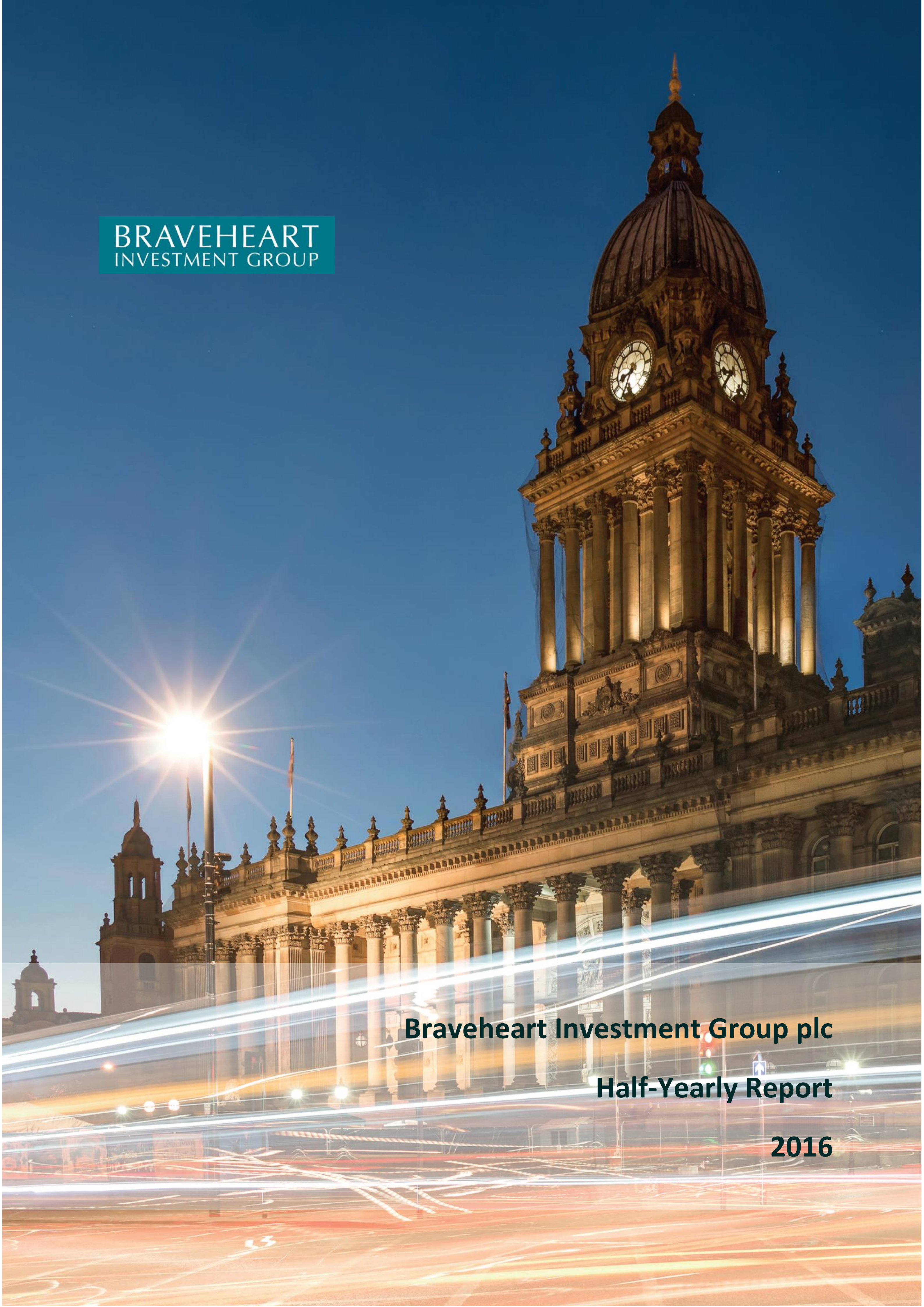

BRAVEHEART
INVESTMENT GROUP

Braveheart Investment Group plc

Half-Yearly Report

2016

Key points

- Revenue of £562,000 in the six months ended 30 September 2016 (2015: £610,000);
- Profit of £475,000 in the six months ended 30 September 2016 (2015: loss of £1,039,000);
- Earnings per share of 1.67p in the six months ended 30 September 2016 (2015: loss per share 3.84p);
- Cash balances at 30 September of £1,334,000 (2015: £260,000); and
- Commencement of new investment strategy.

