BRAVEHEART
INVESTMENT GROUP

Braveheart Investment Group plc
Half-Yearly Report 2010

Braveheart Investment Group plc makes and manages investments in young emerging British companies. We specialise in building tax efficient portfolios for business angels, high net worth individuals and family offices. Established in 1997, we have a track record of producing market leading returns for our clients.

Our business is based on the following principles:

Growth, Support, Service and Partnership

Highlights

- First exit of an investment funded by IPO proceeds
- Further funding in the form of equity or convertible loans by the Group and its clients to one new and seven existing portfolio companies
- Fee income increased 35% to £329,000 (2009: £244,000)
- Total realised gain on sale of portfolio investments of £168,000 (2009: £nil)
- Operating costs decreased 9% to £761,000 (2009: £839,000)
- Net assets at period end of £5.1m, equating to 35.83 pence per share (2009: £5.9m, 42.64 pence)
- Cash utilisation in period of £132,000 (2009: £1.0m)
- Cash balances at period end of £1.3m (2009: £2.2m)

Post period end

- Completed acquisition of London-based Envestors Ltd
- Enlarged Group now has offices in Perth, Yorkshire, London and Jersey, with franchise operations in Manchester and Dubai
- Three different levels of service now offered to business angels, high net worth and family office investors
- Further funding in the form of equity or convertible loans to two existing portfolio companies

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Disclaimer

This half-yearly report contains certain forward-looking statements which reflect the knowledge of, and information available to, the directors at the date of preparation of this half-yearly report. By their nature, these statements involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future and there are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements.

Overview

We are pleased to report to shareholders on the six months ended 30 September 2010.

The defining event in the period was the announcement, on 18 August, that we planned to acquire the business and assets of Envestors LLP, the London based advisory business that specialises in matching high net worth investors with high-growth companies. The acquisition was completed on 5 October and we have moved quickly to bring our enhanced investment services to the enlarged client base.

The acquisition of Envestors advances the geographical structure that your Board determined to achieve two years ago and we further commented upon in the Summer: Viking Fund Managers, with its strength in Yorkshire and North-East England, was the first building block, and Envestors, with its main presence in London and the Home Counties but also with fledgling operations in Manchester and Jersey, as well as an office in Dubai, is the next step. We are now well positioned to expand these operations and securing an international bridgehead is an important milestone for us. As we go forward we will be increasing our focus on providing fast-growing technology investment opportunities to business angels, high net worth individuals and family offices.

During the period we witnessed some cautious improvement in our clients' appetite for high-tech investment. All but one of our investment offerings were in companies that were already in the Braveheart portfolio, companies that had weathered the recession and demonstrated that they had the capacity to develop sales traction, on the way to an exit.

We also saw, in July, the first sale of a portfolio investment made directly from the proceeds of our IPO in 2007. Im-Sense Ltd, a spin-out from the University of East Anglia, whose software enhances the quality of digital photography and video, was acquired by an undisclosed trade buyer. The Board views the disposal as an indication of the quality of investments in our portfolio.

Further progress has been demonstrated by a number of our other portfolio companies. However, some of our companies have found progress difficult and we have seen a diminution in their value over the period.

For the most part we are encouraged by our numbers and it is pleasing to note that our cash utilisation has reduced, as has our overhead.

Financial review

Consistent with our strategy, our fee-based income grew by 35% to £329,000 (2009: £244,000).

We also recorded a realised gain of £168,000 (2009: £nil) on the sale of portfolio investments.

However, we recorded an unrealised loss on the revaluation of investments of £324,000, as compared to an unrealised gain of £192,000 in 2009, primarily arising from the refinancing terms of one company, which adversely impacted our current carrying value, and the recent insolvency of one other.

This unrealised loss was augmented by an increase in contingent consideration of £2,000 (2009: £70,000) payable on future exit values of certain portfolio companies.

Interest income was £9,000 (2009: £31,000) while other income was £nil (2009: £27,000).

Accordingly, total income in the six months ended 30 September 2010, including realised gains and unrealised revaluation movements on our investment portfolio, was £180,000 (2009: £424,000).

Our operating costs decreased by 9% to £761,000 (2009: £839,000) as we continued to exercise disciplined cost restraint.

The loss before tax and minority interest increased to £581,000 (2009: £415,000).

There was no taxation charge in either the current or prior year period. The loss after tax attributable to parent company shareholders was £581,000 (2009: £422,000) which equates to a loss per share of 4.15 pence (2009: 3.08 pence).

The combination of increasing fee income, investment realisations and rigorous cost control meant that cash utilisation in the period was restricted to £132,000 and cash balances at the period end were £1.3m (2009: £2.2m).

