BRAVEHEART
INVESTMENT GROUP

Half-Yearly Report 2009

Growth
Support
Service
Partnership

Our business is based on the following principles:

Growth

Support

Service

Partnership

Highlights

68%
Increase in income

£2.2m
Cash balances

- Total income increases 68% to £424,000 (2008: £252,000)
- Unrealised gain on revaluation of portfolio investments of £192,000 (2008: unrealised loss of £170,000)
- Net assets at period end of £5.9m (2008: £7.0m)
- Cash balances at period end of £2.2m (2008: £4.1m)
- Acquired Yorkshire-based Viking Fund Managers Ltd (VFM) (formerly Inkopo Ltd)
- VFM's management service agreement to administer the Yorkshire Association of Business Angels renewed for a further three years
- First investments made by Strathclyde Innovation Fund
- Further funding in the form of equity or convertible loans to one new and eight existing portfolio companies
- Appointed as an accredited lender under the Enterprise Finance Guarantee scheme

Post period end

Further funding in the form of equity or convertible loans to one new and five existing portfolio companies.

1 **Garry S Watson** Chairman
2 **Geoffrey CB Thomson** Chief Executive Officer


1
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Chairman and Chief Executive's Statement

Overview

We are pleased to report to shareholders on the six months ended 30 September 2009.

While conditions continued to be difficult during the period, with core client investment and associated fee levels remaining depressed, Braveheart has actively pursued its strategy of measured expansion counterbalanced by strict asset, cost and cash management.

The acquisition of Viking Fund Managers Ltd (VFM) (formerly Inkopo Ltd) was completed in June, giving us an operating base in the North of England. The integration of this business is progressing smoothly, and the combination has contributed to a year on year increase in overall investment management and management services revenue. In September VFM's management services agreement to administer the Yorkshire Association of Business Angels (YABA) was renewed for a further three years.

The investment in our London office has now started to show returns: a number of new clients have been attracted, some interesting M&A opportunities are presenting themselves, and our profile in the South of England is growing as we promote the Braveheart brand.

To preserve and enhance the value of the Group's investments and those of its clients, it has been vital for us to support our portfolio companies, and during the period we provided equity and debt finance to nine of those companies. Additionally, Strathclyde Innovation Fund made its first two investments in the period. While the economic environment for early stage businesses is challenging, we have been impressed by the resilience and performance of many of our portfolio companies. We recorded a modest, though pleasing, increase in our portfolio valuation at the period end, and this contributed to the strength of our net asset position.

Our expansion has led to an increase in overheads and a slightly greater loss than in the first half of last year. However, compared to the immediately preceding half-year, both our overheads and our loss were reduced. At 30 September, we had a strong balance sheet with net assets of £5.9m.

In September, we were confirmed as an accredited lender under the Enterprise Finance Guarantee scheme (EFG). The EFG allows small and medium-sized businesses in the UK to obtain loans from accredited lenders, backed by a government guarantee. This accreditation is helpful in that it should enable us to gear up our resources and provide more assistance to a greater number of companies. However, we await the government's proposals for the future of the EFG, which are expected before the end of March 2010, before making any material commitments thereunder.

Given the higher income tax bands which will come into force in April next year, we believe Enterprise Investment Scheme (EIS) investments will become an increasingly important asset class. Accordingly, we are in the process of establishing an EIS Fund which we plan to launch in January 2010.

Board and personnel

Staff numbers rose by seven as the Group absorbed VFM personnel, and we would like to formally welcome them to Braveheart.

There have been no changes to the board of directors during the period.

Financial review

The financial results reported below include those of VFM since the date of its acquisition on 5 June 2009.

Total income in the six months ended 30 September 2009 was £424,000, an increase of 68% (2008: £252,000). Revenue from investment management and management services was £244,000, an increase of 11% (2008: £219,000) reflecting the contribution from VFM. Other operating income was £27,000 (2008: nil). Interest income was £31,000 (2008: £139,000) reflecting reducing cash balances and the nominal interest rates payable thereon. The unrealised gain on the revaluation of investments was £192,000, as compared to an unrealised loss of £170,000 in 2008. This was offset in part by an increase of £70,000 in contingent consideration (2008: decrease of £64,000) payable on exit values of certain portfolio companies.

