




**BRAVEHEART**  
INVESTMENT GROUP

**Braveheart Investment Group plc**  
**Half-Yearly Report**  
**2014**





**Our business is all about financing small and medium sized enterprises (SMEs).**

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**For SMEs looking to raise money, we provide the following:**

#### **Equity Capital**

This form of financing is typically long term and is usually appropriate for fast growing businesses or early stage companies. We will consider equity financings where the investment is a maximum of £2m although we are happy to participate in larger financings as part of a syndicate.

The money we invest comes from a variety of sources and is sometimes linked to particular geographical locations.

To the investor, we provide a one-stop-shop service to those in one of the following groups who are looking for exposure to SME investments:

#### **Debt Finance**

Typically short to medium term and for companies with cash flow to service the loan. Our unit size for this type of finance is up to £1m and we will usually provide junior debt which is unsecured but linked to an equity instrument.

- High net worth (HNW) individuals looking to build tax efficient Enterprise Investment Scheme (EIS) and Seed EIS portfolios;
- Family offices and private sector institutions; and
- The public sector.

Investors can choose between investment types ranging from self-build portfolios, to a full fund management service.

We have offices in Perth, Yorkshire and Belfast.

## Key points

- Revenue £922,000 in the period (six months ended 30 September 2013: £994,000);
- Loss net of revaluations £6,000 in the period (six months ended 30 September 2013: profit of £11,000);
- Loss before tax of £88,000 (2013: £40,000);
- Good progress made on exit potential of the portfolio;
- Funds under management of £121m;
- Placing of 1,185,000 new shares raising £130,000; and
- First investments made by recently established Crowdcube Venture Fund.

Post period end:

- New partnering arrangement with Crowdcube and joint appointment by newly established London Co-investment Fund

### Overview

- 01** Key points
- 02** Chairman and Chief Executive Officer's statement

### Interim Financial Statements and Notes

- 05** Condensed consolidated statement of comprehensive income
- 06** Condensed consolidated statement of financial position
- 07** Condensed consolidated statement of cash flows
- 08** Condensed consolidated statement of changes in equity
- 09** Notes to the Interim Financial Statements
- 13** Company Information

#### 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.

We are pleased to report to shareholders for the six months ended 30 September 2014.

### Strathtay Ventures

At the end of January 2014, we announced a partnership with Crowdcube Ventures Limited ('Crowdcube'), and the establishment of the Crowdcube Venture Fund (CCVF). Ninety-one investors have signed up to the CCVF since the spring and we have recently announced our first four investments, including one in Crowdcube itself. This fund is unique in that it matches our investment expertise with the appetite of crowdfunding investors and it gives passive, or less experienced investors, an easy way to build a portfolio of these exciting young companies whilst taking advantage of tax breaks offered under the Enterprise Investment Scheme.

In addition, we have recently announced a new partnering arrangement with Crowdcube and together we have been jointly appointed as partners of the London Co-investment Fund (LCIF). This newly announced fund which totals £25m, closely mirrors the Scottish Co-investment Fund which we helped establish in 2003. Under our LCIF partnership, Crowdcube will source seed stage technology companies in the London area and we will provide fund management services for the LCIF monies which we will co-invest alongside the crowd. We expect to invest in around 36 young companies over a three year period and we look forward to working with Funding London who are administering the scheme.

In our last report we noted that we were looking at long term disposal options for the £10m Lachesis Fund and that it is in wind-up mode. This process is nearing a conclusion and we expect to report on this further before our year end.

### Viking Fund Managers

We acquired Neon Capital Partners (subsequently renamed Viking Fund Managers) in 2012. Viking is the fund manager for the Finance Yorkshire Equity Fund (FYEF) which completes its investment phase on 31 December this year. At that point we expect to have invested c£40m and to have a portfolio of around 46 companies. The portfolio comprises a mix of technology and more traditional businesses all at the development capital stage. Our aim is to maximise returns to the partners in the fund, whilst providing early cash flows from mezzanine instruments that we have employed specifically for that purpose.