Overview

Interim Financial Statements and Notes

We are pleased to report to shareholders for the six months ended 30 September 2016.

Recent Investments

We reported to you in our last Annual Report on 22 June 2016 that we were looking to identify new private equity investments with good growth potential and where we had an existing knowledge of the companies. We are therefore delighted to be able to report that during the period under review, and as announced on the 4 July 2016, we commenced our new investment strategy with the capital reorganisation, investment in and appointment of a director nominated by Braveheart at Paraytec Limited ("Paraytec"), which resulted in Braveheart now owning 33 per cent. of Paraytec. In addition, and as announced on the 8 July 2016, we have undertaken a similar transaction with Kirkstall Limited ("Kirkstall") resulting in Braveheart now owning 28 per cent. of Kirkstall. We believe that the reconstruction, provision of a director and further investment in each of these companies will enable them to accelerate growth and maximize their potential.

Portfolio theory evolved as a tool to manage negative risk though diversification, which reduces the overall volatility of returns for the portfolio. However, your board believes that generating exceptional returns from the relatively limited resources available to Braveheart at this time requires a different strategy, which is to identify a small number of companies with excellent prospects and where Braveheart already has knowledge. Although concentrating our resources on a small number of projects exposes us to the risk of increased volatility of overall results, which could result in increased positive as well as negative returns, we firmly believe that our active management approach and depth of knowledge of the businesses materially skews the risk of returns towards a positive return outcome.

The investments in both Paraytec and Kirkstall are representative of this new investment strategy where we are investing into leading technologies with which we are already familiar and working closely with their boards. We believe that this style of strategic investing could result in significant returns over the next few years. For reporting purposes, we are going to separate out investments made under the new investment strategy and group them under the heading "The Strategic Portfolio".

Paraytec operational update

Paraytec is a scientific instrument company based in York. It has developed and patented its innovative ActiPix™ technology for optical imaging and absorbance measurements of fluid samples flowing in capillaries or fluid flow cuvettes. This technology enables researchers to measure the viscosity of drug formulations and the effective size of the active ingredients in these formulations. Paraytec's instruments can also be used to monitor how tablets, gels and creams, release their active ingredients into liquids, including biological media, as well as across membranes such as skin.

The first sales of Paraytec's new ActiPix™ D200 system have recently been delivered and are generating a lot of interest from analytical laboratories, life science researchers in universities and the major pharmaceutical and biopharmaceutical companies. Paraytec also has two license deals: Malvern Instruments has already incorporated ActiPix™ technology into its own branded instruments and in November 2016, Sirius Analytical is expected to launch its licensed instrument at the AAPS exhibition in Colorado USA.

Kirkstall operational update

Kirkstall has developed Quasi Vivo™, a system of interconnected chambers for cell and tissue culture in laboratories. Its patented technology is used by researchers in academia and drug development companies to maintain living cells in a nutrient flow. The technology, often referred to as 'organ on a plate', provides a way to model the behaviour of multiple human organs interconnected by a flow system that mimics the flow of blood in the body. Introducing flow into cell culture has the benefit that the cells are more active and respond to stimuli (such as dosing with a drug or chemical) in a way that is more predictive of what is likely to happen in a clinical environment.

