BRAVEHEART
INVESTMENT GROUP

Braveheart Investment Group plc

Half-Yearly Report 2011

MAKING AND MANAGING
INVESTMENTS

Established in 1997, Braveheart Investment Group plc is an AIM listed investment management business (AIM:BRH) headquartered in Perth, Scotland. Aside from managing investments made directly from the Group's balance sheet, we specialise in building tax efficient portfolios for business angels, high net worth individuals and family offices, and have a track record of producing market leading returns for our clients.

Our two most recent acquisitions underpin our current service offering: in 2009 we acquired Viking Fund Managers which manages the Viking Fund and the Viking Loan Fund and which operates the Yorkshire Association of Business Angels, and in October 2010 we acquired Envestors which is headquartered in London and runs a number of regional private investor networks. The Group now provides a full suite of investment offerings to investors and funding solutions to high-growth companies from offices in Perth, London, Yorkshire, Manchester, Jersey and Dubai.

Our business is based on the following principles:

Growth, Support, Service and **Partnership**

Assisted portfolio service

Braveheart's assisted portfolio service provides direct investment opportunities for investors (often under EIS for UK based investors), into high growth companies with the added comfort of investing alongside or being led by an experienced fund management group.

Self-build portfolio service

Working with a diverse range of young dynamic companies in need of growth and expansion capital, Envestors screens and introduces the best and most exciting investment opportunities to its investor network. Investors actively build and monitor their portfolios at their own speed.

Fund management

We offer a fully managed fund service for public sector funding and for the busy or less experienced private investor. All aspects are managed for the investor to a pre-agreed investment mandate.

BRAVEHEART

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Key points

- Fee based revenue increased 89% to £621,000 in the period
- Realised last remaining quoted investment for £92,000, resulting in a gain of 42%
- Placed 4,132,574 shares raising £950,000 (before expenses) and facilitated the strategically required exit of two major institutional investors
- Closing net assets of £4.72m
- 6 portfolio companies received financing of £11.73m in aggregate
- Envestors led £4.52m financings for client companies
- Participation in new £50m English Business Angel Co Investment Fund announced
- Viking Fund Managers appointed to develop a network of angel investors operating across the North East of England
- Envestors named 'Private Investor Network of the Year', following two previous wins by Group companies

Post period end

- 4 portfolio companies received financing of £3.13m in aggregate
- Envestors led £2.76m financings for client companies

Disclaimer

Overview

Interim Financial Statements and Notes

Overview

It is just over a year since we completed the acquisition of Envestors and we are very pleased with the contribution they have made to the Group. Since their acquisition in October 2010, Envestors have led financings for their client companies of £9.76m, and have been the driving force behind our growth in fee income.

Since the beginning of the financial year we have been actively pursuing our strategy of increasing fee income, and have been intensively involved in discussions to acquire additional investment management businesses. While these discussions have not yet resulted in a tangible transaction, we continue to explore various opportunities and will update shareholders as appropriate.

Additionally, we have a maturing portfolio of directly held investments. While we are now investing smaller sums directly from our own balance sheet, we continue to support our portfolio companies and work towards achieving realisations from the portfolio. We disposed of our last remaining listed investment in the period under review and anticipate that further realisations will enhance shareholder value in the short to medium term.

Financial review

Fee based revenue in the six months ended 30 September 2011 increased 89% to £621,000 (2010: £329,000), reflecting the contribution from the Envestors acquisition made in October 2010.

We disposed of our last remaining quoted investment, The Capital Pub Company PLC for £92,000, resulting in a realised gain of £39,000 (2010: £168,000).

The Group's remaining portfolio comprises minority stakes in unquoted investments. The periodic fair valuations of these investments are susceptible to fluctuations, some of which can be material. As a direct result of the recent prevailing economic environment and reduced availability of finance for SMEs, we have seen lower peer group multiples and refinancings on terms adversely affecting the current value of the Group's holdings. While these valuations are not necessarily indicative of long term value, we recorded an unrealised loss of £297,000 (2010: £324,000) on the revaluation of these investments.