Net assets at 30 September 2010 were £5.1m (2009: £5.9m), equating to 35.83 pence per share (2009: 42.64 pence).

Board and personnel

There were no changes to the board of directors, nor to staff numbers during the period, though since the period end we have welcomed the Envestors team into the Group.

Strategy

As previously noted to shareholders, our principal aim has been to put ourselves in a position where, subject to market conditions, we are able to grow the fee generating side of our business so that we have an income line that is able to fully support the management costs of the Group's and our clients' portfolios. In due course we expect the fee side of the business to grow to a position of profitability. Our immediate strategy is focused on monetising the opportunities arising out of the Envestors acquisition whilst progressing the most promising of our portfolio investments towards an exit.

Envestors has provided us with the opportunity to broaden our client offerings, reflecting our increased emphasis on the management and development of business angel networks. Clients now have three avenues for investing in growing businesses, depending upon their technical and financial skills, the time at their disposal, and their inclination. The first is our Business Angel Service where we provide screened opportunities to investors who wish to carry out their own due diligence, deal structuring, portfolio management and so on. The second is our Assisted Portfolio Service, where we help the investor build their own portfolio and then carry out the management function on their behalf. The third is our Managed Service where we have a discretionary mandate to build and manage portfolios. These services are now being rolled out to clients across the Group.

We have drawn attention in past reports to the progress being made by a number of our investments. The Board is committed to working with the management of these companies to determine the most appropriate point of exit in each case and to assist them in achieving that objective. The Board is pleased with continuing progress in this regard.

The Board's broader strategy is to achieve, through exploiting the Group's enhanced structure, a radical increase in the level of income from investment clients and fund management together with increased capital resources that will allow us to invest in future portfolio opportunities.

Outlook

While we have been cautious in recent reports about the timing of increased investment momentum in early stage, high-tech transactions, we are pleased that the private placement memoranda that we have issued in recent months have begun to attract increased support from our clients. Further improvements in investor confidence may take time, but we are confident that our enhanced product offerings will prove attractive to our enlarged client base.

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 2010 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 IFRS as adopted by the European Union. The financial information in the half-yearly financial 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 2010 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

29 November 2010

Condensed consolidated statement of comprehensive income
for the six months ended 30 September 2010

	Note	**Six months ended 30 September 2010 (unaudited) £'000**	Six months ended 30 September 2009 (unaudited) £'000	Year ended 31 March 2010 (audited) £'000
Revenue		**329**	244	567
Realised gain on sale of portfolio investments		**168**	–	–
Unrealised (loss)/profit on the fair value movements of investments	3	**(324)**	192	611
Movement on contingent consideration		**(2)**	(70)	(295)
Finance revenue		**9**	31	34
Other income		**–**	27	–
Total income		**180**	424	917
Employee benefits expense		**(540)**	(581)	(1,230)
Other expenses		**(221)**	(256)	(453)
Finance costs		**–**	(2)	(2)
Total costs		**(761)**	(839)	(1,685)
Loss before tax		**(581)**	(415)	(768)
Tax		**–**	–	–
Loss for the period and total comprehensive income for the period		**(581)**	(415)	(768)
Attributable to:				
Equity holders of the parent		**(581)**	(422)	(776)
Minority interest		**–**	7	8
		(581)	(415)	(768)
		Pence	Pence	Pence
Loss per share – basic and diluted	2	**(4.15)**	(3.08)	(5.61)

Condensed consolidated statement of financial position
as at 30 September 2010

	Note	**30 September 2010 (unaudited) £'000**	30 September 2009 (unaudited) £'000	31 March 2010 (audited) £'000
ASSETS				
Non-current assets				
Property, plant and equipment		**28**	38	31
Investments at fair value through profit or loss	3	**4,102**	3,914	4,531
Goodwill	4	**331**	360	327
Other receivables		**54**	–	–
		4,515	4,312	4,889
Current assets				
Trade and other receivables		**89**	166	102
Cash and cash equivalents		**1,342**	2,189	1,474
		1,431	2,355	1,576
Total assets		**5,946**	6,667	6,465
LIABILITIES				
Current liabilities				
Trade and other payables		**(162)**	(184)	(126)
Contingent consideration	5	**(590)**	(479)	(593)
Deferred income		**(15)**	(20)	(20)
Borrowings		**(12)**	(10)	(11)
		(779)	(693)	(750)
Non-current liabilities				
Contingent consideration		**–**	–	(79)
Borrowings		**(41)**	(41)	(35)
		(41)	(41)	(114)
Total liabilities		**(820)**	(734)	(864)
Net assets		**5,126**	5,933	5,601
EQUITY				
Called up share capital	6	**286**	278	278
Share premium account	6	**221**	141	141
Retained earnings		**4,628**	5,524	5,191
Total shareholders' equity		**5,135**	5,943	5,610
Minority interest in equity		**(9)**	(10)	(9)
Total equity		**5,126**	5,933	5,601