Total costs were £839,000, an increase of 30% (2008: £643,000) primarily reflecting the Group's increase in staff numbers. However compared with the immediately preceding half-year which had been impacted by certain non-recurring expenditure, costs fell by 7%.

The loss before taxation and minority interest increased to £415,000 (2008: £391,000), though compared with the immediately preceding half-year the loss fell by 52% due to the combination of increased income and reduced costs. There was no taxation charge in either the current or prior year period. The loss after taxation attributable to parent company shareholders was £422,000 (2008: £391,000) which equates to a loss per share of 3.08 pence (2008: 2.91 pence).

Net assets at 30 September 2009 were £5.9m (2008: £7.0m). Cash balances at the period end were £2.2m, a decrease in the six months from 31 March 2009 of £1.0m, comprising £360,000 invested by the Group in its portfolio companies, £176,000 relating to the acquisition of VFM, and £497,000 used in other operating activities.

Strategy

We will continue to provide support to our most promising portfolio companies, while ensuring that we retain adequate cash for operating purposes. Our investment in these companies is our greatest asset and it remains a core objective to enhance and realise this value when market conditions permit. Several of these companies are now demonstrating the characteristics that are a prerequisite of disposal, but would benefit from a period of buoyant trading conditions before we seek to realise value.

We will also seek to reduce further the risks in our private equity business by growing our investment management and management services revenue with the objective of covering our overhead costs from such income sources. Our acquisition of VFM was the first step, and a number of other opportunities are under consideration.

Outlook

While stock markets have risen sharply in recent months and a number of other indicators have appeared to signal the beginnings of economic recovery, recently released data indicates that the UK is behind a number of our competitors in emerging from recession. We believe the financial environment in which we operate will remain difficult for some time and that assessment is reflected in our plans.

We have maintained a strong net asset position, with our investment portfolio now recovering some of its lost value. We will continue to support our portfolio investments while pursuing additional revenue streams and complementary businesses to provide long-term shareholder value.

Garry S Watson
Chairman

Geoffrey C B Thomson
Chief Executive Officer

Independent review report

to Braveheart Investment Group plc

Introduction

We have been engaged by the Company to review the financial information in the half-yearly report for the six months ended 30 September 2009, which comprises the condensed consolidated statement of comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of cash flows, condensed consolidated statement of changes in equity and the related notes.

We have read the other information contained in the half-yearly report, which comprises only Highlights and the Chairman and Chief Executive's Statement, and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with guidance contained in ISRE (UK and Ireland) 2410, 'Review of Interim Financial Information performed by the Independent Auditor of the Entity'. Our review work has been undertaken so that we might state to the Company those matters we are required to state to them in a review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusion we have formed.

Directors' responsibilities

The half-yearly report is the responsibility of, and has been approved by, the directors. The AIM rules of the London Stock Exchange require that the accounting policies and presentation applied to the financial information in the half-yearly report are consistent with those which will be adopted in the annual accounts having regard to the accounting standards applicable for such accounts.

As stated in the Basis of preparation the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The financial information in the half-yearly report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the financial information in the half-yearly report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial information in the half-yearly report for the six months ended 30 September 2009 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union.