Kirkstall's products are already being used by researchers in the development of drugs, nutraceuticals, cosmetics and personal care products. By enabling the testing of drugs on living tissue, there is the potential to greatly reduce the need for expensive animal testing and improve the chances of success in human clinical trials. In the quarter ended 30 September 2016, sales of Quasi VivoTM exceeded management forecasts, particularly in the USA, where Kirkstall is represented by Triangular Research Labs (part of Lonza Group, one of the world's leading suppliers to the Pharma & Biotech and Specialty Ingredient markets).

Portfolio

In addition to our new strategic investments we also have investments in a further 12 companies that were made by Braveheart from 2002 until the summer of 2015 (the "Portfolio") and we also have a holding in an AIM listed company which we obtained when we acquired Ridings Holdings Ltd in January 2016. We commented in our Annual Report that we undertook a detailed review of the exit opportunities for each company in the Portfolio, with a view to ensuring that these investments were appropriately valued and to also ensure that wherever possible an exit from the investment would be sought. We were therefore pleased to announce on 16 September 2016, that the sale of our holdings in mLED Limited to a large US based technology company had completed. This sale generated £399,000 of consideration for the Group, with £76,000 held back in escrow, and resulted in a book profit to the Group of £303,000 of which £33,000 relates to a non-controlling interest.

As at 30 September 2016 the Portfolio had a valuation of £238,000 (30 September 2015: £362,000). We will continue to manage the Portfolio with a view to seeking exits wherever possible and appropriate.

Strathtay Ventures

We reported in our Annual Report for the year ended 31 March 2016 that we had taken the difficult decision to close our Strathtay Ventures private client business. We do not therefore intend to comment on this particular company in future reports to shareholders.

Viking Fund Managers

Viking's main fund management income comes from the Finance Yorkshire Equity Fund ("FYEF") contract, but it also provides specialist fund management services to other funds which are in 'run-out' mode. This specialised management work tends to generate enhanced fees in excess of standard fund management fees due to the intensive nature of this work. We are pleased to be able to report that Viking successfully invested the additional sums made available to the FYEF, and that we have also now successfully completed the investment phase of this fund on time. The emphasis for the FYEF is now on portfolio management rather than in seeking new investments. Viking is seeking to win the management contracts for further funds and we hope to report further on this in due course.

Financial Review

Revenue was £562,000 in the six months ended 30 September 2016 (2015: £610,000).

We have undertaken an interim review of the valuations of the Group's Investments and have recorded an unrealised gain on the revaluation of these investments of £32,000 (2015: unrealised loss of £724,000). As at 30 September 2016, the fair value of the Group's investment was £722,000 (31 March 2016: £468,000), which includes the fair value of the unquoted investments of the Portfolio of £238,000, the acquired quoted investment of £166,000 and the Strategic Portfolio of £318,000.

We commented in the Annual Report for the year ended 31 March 2016 that we had been working to reduce our operating costs so that they are less than the operating income and thus enable us to report an operating surplus for the full year. Our operating costs for the period under review were £435,000 (2015: £868,000), a reduction of 50%. We remain confident that our operating costs for the second half of the current year will be similar to those reported for the first half of the year and so having achieved an operating surplus in the first half we remain firmly on course to achieve an improved operating surplus for the full year thereby delivering one of our key full year targets.

We are delighted to be able to report that we have achieved a profit before tax for the period under review of £475,000 (2015: loss of £1.039 million). This equates to a profit of 1.67 pence per share and compares well with the loss of 6.23 pence per share that we reported for the full year to 31 March 2016.

The key movements in our cash resources over the period under review are accounted for by the operating profit of £129,000 that we have achieved for the period under review, the one exit achieved from the Portfolio which resulted in a cash inflow of £326,000 and the two new investments in our Strategic Portfolio which resulted in a cash outflow of £318,000. These principal movements of cash resulted in the Group having cash as at 30 September 2016 £1.334 million (31 March 2016: £1.263 million).

Outlook

The interim profit of £475,000 for the first six months of the current year represents the largest profit achieved since Braveheart's floatation in 2008 and marks the commencement of a new chapter for our shareholders. The Board believes that the Group's costs are now firmly under control at a much reduced level from historic levels and with a new entrepreneurial spirit in the Group, we expect that full year results will reflect our continuing progress.