Condensed consolidated statement of cash flows
for the six months ended 30 September 2010

	Six months ended 30 September 2010 (unaudited) £'000	Six months ended 30 September 2009 (unaudited) £'000	Year ended 31 March 2010 (audited) £'000
Operating activities			
Loss before tax	**(581)**	(415)	(768)
Adjustments to reconcile loss before tax to net cash flow from operating activities			
Depreciation of property, plant and equipment	**4**	7	14
Share-based payments expense	**18**	26	47
Decrease/(increase) in the revaluation of investments	**324**	(192)	(611)
Interest income	**(9)**	(31)	(34)
(Increase)/decrease in trade and other receivables	**(41)**	87	198
Increase/(decrease) in trade and other payables	**46**	(5)	115
Net cash flow from operating activities	**(239)**	(523)	(1,039)
Investing activities			
Acquisition of subsidiary (net of cash acquired)	**–**	(124)	(124)
Net cash and cash equivalents acquired on acquisition	**–**	(52)	(52)
Decrease/(increase) in investments	**105**	(360)	(557)
Purchase cost of property, plant and equipment	**(2)**	–	–
Interest received	**9**	31	34
Net cash flow from investing activities	**112**	(505)	(699)
Financing activities			
Capital element of hire purchase	**(5)**	(5)	(10)
Net cash flow from financing activities	**(5)**	(5)	(10)
Net decrease in cash and cash equivalents	**(132)**	(1,033)	(1,748)
Cash and cash equivalents at the start of the period	**1,474**	3,222	3,222
Cash and cash equivalents at the end of the period	**1,342**	2,189	1,474

Condensed consolidated statement of changes in equity

for the six months ended 30 September 2010

	Attributable to owners of the Company					
	Share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000	Minority interest £'000	Total equity £'000
At 1 April 2009 (audited)	**268**	**–**	**5,920**	**6,188**	**(17)**	**6,171**
Issue of new share capital	10	141	–	151	–	151
Share-based payments	–	–	26	26	–	26
Transaction with owners	10	141	26	177	–	177
Loss and total comprehensive loss for the period	–	–	(422)	(422)	7	(415)
At 30 September 2009 (unaudited)	**278**	**141**	**5,524**	**5,943**	**(10)**	**5,933**
Share-based payments	–	–	21	21	–	21
Transaction with owners	–	–	21	21	–	21
Loss and total comprehensive loss for the period	–	–	(354)	(354)	1	(353)
At 31 March 2010 (audited)	**278**	**141**	**5,191**	**5,610**	**(9)**	**5,601**
Issue of new share capital	8	80	–	88	–	88
Share-based payments	–	–	18	18	–	18
Transaction with owners	8	80	18	106	–	106
Loss and total comprehensive loss for the period	–	–	(581)	(581)	–	(581)
At 30 September 2010 (unaudited)	**286**	**221**	**4,628**	**5,135**	**(9)**	**5,126**

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 (Braveheart or 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 2010. 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 2010 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 29 November 2010, 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 sections 434 and 435 of the Companies Act 2006. The comparative financial information presented herein for the year ended 31 March 2010 has been extracted from the Group's Annual Report and Accounts for the year ended 31 March 2010 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 498(2) or 498(3) of the Companies Act 2006.

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 2010.

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 2010 and which will form the basis of the 2011 Annual Report, except as follows:

IFRS 3 – Business Combinations (Revised 2008)

The key features of the revised IFRS 3 include a requirement for acquisition–related costs to be expensed and not included in the purchase price, and for contingent consideration to be recognised at fair value on the acquisition date (with subsequent changes recognised in the statement of comprehensive income and not as a change to goodwill). The standard also changes the treatment of non-controlling interests (formerly minority interests) with an option to recognise these at full fair value as at the date control is obtained, with gains and losses recognised in the statement of comprehensive income. The revised standard will not require the restatement of the Group's previous business combination.