GRANT THORNTON UK LLP
Registered Auditor
Chartered Accountants
Edinburgh

3 December 2009

Condensed consolidated statement of comprehensive income

for the six months ended 30 September 2009

	Note	Six months ended 30 September 2009 (unaudited) £'000	Six months ended 30 September 2008 (unaudited) £'000	Year ended 31 March 2009 (audited) £'000
Revenue		244	219	350
Unrealised profit/(loss) on the fair value movements of investments		192	(170)	(378)
Movement on contingent consideration		(70)	64	100
Finance revenue		31	139	215
Other income		27	–	–
Total income		424	252	287
Employee benefits expense		(581)	(429)	(800)
Other expenses		(256)	(214)	(741)
Finance costs		(2)	–	(1)
Total costs		(839)	(643)	(1,542)
Loss before taxation		(415)	(391)	(1,255)
Taxation		–	–	2
Loss for the period and total comprehensive income for the period		(415)	(391)	(1,253)
Attributable to:				
Equity holders of the parent		(422)	(391)	(1,236)
Minority interest		7	–	(17)
Loss per share				
– basic and diluted	2	(3.08)	(2.91)	(9.22)

Condensed consolidated statement of financial position

as at 30 September 2009

	Notes	30 September 2009 (unaudited) £'000	30 September 2008 (unaudited) £'000	31 March 2009 (audited) £'000
ASSETS				
Non-current assets				
Property, plant and equipment		38	50	44
Investments at fair value through profit or loss	3	3,914	3,035	3,261
Goodwill	5	360	–	–
		4,312	3,085	3,305
Current assets				
Trade and other receivables		166	285	100
Cash and cash equivalents		2,189	4,091	3,222
		2,355	4,376	3,322
Total assets		6,667	7,461	6,627
LIABILITIES				
Current liabilities				
Trade and other payables		(184)	(193)	(173)
Contingent consideration		(479)	(246)	(210)
Deferred income		(20)	(22)	(22)
Borrowings		(10)	–	(10)
		(693)	(461)	(415)
Non-current liabilities				
Deferred tax liability		–	(2)	–
Borrowings		(41)	–	(41)
		(41)	(2)	(41)
Total liabilities		(734)	(463)	(456)
Net assets		5,933	6,998	6,171
EQUITY				
Called up share capital		278	268	268
Share premium account		141	7,009	–
Retained earnings		5,524	(279)	5,920
Total shareholders' equity		5,943	6,998	6,188
Minority interest in equity		(10)	–	(17)
Total equity		5,933	6,998	6,171

Condensed consolidated statement of cash flows

for the six months ended 30 September 2009

	Six months ended 30 September 2009 (unaudited) £'000	Six months ended 30 September 2008 (unaudited) £'000	Year ended 31 March 2009 (audited) £'000
Operating activities			
Loss before tax	(415)	(391)	(1,255)
Adjustments to reconcile loss before tax to net cash flow from operating activities			
Depreciation of property, plant and equipment	7	4	12
Share-based payments expense	26	44	79
Loss on disposal of property, plant and equipment	–	–	1
(Increase)/decrease in the revaluation of investments	(192)	170	378
Interest income	(31)	(139)	(215)
Increase in investments	(360)	(630)	(1,064)
Decrease in trade and other receivables	87	158	368
Decrease in trade and other payables	(5)	(70)	(48)
Tax received	–	25	–
Net cash flow from operating activities	(883)	(829)	(1,744)
Investing activities			
Acquisition of subsidiary	(124)	–	–
Net cash and cash equivalents acquired on acquisition	(52)	–	–
Purchase cost of property, plant and equipment	–	(28)	(31)
Interest received	31	139	215
Net cash flow from investing activities	(145)	111	184
Financing activities			
Capital element of hire purchase	(5)	–	(27)
Net cash flow from financing activities	(5)	–	(27)
Net decrease in cash and cash equivalents	(1,033)	(718)	(1,587)
Cash and cash equivalents at the start of the period	3,222	4,809	4,809
Cash and cash equivalents at the end of the period	2,189	4,091	3,222