By contrast, £17,000 was credited (2010: £2,000 charged) to the statement of comprehensive income in respect of a reduction in the sum due on future exit values of the Caledonia Portfolio Realisations portfolio as a result of a reduction in the fair value of the related portfolio assets.

In addition, £162,000 (2010: £nil) was credited in respect of a reduction in the fair value of the currently estimated contingent consideration due on the acquisition of Envestors, primarily as a result of a reduction in the Company's share price.

Finally, finance income of £8,000 (2010: £9,000) was received.

Total income, including all unrealised movements on the portfolio valuation and contingent consideration, was £550,000 (2010: £180,000).

Operating costs were £1.39m (2010: £761,000) reflecting the Envestors cost base for the first time, ongoing costs relating to corporate activity as described above, and certain one-time costs incurred in relation to the placing and other financing activity earlier in the period (as described below).

Accordingly, the loss before taxation was £842,000 (2010: £581,000) or 4.91 (2010: 4.15) pence per share.

In June 2011, the Company raised £950,000 (before expenses) by way of a placing of 4,132,574 ordinary shares, and as a result cash balances at 30 September 2011 were £841,000 (2010: £1.34m). During the period the Group also completed the migration of its corporate banking relationship to HSBC Bank plc, from whom facilities are now available but undrawn. At 30 September 2011 net assets were £4.72m (2010: £5.13m), as compared to £4.52m at 31 March 2011.

Board and personnel

There were no changes to the board of directors, nor to the management board in the period. However, for some time Colin Grant has intimated that he wished to step down as Chief Financial Officer (CFO) and Company Secretary once a successor had been identified. As of 9 January 2012 this role will therefore be assumed by Aileen Brown who joins the Company with a strong track record of CFO experience in listed companies and corporate finance expertise. The Board welcomes Aileen and looks forward to working with her. Colin will remain associated with the Company on a project by project basis and the Board thanks him for his professionalism and hard work over the last three years.

Strategy

The Board intends to continue to pursue its strategy of building the investment management and corporate finance areas of the business to profitability. This will involve cross-selling of investment and corporate services and organic growth with existing operations including refining the Envestors offering and rolling-out the Envestors brand in the UK and selected locations overseas. Additional acquisition opportunities will be considered where they add demonstrable scale and profitability. Alongside these activities, the Group will seek to maximise the realisation values of its directly held portfolio by securing realisations when appropriate.

Outlook

The current macro-economic outlook continues to be bleak and is likely to remain so for some time. However, we anticipate that we will continue to expand our investment management business and with a valuable maturing portfolio of investments we continue to be optimistic about the future.

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 2011 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 2011 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

28 December 2011

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the six months ended 30 September 2011

	Note	**Six months ended 30 September 2011 (unaudited) £'000**	Six months ended 30 September 2010 (unaudited) £'000	Year ended 31 March 2011 (audited) £'000
Revenue		**621**	329	926
Realised profit on disposal of investments		**39**	168	168
Unrealised loss on the fair value movements of investments	5	**(297)**	(324)	(464)
Movement on contingent consideration		**179**	(2)	20
Finance revenue		**8**	9	32
Total income		**550**	180	682
Employee benefits expense		**(880)**	(540)	(1,291)
Other operating costs		**(512)**	(221)	(693)
Finance costs		**–**	–	(4)
Total costs		**(1,392)**	(761)	(1,988)
Loss before tax		**(842)**	(581)	(1,306)
Tax		**–**	–	–
Loss for the period and total comprehensive loss for the period		**(842)**	(581)	(1,306)
Attributable to:				
Equity holders of the parent		**(844)**	(581)	(1,306)
Non-controlling interest		**2**	–	–
		(842)	(581)	(1,306)
		Pence	Pence	Pence
Loss per share				
– basic and diluted	2	**(4.91)**	(4.15)	(9.06)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 September 2011