Trevor E Brown
Chief Executive Officer

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 September 2016

	Note	Six months ended 30 September 2016 (unaudited) £'000	Six months ended 30 September 2015 (unaudited) £'000	Year ended 31 March 2016 (audited) £'000
Revenue		562	610	1,133
Change in fair value of investments	4	32	(724)	(1,026)
Movement on contingent consideration/liability		-	(57)	(57)
Gain on disposal of investment		303	-	138
Finance revenue		13	-	7
Total income		910	(171)	195
Employee benefits expense		(275)	(457)	(1,001)
Impairment of intangible assets		-	-	(372)
Other operating costs		(158)	(400)	(502)
Finance costs		(2)	(11)	(14)
Total costs		(435)	(868)	(1,889)
Profit/(Loss) before tax		475	(1,039)	(1,694)
Tax		-	-	-
Profit/(Loss) for the period and total comprehensive income for the period		475	(1,039)	(1,694)
Profit/(Loss) attributable to:				
Equity holders of the parent		451	(1,039)	(1,686)
Non-controlling interest		24	-	(8)
		475	(1,039)	(1,694)
Basic earnings per share		Pence	Pence	Pence
- basic and diluted		1.67	(3.84)	(6.23)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 September 2016

	Note	**30 September 2016 (unaudited) £'000**	30 September 2015 (unaudited) £'000	31 March 2016 (audited) £'000
ASSETS				
Non-current assets				
Goodwill	3	**380**	580	380
Investments at fair value through profit or loss	4	**722**	1,762	468
Investment in limited liability partnership		**-**	5	-
Other receivables		**366**	91	293
		1,468	2,438	1,141
Current assets				
Trade and other receivables		**186**	274	211
Cash and cash equivalents		**1,334**	260	1,263
		1,520	534	1,474
Total assets		**2,988**	2,972	2,615
LIABILITIES				
Current liabilities				
Trade and other payables		**(422)**	(273)	(544)
Contingent consideration/liability		**(217)**	(262)	(217)
Deferred income		**(66)**	(37)	(47)
		(705)	(572)	(808)
Non-current liabilities				
Borrowings		**(43)**	(43)	(43)
Other payables		**(59)**	-	(59)
		(102)	(43)	(102)
Total liabilities		**(807)**	(615)	(910)
Net assets		**2,181**	2,357	1,705
EQUITY				
Called up share capital		**541**	541	541
Share premium		**1,564**	1,564	1,564
Merger reserve		**524**	524	524
Retained earnings		**(436)**	(244)	(888)
Equity attributable to owners of the parent		**2,193**	2,385	1,741
Non-controlling interest		**(12)**	(28)	(36)
Total equity		**2,181**	2,357	1,705

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 September 2016

	Six months ended 30 September 2016 (unaudited) £'000	Six months ended 30 September 2015 (unaudited) £'000	Year ended 31 March 2016 (audited) £'000
Operating activities			
Profit/(Loss) before tax	**475**	(1,039)	(1,694)
Adjustments to reconcile profit/(loss) before tax to net cash flows from operating activities			
Share-based payments expense	**1**	8	11
Impairment losses	**-**	172	372
(Increase)/Decrease in the fair value movements of investments	**(32)**	724	1,026
Gain on disposal of equity investments	**(303)**	-	(55)
Gain on disposal of LLP	**-**	-	(83)
Interest income	**(13)**	-	(7)
Increase in trade and other receivables	**(48)**	(26)	(107)
(Decrease)/Increase in trade and other payables	**(103)**	(73)	1
Net cash flow from operating activities	**(23)**	(234)	(536)
Investing activities			
Proceeds from sale of equity investments	**399**	-	1,075
Proceeds from sale of LLP	**-**	-	89
Increase in investments	**(318)**	(17)	(17)
Repayment of loan notes	**-**	9	147
Acquisition of subsidiary, net of cash acquired	**-**	-	(4)
Interest received	**13**	-	7
Net cash flow from investing activities	**94**	(8)	1,297
Net increase/(decrease) in cash and cash equivalents	**71**	(242)	761
Cash and cash equivalents at the start of the period	**1,263**	502	502
Cash and cash equivalents at the end of the period	**1,334**	260	1,263