Condensed consolidated statement of changes in equity

for the six months ended 30 September 2009

	Attributable to equity holders of the Company					
	Share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000	Minority interest £'000	Total equity £'000
At 1 April 2008	268	7,009	68	7,345	–	7,345
Loss for the period	–	–	(391)	(391)	–	(391)
Share-based payments	–	–	44	44	–	44
At 30 September 2008 (unaudited)	268	7,009	(279)	6,998	–	6,998
Loss for the period	–	–	(845)	(845)	(17)	(862)
Reduction in share premium account	–	(7,009)	7,009	–	–	–
Share-based payments	–	–	35	35	–	35
At 31 March 2009 (audited)	268	–	5,920	6,188	(17)	6,171
Loss for the period	–	–	(422)	(422)	7	(415)
Issue of new share capital	10	141	–	151	–	151
Share-based payments	–	–	26	26	–	26
At 30 September 2009 (unaudited)	278	141	5,524	5,943	(10)	5,933

Notes
to the Interim Financial Statements

1 Basis of preparation
The financial information presented in this half-yearly report constitutes the condensed consolidated financial statements (the interim financial statements) of Braveheart Investment Group plc (the Company), a company incorporated in the United Kingdom and registered in Scotland, and its subsidiaries (together, the Group) for the six months ended 30 September 2009. The interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and should be read in conjunction with the Annual Report and Accounts for the year ended 31 March 2009 which have been prepared in accordance with International Financial Reporting Standards as adopted for use in the EU. The financial information in this half-yearly report, which was approved by the Board and authorised for issue on 3 December 2009, is unaudited but has been subject to a review by the Group's independent auditors.

The interim financial statements do not constitute statutory accounts for the purpose of section 240 of the Companies Act 1985. The comparative financial information presented herein for the year ended 31 March 2009 has been extracted from the Group's Annual Report and Accounts for the year ended 31 March 2009 which have been delivered to the Registrar of Companies. The Group's independent auditors' report on those accounts was unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under section 237(2) or 237(3) of the Companies Act 1985.

The preparation of the half-yearly report requires management to make judgements, estimates and assumptions that affect the policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. In preparing this half-yearly report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the audited consolidated financial statements for the year ended 31 March 2009.

The interim financial statements have been prepared using the same accounting policies as those applied by the Group in its audited consolidated financial statements for the year ended 31 March 2009 and which will form the basis of the 2010 Annual Report, except for as described below:

IFRS 8 – Operating Segments
IFRS 8 is a disclosure standard only, requiring disclosure based on information presented to the Board on the financial performance of the Group's operating segments. The adoption of this standard has had no material impact on the financial statements as presented given that the business is regarded as, and financial performance is reported to the Board in respect of, one segment due to the nature of services provided and the methods used to provide these services.

Notes (continued)
to the Interim Financial Statements

IAS 1 (Revised 2007) – Presentation of Financial Statements
The revised standard has introduced a number of terminology changes (including revised titles for the condensed financial statements) and has resulted in a number of changes in presentation and disclosure. There has been no effect on the reported results or previous financial position of the Group.

Improving Disclosures about Financial Instruments (Amendments to IFRS 7)
This amendment requires the analysis of each class of financial asset and financial liability into a three level fair value measurement hierarchy. It requires additional disclosures in respect of those financial instruments classified as Level 3 (namely those that are measured using a valuation technique which uses inputs that are not based on observable market data). It also implements some changes to the definition of and disclosures associated with liquidity risk. This standard will lead to a change in disclosures relating primarily to the Group's equity investments in the 2010 financial statements.

2 Loss per share
Basic loss per share has been calculated by dividing the loss for the period attributable to equity holders of the parent by the weighted average number of ordinary shares in issue during the period.

There were no potentially dilutive ordinary shares in the Group at the period end and therefore the diluted loss per share is equal to the basic loss per share.