### WhiteRock Capital Partners

As noted in previous reports, WhiteRock is the manager of the £50m Northern Ireland Growth Loan Fund (GLF). We are now a little over two years into the five year investment period of the GLF and the fund is now well established and has a portfolio of approximately 58 investments. All investments are made by way of loans, typically unsecured but with an element of profit share. We are now looking at ways of developing our business in Ireland, using WhiteRock as a springboard.

## Portfolio

In total our various portfolios total around 100 investments. However, from a shareholder perspective, the directly held (i.e. PLC invested) portfolio is a key asset and we have noted over a number of reports to shareholders, that we are actively working to maximise the returns from these investments. This work continues and the portfolio is now increasingly mature with a corresponding level of interest from potential acquirers. Timing is never certain in these matters but we do anticipate good returns for shareholders as and when realisations occur.

## Financial Review

Revenue reduced to £922,000 in the six months ended 30 September 2014 (2013: £994,000), with the reduction being mainly due to WhiteRock Capital Partners which is no longer operating through Strathtay Ventures.

The Group's direct investment portfolio comprises minority stakes in unquoted investments. There were no realisations in the six months ended 30 September 2014 and we recorded an unrealised loss of £197,000 (2013: loss of £22,000) on the revaluation of these investments.

Total income, including all unrealised movements in the portfolio valuation and contingent consideration, was 11% lower at £840,000 (2013: £945,000).

Operating costs were £928,000 (2013: £985,000).

Loss net of revaluations was £6,000 in the period (six months ended 30 September 2013: profit of £11,000).

The Group recorded a loss before taxation of £88,000 or a loss of 0.35 pence per share (2013: loss of £40,000; loss of 0.17 pence per share).

On 11 August 2014 we completed a placing of 1,185,000 new shares to Mr Trevor Brown, a director of the Company at a subscription price of 11.02p per share. This raised £130,000 to fund the Group's general working capital requirements.

Cash balances at 30 September 2014 were £376,000 (2013: £ (131,000)).

The Group continues to have a corporate banking relationship with HSBC Bank plc, from whom £500,000 facilities are available but not drawn. At 30 September 2014 net assets were £3.89m (2013: £3.69m).

## Board

Martin Bowles joined the Board as a non-executive director in October and we welcome the skills that he brings. After seven years of service as a non-executive director, Ken Brown will step down from the Board on 31 March next year. Ken has been a great help, particularly as Chairman of our audit committee and we would like to thank him for his wise counsel over the years and wish him well.

## Strategy

The Board is set to continue with the strategy of building our fund management business and in addition to the LCIF development outlined earlier in this report we are looking at a number of geographical developments. Additionally we are seeking opportunities where we can add value to our balance sheet by acquiring assets that we can develop and then realise at appropriate points in time.

## Outlook

A large percentage of our revenue is based on contracted fund management services and we have a strong pipeline of business development opportunities. Alongside this we have a healthy portfolio of assets which are maturing and improving in prospects. The business is well set financially and we look forward to communicating progress to shareholders over the next year.

Whilst there have been encouraging signs in the economy UK borrowing is still too high and the next government is going to need to make difficult decisions on how to deal with the deficit – we therefore do not expect times to get better in the short to medium term. Elsewhere, Europe still has major challenges ahead and in the wider international arena governments need to come together to solve the hurdles presented by dissident nations/states and potential global health pandemics.

**Jeremy H Delmar-Morgan**

Chairman

**Geoffrey C B Thomson**

Chief Executive Officer

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
for the six months ended 30 September 2014