	Note	**30 September 2011 (unaudited) £'000**	30 September 2010 (unaudited) £'000	31 March 2011 (audited) £'000
ASSETS				
Non-current assets				
Goodwill	3	**987**	331	987
Other intangibles	4	**116**	–	122
Property, plant and equipment		**25**	28	29
Investments at fair value through profit or loss	5	**3,661**	4,102	3,979
Other receivables		**–**	54	54
		4,789	4,515	5,171
Current assets				
Trade and other receivables		**346**	89	182
Cash and cash equivalents		**841**	1,342	643
		1,187	1,431	825
Total assets		**5,976**	5,946	5,996
LIABILITIES				
Current liabilities				
Trade and other payables		**(299)**	(162)	(245)
Contingent consideration	6	**(579)**	(590)	(592)
Deferred income		**(50)**	(15)	(14)
Borrowings		**(1)**	(12)	(7)
		(929)	(779)	(858)
Non-current liabilities				
Contingent consideration	6	**(286)**	–	(575)
Borrowings		**(41)**	(41)	(41)
		(327)	(41)	(616)
Total liabilities		**(1,256)**	(820)	(1,474)
Net assets		**4,720**	5,126	4,522
EQUITY				
Called up share capital	7	**386**	286	295
Share premium	7	**819**	–	–
Merger reserve	7	**432**	221	316
Retained earnings		**3,090**	4,628	3,920
Equity attributable to owners of the Parent		**4,727**	5,135	4,531
Non-controlling interest		**(7)**	(9)	(9)
Total equity		**4,720**	5,126	4,522

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the six months ended 30 September 2011

	Six months ended 30 September 2011 (unaudited) £'000	Six months ended 30 September 2010 (unaudited) £'000	Year ended 31 March 2011 (audited) £'000
Operating activities			
Loss before tax	**(842)**	(581)	(1,306)
Adjustments to reconcile loss before tax to net cash flows from operating activities			
Depreciation of property, plant and equipment	**4**	4	10
Amortisation of intangibles	**6**	–	6
Share-based payments expense	**14**	18	35
Decrease in the fair value movements of investments	**297**	324	464
Gain on disposal of investments	**(39)**	–	(168)
Acquisition of subsidiaries	**–**	–	(45)
Loss on disposal of property, plant and equipment	**–**	–	5
Interest income	**(8)**	(9)	(32)
Increase in trade and other receivables	**(110)**	(41)	(12)
(Decrease)/increase in trade and other payables	**(88)**	46	(18)
Net cash flow from operating activities	**(766)**	(239)	(1,061)
Investing activities			
Net cash and cash equivalents acquired on acquisition	**–**	–	15
Proceeds from sale of investments	**92**		315
(Increase)/decrease in investments	**(35)**	105	(113)
Repayment of borrowings	**3**	–	–
Purchase cost of property, plant and equipment	**–**	(2)	(8)
Interest received	**8**	9	32
Net cash flow from investing activities	**68**	112	241
Financing activities			
Proceeds from issue of share capital	**950**	–	–
Transaction costs of issue of share capital	**(48)**	–	–
Capital element of hire purchase	**(6)**	(5)	(11)
Net cash flow from financing activities	**896**	(5)	(11)
Net increase/(decrease) in cash and cash equivalents	**198**	(132)	(831)
Cash and cash equivalents at the start of the period	**643**	1,474	1,474
Cash and cash equivalents at the end of the period	**841**	1,342	643

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 September 2011

	Attributable to owners of the parent						
	Share Capital £'000	Share Premium £'000	Merger Reserve £'000	Retained Earnings £'000	Total £'000	Non–controlling Interest £'000	Total Equity £'000
At 1 April 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**
Issue of new share capital	9	–	95	–	104	–	104
Share-based payments	–	–	–	17	17	–	17
Transaction with owners	9	–	95	17	121	–	121
Loss and total comprehensive loss for the period	–	–	–	(725)	(725)	–	(725)
At 31 March 2011 (audited)	**295**	**–**	**316**	**3,920**	**4,531**	**(9)**	**4,522**
Issue of new share capital	91	819	116	–	1,026	–	1,026
Share-based payments	–	–	–	14	14	–	14
Transaction with owners	91	819	116	14	1,040	–	1,040
Loss and total comprehensive loss for the period	–	–	–	(844)	(844)	2	(842)
At 30 September 2011 (unaudited)	**386**	**819**	**432**	**3,090**	**4,727**	**(7)**	**4,720**

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 2011. 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 2011 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 28 December 2011, 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 2011 has been extracted from the Group's Annual Report and Accounts for the year ended 31 March 2011 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 2011.