The calculation of loss per share is based on the following loss and numbers of shares in issue:

	Six months ended 30 September 2009 £'000	Six months ended 30 September 2008 £'000	Year ended 31 March 2009 £'000
Loss for the period attributable to equity holders of the parent	(422)	(391)	(1,236)
Weighted average number of ordinary shares in issue:			
For basic loss per ordinary share	13,733,996	13,403,895	13,403,895
For diluted loss per ordinary share	13,733,996	13,403,895	13,403,895

3 Investments at fair value through profit or loss

	Listed Equity £'000	Unlisted Equity £'000	Unlisted Loan £'000	Unlisted Sub-total £'000	Total £'000
Fair value at 1 April 2008	147	2,274	154	2,428	2,575
Additions at cost	3	390	237	627	630
Change in fair value in year	(114)	(31)	(25)	(56)	(170)
Fair value at 30 September 2008	36	2,633	366	2,999	3,035
Additions at cost	(3)	167	270	437	434
Conversions	–	209	(209)	–	–
Change in fair value in year	(17)	9	(200)	(191)	(208)
Fair value at 31 March 2009	16	3,018	227	3,245	3,261
Additions at cost	–	328	133	461	461
Conversions	–	101	(101)	–	–
Change in fair value in period	13	186	(7)	179	192
Fair value at 30 September 2009	29	3,633	252	3,885	3,914

4 Business combination

On 5 June 2009 the Company acquired 100% of the issued share capital of Viking Fund Managers Ltd (VFM) (formerly Inkopo Ltd), a company based in the UK. The total cost of the acquisition includes the components stated below:

	£'000
Purchase price:	
Initial consideration	226
Contingent consideration	236
Total purchase price	462
Legal and professional fees	43
Other costs	6
Total cost of acquisition	511

£75,000 of the initial consideration was settled in cash. The balance of the initial consideration was settled by the issue of 511,937 ordinary shares. Contingent consideration will be based on (i) VFM's turnover for the years ending 31 March 2010 and 31 March 2011, and (ii) the attainment by VFM of certain other non-turnover based operating targets benefitting the Group. It is expected that contingent consideration will be settled in shares. Contingent consideration has been fair valued in accordance with IFRS 3. At initial recognition, consideration settled, or to be settled, in shares was fair valued by reference to the Company's share price at the acquisition date.

Notes (continued)
to the Interim Financial Statements

The allocation of the acquisition costs to the assets and liabilities of VFM at the acquisition date is as follows:

	Carrying Value £'000	Fair Value £'000
Property, plant and equipment	1	1
Investments	151	101
Trade and other receivables	113	113
Cash and cash equivalents	(52)	(52)
Trade and other payables	(48)	(48)
Net assets	165	115
Fair value of cost of acquisition		511
Goodwill		396

From the date of acquisition, VFM has contributed £4,000 net profit to the net loss of the Group. Had the acquisition taken place at the start of the period, the consolidated income for the period would have been £490,000 and the loss for the period would have been £414,000.

The goodwill that arose on the acquisition can be attributed to synergies expected to be derived from the combination and the value of the personnel of VFM, which cannot be recognised as an intangible asset under IAS 38.

5 Goodwill

	£'000
At 1 October 2008 and 31 March 2009	–
Arising on initial recognition of acquisition of VFM (see note 4)	396
Reduction arising on fair valuation of contingent consideration at period end	(36)
At 30 September 2009	360

6 Share capital

On 5 June 2009, the Company issued 511,937 ordinary shares of 2 pence each at a fair value issue price of 29.5 pence as consideration for the acquisition of VFM.

The Company has one class of ordinary shares. All shares carry equal voting rights, equal rights to income and distribution of assets on liquidation or otherwise, and no right to fixed income.

7 Subsequent events

There were no significant events after the balance sheet date.

Company Information

Directors
Garry S Watson OBE CA, Chairman
Geoffrey C B Thomson, Chief Executive Officer
Carolyn Smith BA Hons ACIS, Chief Investment Officer
Colin C Grant BCom CA, Chief Financial Officer
Edward B Cunningham CBE, Non-executive Director
J Kenneth Brown BA CA, Non-executive Director
Jeremy H Delmar-Morgan MA MSI, Non-executive Director

Secretary
Colin C Grant BCom CA

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Shareholder communications
A copy of this report will be sent to shareholders and is available on request from the Company's registered office: The Cherrybank Centre, Cherrybank Gardens Perth PH2 0PF. A copy has also been posted on the Company's website: www.braveheartinvestmentgroup.co.uk

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