pence per Daniel Stewart share, for a total consideration of £500,000. As a result, Brainspark has a current interest in approximately 5.7% of the enlarged issued share capital of Daniel Stewart.

Brainspark also acquired, for the consideration of £1, an option to purchase a further 75,000,000 new ordinary shares in Daniel Stewart, exercisable at a price of 2 pence per Daniel Stewart share at any time until midday on 29 June 2010. On exercising, Brainspark will hold 100,000,000 ordinary shares in Daniel Stewart. Should the option be exercised Alfredo Villa will join the Board of Daniel Stewart as a Non-Executive Director.

Daniel Stewart

Daniel Stewart is an AIM-listed financial services company providing a range of investment banking services to small cap publicly traded and non-publicly traded companies. The Group has two subsidiaries, Daniel Stewart and Company plc, the Group's principal operating subsidiary, which is authorised and regulated by the Financial Services Authority and is a member of the London Stock Exchange, and Daniel Stewart Capital, the Group's leasing and debt financing division.

Daniel Stewart and Company plc is an AIM Nominated Adviser and PLUS Market corporate adviser, as well as being a regulated broker to both the Official List and AIM. It currently acts for approximately 50 AIM companies and is actively seeking to increase its client base with companies who will benefit from its specialised corporate advisory and institutional stock broking services.

For the year ended 31 March 2009, Daniel Stewart generated revenue of £4.38 million and a loss before tax of £2.25 million. Net assets of Daniel Stewart as at 30 September 2009 were £4.10 million.

Brainspark's investment in Daniel Stewart will provide professional capabilities, expertise and placing power to facilitate the company's future investments if and when required. Brainspark is also looking for an involvement with AIM Italia, and believe that Daniel Stewart's experience will be useful for this.

Brainspark Companies – USPs

In reviewing all the Brainspark companies, it is apparent that in addition to diversification across sectors and industries, they have unique aspects that enhance their market attraction.

Assets to match desirable qualities:	
Recession proof	AC Ancona, Ondaland, theme parks
Exclusive media distribution deals	Films – Film Master, Bibop and TV shows
Patented Technologies	Media convergence (Bibop), 3D software (Geosim)
Intellectual Property Rights	Films, content (Bibop)
Geographic location	Theme park (Mediapolis)
Real-estate hard assets	Theme park (Mediapolis)
Fund-raising capability and source of liquidity	Finance (Daniel Stewart)

Source: ED

FINANCIALS

Brainspark is seeking to raise between £10m and £20m in order to:

- Finance the construction and development of Mediapolis, maintaining its majority stake;
- Pursue its acquisition strategy.

The company announced on 26 January 2010 that it has completed a placing of 350,000,000 new ordinary shares of 0.01 pence each at a price of 0.7p per share, raising £2,450,000 (before expenses) for the company. The placing was coordinated and underwritten by RCF SA, a portfolio Management Company of which Alfredo Villa, CEO of Brainspark, is Managing Director and a discretionary fund manager. All of the placing Shares have been acquired through Bank Degroof. The net proceeds of the placing are being used by the company mainly for the closed acquisitions and for general working capital purposes.

In January 2010 Brainspark announced that Alfredo Villa had converted a convertible loan note of £125,000 in Brainspark into new ordinary shares in the company, resulting in the issue of 19,230,769 new ordinary shares in Brainspark. Subsequently, on 5 March 2010 the company announced that it had raised a further £504,000 (before expenses) through the placing of 72,000,000 new ordinary shares of 0.01p at a price of 0.7 pence per share. These shares were subscribed for by RCF SA on behalf of retail clients of an institutional fund manager. The net proceeds have been used by Brainspark in furtherance of its investment strategy.

Short Term Investment

Brainspark announced on 18 May 2010 that it had invested €2.45m in **Cogeme SET S.p.A.**, acquiring 6.12% of the total issued share capital of Cogeme. The consideration payable has been satisfied from the Company's existing cash resources. The investment is a short term position taken by Brainspark to optimise its cash resources and to use the asset as leverage for other strategic investments.

Cogeme is a leading Italian Tier 2 manufacturer of high precision components for the automotive sector. The company mainly produces turbochargers and fuel injection systems and focuses its activities on clear niches with high value added, strong barriers to entry and long lasting growth potential. Cogeme has established relationships with main Tier 1 suppliers in the automotive industry including Bosch, Honeywell, Delphi, Siemens and Magneti Marelli. Cogeme is headquartered in Milan and is listed on the Italian Stock Exchange (Borsa Italiana: COG).

For the year ended 31 December 2009, Cogeme generated revenue of €61.8m and profit before tax of €3.0m. Audited net assets as at 31 December 2009 were €63.0m. The market capitalisation of Cogeme as at 8 June 2010 was €32.3m.

The total evaluation of Brainspark as of 8 June 2010 is shown in the table below.

Portfolio Valuation		
Investment	Brainspark holding	Value, £
Mediapolis	28.8%	9,210,811
Ondaland	20%	5,125,000
BiBop	50.2%	2,360,000
Filmmaster	10%	670,000
Vyke	11.5%	748,000
Geosim	13%	100,000
AC Ancona	44.8%	2,240,000
IRG plc	29.9%	148,000
Daniel Stewart	5.7%	528,000
Cogeme	6.6%	2,400,000
Total value of the assets		23,529,811
Debt: long term		3,240,000
: short term		500,000
Cash		70,000
Net asset value		19,859,811
Net asset value per share, p	2.3bn shares outstanding	0.86

Source: ED, ADVFN various

The Current Issue

Brainspark announced on 4 May 2010 that it had launched an issue of up to £10m of convertible bonds due 2014. The bonds have a high coupon (7%), and are convertible into new ordinary shares of 0.01 pence each in Brainspark at a conversion rate of 100,000 New Ordinary Shares per Bond. The nominal value of each bond is £1,000.

At the date of the announcement, Brainspark had already placed £3.24m of the bonds with investors. The net proceeds have been received by Brainspark and are being used to satisfy the cash consideration payable in respect of certain previously announced investments and to make further investments in line with the Company's investing strategy.

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