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 2011 and which will form the basis of the 2012 Annual Report.

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		Year ended 31 March
	2011	2010	2011
	£'000	£'000	£'000
Loss for the period attributable to equity holders of the parent	**(844)**	(581)	(1,306)
Weighted average number of ordinary shares in issue:			
- For basic loss per ordinary share	**17,173,101**	14,013,249	14,412,495
- For diluted loss per ordinary share	**17,173,101**	14,013,249	14,412,495

3 Goodwill

	VFM £'000	ENV £'000	Total £'000
At 1 April 2010	**327**	**–**	**327**
Increase arising on fair valuation of contingent consideration at period end	4	–	4
At 30 September 2010	**331**	**–**	**331**
Acquired on acquisition	–	615	615
Increase arising on fair valuation of contingent consideration at period end	41	–	41
At 31 March and 30 September 2011	**372**	**615**	**987**

The acquisition of Viking Fund Managers (VFM) has been accounted for under IFRS 3. At initial recognition, contingent consideration settled, or to be settled, in shares was fair valued by reference to the Company's share price at the acquisition date. The movement in goodwill in the periods since acquisition was primarily due to movements in the fair value of contingent consideration resulting from movements in the Company's share price. All consideration in respect of the acquisition of VFM has now been paid and accordingly goodwill will remain constant unless impaired.

The acquisition of Envestors has been accounted for under IFRS 3 Revised. 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. Under IFRS 3 Revised, future changes to the fair value of contingent consideration are applied to the statement of comprehensive income, and accordingly goodwill will remain constant unless impaired.

4 Intangible assets

	Brand £'000	Database £'000	Total £'000
Cost			
At 1 April and 30 September 2010	–	–	–
Acquired on acquisition	67	61	128
At 31 March and 30 September 2011	**67**	**61**	**128**
Accumulated amortisation			
At 1 April and 30 September 2010	–	–	–
Amortisation	3	3	6
At 31 March 2011	**3**	**3**	**6**
Amortisation	3	3	6
At 30 September 2011	**6**	**6**	**12**
Net Book Value			
At 1 April and 30 September 2010	–	–	–
At 31 March 2011	64	58	122
At 30 September 2011	**61**	**55**	**116**

5 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 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**
Additions at Cost	–	–	–	–	17	17
Conversions	–	–	–	27	(27)	–
Change in Fair Value	10	–	–	(150)	–	(140)
At 31 March 2011	**53**	**–**	**–**	**3,796**	**130**	**3,979**
Disposals	(53)	–	–	–	(3)	(56)
Additions at Cost	–	–	–	–	35	35
Change in Fair Value	–	–	–	(297)	–	(297)
At 30 September 2011	**–**	**–**	**–**	**3,499**	**162**	**3,661**

6 Contingent consideration

During the half year, £17,000 was credited to the statement of comprehensive income in respect of a reduction in the sum due on future exit values of the Caledonia Portfolio Realisations (CPR) portfolio as a result of a reduction in the fair value of the related portfolio assets.

In addition, and in accordance with IFRS3 Revised: Business Combinations whereby changes in the fair value of contingent consideration are applied to the statement of comprehensive income, £162,000 was credited in respect of a reduction in the fair value of the currently estimated consideration due on the acquisition of Envestors primarily as a result of a reduction in the Company's share price.

Accordingly, at 30 September 2011, short term contingent consideration of £579,000 comprised £452,000 being the sum due on future exit values of the CPR portfolio and £127,000 being the fair value of the currently estimated consideration due within twelve months in respect of the acquisition of Envestors while long term contingent consideration of £286,000 represents the balance of the fair value of the currently estimated consideration due in respect of the acquisition of Envestors.

7 Share capital

On 24 June 2011, the Company raised £950,000 (before expenses of £48,000) via the placing of 4,132,574 ordinary shares of 2 pence each at an issue price of 23.0 pence per share.

On 25 July 2011, the Company issued 399,034 ordinary shares of 2 pence each at a fair value issue price of 31.0 pence each in satisfaction of the final tranche of consideration due in respect of 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.

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
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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

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

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