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 September 2016

	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 2015 (audited)	**541**	**1,564**	**524**	**787**	**3,416**	**(28)**	**3,388**
Share-based payments	-	-	-	8	8	-	8
Transactions with owners	-	-	-	8	8	-	8
Loss and total comprehensive income for the period	-	-	-	(1,039)	(1,039)	-	(1,039)
At 30 September 2015 (unaudited)	**541**	**1,564**	**524**	**(244)**	**2,385**	**(28)**	**2,357**
Share-based payments	-	-	-	3	3	-	3
Transactions with owners	-	-	-	3	3	-	3
Loss and total comprehensive income for the period	-	-	-	(647)	(647)	(8)	(655)
At 1 April 2016 (audited)	**541**	**1,564**	**524**	**(888)**	**1,741**	**(36)**	**1,705**
Share-based payments	-	-	-	1	1	-	1
Transactions with owners	-	-	-	1	1	-	1
Profit and total comprehensive income for the period	-	-	-	451	451	24	475
At 30 September 2016 (unaudited)	**541**	**1,564**	**524**	**(436)**	**2,193**	**(12)**	**2,181**

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 2016. 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 2016 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 12 October 2016 is unaudited.

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 2016 has been extracted from the Group's Annual Report and Accounts for the year ended 31 March 2016 which have been delivered to the Registrar of Companies. The Group's independent auditor's 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 2016.

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 2016 and which will form the basis of the 2017 Annual Report. The interim financial statements have been prepared on the same basis as the financial statements for year ended 31 March 2016 which is on the assumption that the company is a going concern.

2 Earnings per share

The basic earnings per share has been calculated by dividing the profit/(loss) for the period attributable to equity holders of the parent by the weighted average number of ordinary shares in issue during the period.

The calculation of earnings per share is based on the following profit/(loss) and number of shares in issue:

	Six months ended 30 Sept 2016 (unaudited) £'000	Six months ended 30 Sept 2015 (unaudited) £'000	Year ended 31 Mar 2016 (audited) £'000
Profit/(loss) for the period attributable to equity holders of the parent	**451**	(1,039)	(1,686)
Weighted average number of ordinary shares in issue:			
- For basic loss per ordinary share	**27,055,491**	27,055,491	27,055,491
- For diluted loss per ordinary share	**27,055,491**	27,055,491	27,055,491

There were no potentially dilutive ordinary shares at the period end as the average share price of the ordinary shares was less than the average exercise price of the share options.

3 Goodwill

	VFM £'000	Neon £'000	Total £'000
At 1 April 2015 (audited)	**372**	**380**	**752**
Impairment	(172)	-	(172)
At 30 September 2015 (unaudited)	**200**	**380**	**580**
Impairment	(200)	-	(200)
At 1 April 2016 (audited)	**-**	**380**	**380**
At 30 September 2016 (unaudited)	**-**	**380**	**380**

The Group assessed the recoverable amount of the above goodwill with Neon's cash generating units and determined that goodwill was not impaired.