		Six months ended 30 September 2014 (unaudited) £'000	As restated Six months ended 30 September 2013 (unaudited) £'000	Year ended 31 March 2014 (audited) £'000
	Note			
Revenue		922	994	2,044
Change in fair value of investments	4	(197)	(22)	111
Movement on contingent consideration		115	(29)	(97)
Finance revenue		-	2	4
<b>Total income</b>		<b>840</b>	<b>945</b>	<b>2,062</b>
Employee benefits expense		(678)	(682)	(1,381)
Other operating costs		(242)	(288)	(643)
Finance costs		(8)	(15)	(23)
<b>Total costs</b>		<b>(928)</b>	<b>(985)</b>	<b>(2,047)</b>
(Loss)/profit before tax		(88)	(40)	15
Tax		-	-	-
<b>(Loss)/profit for the period from continuing operations</b>		<b>(88)</b>	<b>(40)</b>	<b>15</b>
<b>Discontinued operations</b>				
Net results from discontinued operations		-	(805)	(803)
Loss on disposal of discontinued operations		-	-	(20)
<b>Net result for the period from discontinued operations</b>		<b>-</b>	<b>(805)</b>	<b>(823)</b>
<b>Loss for the period and total comprehensive income for the period</b>		<b>(88)</b>	<b>(845)</b>	<b>(808)</b>
<b>Loss attributable to:</b>				
Equity holders of the parent		(88)	(843)	(805)
Non-controlling interest		-	(2)	(3)
		<b>(88)</b>	<b>(845)</b>	<b>(808)</b>
<b>Basic earnings per share - basic and diluted</b>		<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
From continuing operations		(0.35)	(0.17)	0.08
From discontinued operations		-	(3.49)	(3.53)
- basic and diluted	2	<b>(0.35)</b>	<b>(3.66)</b>	<b>(3.45)</b>

**06 | INTERIM FINANCIAL STATEMENTS AND NOTES****CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION***as at 30 September 2014*

		<b>30 September 2014 (unaudited) £'000</b>	30 September 2013 (unaudited) £'000	31 March 2014 (audited) £'000
	Note			
<b>ASSETS</b>				
<b>Non-current assets</b>				
Goodwill	3	752	847	752
Property, plant and equipment		-	5	-
Investments at fair value through profit or loss	4	3,522	3,568	3,725
Investment in limited liability partnership		5	5	5
Other receivables		-	205	-
		4,279	4,630	4,482
<b>Current assets</b>				
Trade and other receivables		184	349	511
Cash and cash equivalents		376	-	159
		560	349	670
<b>Total assets</b>		<b>4,839</b>	<b>4,979</b>	<b>5,152</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables		(459)	(582)	(699)
Contingent consideration	5	(226)	(403)	(341)
Deferred income		(53)	(134)	(57)
Bank overdraft		-	(131)	-
		(738)	(1,250)	(1,097)
<b>Non-current liabilities</b>				
Borrowings		(43)	(43)	(43)
		(43)	(43)	(43)
<b>Total liabilities</b>		<b>(781)</b>	<b>(1,293)</b>	<b>(1,140)</b>
<b>Net assets</b>		<b>4,058</b>	<b>3,686</b>	<b>4,012</b>
<b>EQUITY</b>				
Called up share capital		541	465	517
Share premium		1,564	1,253	1,457
Merger reserve		524	495	524
Retained earnings		1,429	1,473	1,514
<b>Equity attributable to owners of the parent</b>		<b>4,058</b>	<b>3,686</b>	<b>4,012</b>
Non-controlling interest		-	-	-
<b>Total equity</b>		<b>4,058</b>	<b>3,686</b>	<b>4,012</b>



**INTERIM FINANCIAL STATEMENTS AND NOTES | 07**

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
*for the six months ended 30 September 2014*

	<b>Six months ended 30 September 2014 (unaudited) £'000</b>	<b>As restated Six months ended 30 September 2013 (unaudited) £'000</b>	<b>Year ended 31 March 2014 (audited) £'000</b>
<b>Operating activities</b>			
(Loss)/profit before tax	<b>(88)</b>	(40)	15
<b>Adjustments to reconcile (loss)/profit before tax to net cash flows from operating activities</b>			
Depreciation of property, plant and equipment	-	3	5
Share-based payments expense	<b>3</b>	12	15
Decrease/(increase) in the fair value movements of investments	<b>197</b>	22	(111)
Interest income	-	(3)	(4)
Decrease/(increase) in trade and other receivables	<b>327</b>	(53)	(122)
(Decrease)/increase in trade and other payables	<b>(359)</b>	25	198
<b>Net cash flow from operating activities</b>	<b>80</b>	(34)	(4)
Cash generated from discontinued operations	-	(109)	(171)
<b>Net cash flow from operating activities</b>	<b>80</b>	(143)	(175)
<b>Investing activities</b>			
Proceeds from sale of subsidiary	-	-	95
Increase in investments	-	(36)	(71)
Repayment of borrowings	<b>6</b>	6	17
Interest received	-	3	4
<b>Net cash flow from investing activities</b>	<b>6</b>	(27)	45
<b>Financing activities</b>			
Proceeds from issue of share capital	<b>131</b>	-	250
<b>Net cash flow from financing activities</b>	<b>131</b>	-	250
Net increase/(decrease) in cash and cash equivalents	<b>217</b>	(170)	120
Cash and cash equivalents at the start of the period	<b>159</b>	39	39
<b>Cash and cash equivalents, bank overdraft at the end of the period</b>	<b>376</b>	(131)	159