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 number of shares in issue:

	Six months ended 30 September **2010** **£'000**	Six months ended 30 September 2009 £'000	Year ended 31 March 2010 £'000
Loss for the period attributable to equity holders of the parent	**(581)**	(422)	(776)
Weighted average number of ordinary shares in issue:			
- For basic loss per ordinary share	**14,013,249**	13,733,996	13,824,665
- For diluted loss per ordinary share	**14,013,249**	13,733,996	13,824,665

3 Investments at fair value through profit or loss

	Level 1	Level 2		Level 3		
	Equity investments in quoted companies £'000	Equity investments in unquoted companies £'000	Debt investments in unquoted companies £'000	Equity investments in unquoted companies £'000	Debt investments in unquoted companies £'000	Total £'000
At 1 April 2009	**16**	**–**	**–**	**3,018**	**227**	**3,261**
Additions at Cost	–	–	–	328	133	**461**
Conversions	–	–	–	101	(101)	**–**
Change in Fair Value	13			186	(7)	**192**
At 30 September 2009	**29**	**–**	**–**	**3,633**	**252**	**3,914**
Additions at Cost	–	–	–	20	178	**198**
Conversions	–	–	–	–	–	**–**
Change in Fair Value	6	–	–	549	(136)	**419**
At 31 March 2010	**35**	**–**	**–**	**4,202**	**294**	**4,531**
Disposals	–	–	–	(201)	–	**(201)**
Additions at Cost	–	–	–	77	19	**96**
Conversions	–	–	–	212	(212)	**–**
Change in Fair Value	8	–	–	(371)	39	**(324)**
At 30 September 2010	**43**	**–**	**–**	**3,919**	**140**	**4,102**

4 Goodwill

	£'000
At 1 October 2009	**360**
Reduction arising on fair valuation of contingent consideration at period end	(33)
At 31 March 2010	**327**
Increase arising on fair valuation of contingent consideration at period end	4
At 30 September 2010	**331**

5 Contingent consideration

Contingent consideration of £590,000 comprises £83,000 being the fair value of the currently estimated remaining balance of consideration due in respect of the acquisition of Viking Fund Managers Ltd (VFM) and £507,000 being the sum due on future exit values of the Caledonia Portfolio Realisations Ltd portfolio.

6 Share capital

On 5 July 2010, the Company issued 390,737 ordinary shares of 2 pence each at a fair value issue price of 22.5 pence in satisfaction of the second tranche of consideration due on its 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

On 5 October 2010 the Company acquired the entire issued share capital of Envestors Ltd, a specialist corporate finance advisory business based in London.

Total Consideration will be based on Group turnover for the years ending 31 March 2011, 31 March 2012 and 31 March 2013 which is directly attributable to Envestors together with certain run-off fund management income for the years ending 31 March 2014 and 31 March 2015, all subject to a maximum Consideration value of £2.45 million irrespective of any over performance of Envestors' targets.

Consideration will be satisfied by the issue of ordinary shares of 2 pence each in Braveheart, each such share valued at a price of 33.87 pence, representing a 25% premium to the average closing price of each share on the five days prior to 11 March 2010, being the date on which non-binding heads of agreement were signed (Consideration Shares). As an advance against Consideration, an Initial Consideration of £150,000 comprising 442,870 Consideration Shares was paid on the date of acquisition. Thereafter, five further tranches of Consideration, net of the Initial Consideration, are payable following each anniversary of completion (Deferred Consideration). In the event that payment of any Deferred Consideration would result in the aggregate number of Consideration Shares then issued or issuable exceeding 29.9% of the Group's enlarged equity, such excess Deferred Consideration will be settled in cash.

Also in connection with the acquisition, on 5 October 2010 96,154 Employment Options and 95,237 Performance Options were granted under the Company's share option Scheme.

Due to the proximity of the date of approval of these interim financial statements to the date of acquisition there has been insufficient time available to enable the identification of all assets, liabilities and contingent liabilities existing at date of acquisition and to perform a full and reliable fair value exercise thereon. Consequently, full disclosure as set out in IFRS 3 Revised 'Business combinations' has not been given as it is impracticable to provide this information.

Company Information

Directors, Secretary, Registered Office and Advisers

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 FRSE, *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	
Registration Number	SC247376	
Registered Office	The Cherrybank Centre Cherrybank Gardens Perth PH2 0PF Telephone +44 (0) 1738 587555	
Website	www.braveheartinvestmentgroup.co.uk	
Advisers	**Registrar** Capita Registrars Northern House Woodsome Park Fenay Bridge Huddersfield HD8 0LA	**Principal Bankers** Bank of Scotland plc Pentland House 8 Lochside Avenue Edinburgh EH12 9DJ
	Solicitors Semple Fraser LLP 80 George Street Edinburgh EH2 3BU	**Solicitors** Maclay Murray & Spens LLP Quartermile One 15 Lauriston Place Edinburgh EH3 6EP
	Auditors Grant Thornton UK LLP 1/4 Atholl Crescent Edinburgh EH3 8LQ	**Nominated Adviser and Broker** Seymour Pierce Ltd 20 Old Bailey London EC4M 7EN

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

Designed and produced by corporate**prm**, Edinburgh and London.
www.corporateprm.co.uk

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