4 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 2015 (audited)	**-**	**-**	**-**	**2,318**	**160**	**2,478**
Repayments	-	-	-	-	(9)	(9)
Additions at cost	-	-	-	-	17	17
Change in Fair Value	-	-	-	(714)	(10)	(724)
At 30 September 2015 (unaudited)	**-**	**-**	**-**	**1,604**	**158**	**1,762**
Disposals/Repayments				(1,015)	(143)	(1,158)
Acquired	166	-	-	-	-	166
Change in Fair Value	-	-	-	(287)	(15)	(302)
At 1 April 2016 (audited)	**166**	**-**	**-**	**302**	**-**	**468**
Disposals	-	-	-	(96)	-	(96)
Additions at cost	-	-	-	288	30	318
Change in Fair Value	-	-	-	32	-	32
At 30 September 2016 (unaudited)	**166**	**-**	**-**	**526**	**30**	**722**

The accounting policies in regards to valuations in these half-yearly results are the same as those applied by the Group in its audited consolidated financial statements for the year ended 31 March 2016 and which will form the basis of the 2017 Annual Report and Accounts. Investments are designated as fair value through profit or loss and are initially recognised at fair value and any gains or losses arising from subsequent changes in fair value are presented in profit or loss in the statement of comprehensive income in the period in which they arise.

The Group classifies its investments using a fair value hierarchy. Classification within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant investment as follows:

- Level 1 - valued using quoted prices in active markets for identical assets;
- Level 2 - valued by reference to valuation techniques using observable inputs other than quoted prices included within Level 1; and
- Level 3 - valued by reference to valuation techniques using inputs that are not based on observable market data.

Investments at fair value through profit or loss (continued)

The fair values of quoted investments are based on bid prices in an active market at the reporting date. All unquoted investments have been classified as Level 3 within the fair value hierarchy, their respective valuations having been calculated using a number of valuation techniques and assumptions, notwithstanding that the basis of the valuation methodology used most commonly by the Group is 'price of most recent investment'. The use of reasonably possible alternative assumptions has no material effect on the fair valuation of the related investments. The impact on the fair value of investments if the discount rate and provision shift by 1% is £1,789 (2015: £11,508).

5 Share capital

	30 Sept 2016 (unaudited)	30 Sept 2015 (unaudited)	31 Mar 2016 (audited)
Authorised	**£**	£	£
33,645,000 ordinary shares of 2 pence each (30 September 2015: 33,645,000, 31 March 2016: 33,645,000)	**672,900**	672,900	672,900
Allotted, called up and fully paid			
27,055,491 ordinary shares of 2 pence each (30 September 2015: 27,055,491, 31 March 2016: 27,055,491)	**541,109**	541,109	541,109

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.

6 Availability of Interim Results

Shareholder communications

A copy of this report is available on request from the Company's registered office: 2 Dundee Road, Perth, PH2 7DW. A copy has also been posted on the Company's website: www.braveheartinvestmentgroup.co.uk.

Directors, Secretary, Registered Office and Advisers

Directors	Trevor E Brown*, Chief Executive Officer* Jonathan D Freeman BA Hons MBA, *Non-executive Director* Andrew T G Burton BSc, *Executive Director* Jeremy H Delmar-Morgan MA MSI, *Chairman (resigned 31 July 2016)*
Secretary	Watson Morgan Associates Ltd
Registration number	SC247376
Registered office	2 Dundee Road Perth PH2 7DW Telephone +44 (0) 1738 587555
Website	www.braveheartgroup.co.uk

Advisers

Registrar
Capita Asset Services Limited
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Solicitors
Maclay Murray & Spens LLP
Quartermile One
15 Lauriston Place
Edinburgh
EH3 9EP

Principal Bankers
HSBC Bank plc
76 Hanover Street
Edinburgh
EH2 1HQ

Auditor
Mazars LLP
90 St Vincent Street
Glasgow
G2 5UB

Nominated Adviser and Broker
Allenby Capital Limited
3 St Helen's Place
London
EC3A 6AB

Bankers
Bank of Scotland plc
Pentland House
8 Lochside Avenue
Edinburgh
EH12 9DJ

BRAVEHEART
INVESTMENT GROUP

Stock code: BRH

2 Dundee Road
Perth
PH2 7DW
United Kingdom

mail@braveheartgroup.co.uk
T: +44 (0) 1738 587 555
F: +44 (0) 1738 587 666

www.braveheartgroup.co.uk