## 08 | INTERIM FINANCIAL STATEMENTS AND NOTES

### CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 September 2014

	Attributable to owners of the Parent					Non-	Total
	Share Capital £'000	Share Premium £'000	Merger Reserve £'000	Retained Earnings £'000	Total £'000	controlling interest £'000	Equity £'000
<b>At 1 April 2013 (audited)</b>	<b>465</b>	<b>1,253</b>	<b>495</b>	<b>2,304</b>	<b>4,517</b>	<b>2</b>	<b>4,519</b>
Share-based payments	-	-	-	12	12	-	12
Transactions with owners	-	-	-	12	12	-	12
Loss and total comprehensive income for the period	-	-	-	(843)	(843)	(2)	(845)
<b>At 30 September 2013 (unaudited)</b>	<b>465</b>	<b>1,253</b>	<b>495</b>	<b>1,473</b>	<b>3,686</b>	<b>-</b>	<b>3,686</b>
Issue of new share capital	52	204	29	-	285	-	285
Share-based payments	-	-	-	3	3	-	3
Transactions with owners	52	204	29	3	288	-	288
Loss and total comprehensive income for the period	-	-	-	38	38	-	38
<b>At 31 March 2014 (audited)</b>	<b>517</b>	<b>1,457</b>	<b>524</b>	<b>1,514</b>	<b>4,012</b>	<b>-</b>	<b>4,012</b>
Issue of new share capital	24	107	-	-	131	-	131
Share-based payments	-	-	-	3	3	-	3
Transactions with owners	24	107	-	3	134	-	134
Loss and total comprehensive income for the period	-	-	-	(88)	(88)	-	(88)
<b>At 30 September 2014 (unaudited)</b>	<b>541</b>	<b>1,564</b>	<b>524</b>	<b>1,429</b>	<b>4,058</b>	<b>-</b>	<b>4,058</b>

## 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 2014. 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 2014 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 December 2014 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 2014 has been extracted from the Group's Annual Report and Accounts for the year ended 31 March 2014 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 2014.

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 2014 and which will form the basis of the 2015 Annual Report. The interim financial statements have been prepared on the same basis as the financial statements for year ended 31 March 2014 which is on the assumption that the company is a going concern.

The Group have restated the September 2013 comparative figures to show the results of Envestors Ltd as a discontinued operation.

## 2 Earnings per share

The basic earnings 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.

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

	<b>Six months ended 30 September 2014 £'000</b>	2013 £'000	Year ended 31 March 2014 £'000
(Loss)/profit for the period from continuing operations	<b>(88)</b>	(38)	18
Loss for the period from discontinued operations	-	(805)	(823)
Loss for the period attributable to equity holders of the parent	<b>(88)</b>	(843)	(805)
Weighted average number of ordinary shares in issue:			
- For basic loss per ordinary share	<b>24,839,559</b>	23,118,057	23,347,249
- For diluted loss per ordinary share	<b>24,839,559</b>	23,118,057	23,347,249

## 3 Goodwill

	VFM £'000	Investors £'000	Neon £'000	Total £'000
<b>At 1 April 2013 (audited)</b>	<b>372</b>	<b>615</b>	<b>380</b>	<b>1,367</b>
Movement	-	(520)	-	(520)
<b>At 30 September 2013 (unaudited)</b>	<b>372</b>	<b>95</b>	<b>380</b>	<b>847</b>
Movement	-	(95)	-	(95)
<b>At 31 March (audited) and 30 September 2014 (unaudited)</b>	<b>372</b>	<b>-</b>	<b>380</b>	<b>752</b>

The Group announced on 13 December 2013 the sale of Investors Ltd, to a management buy-out team. The intangibles were also impaired to a nil value as at 30 September 2013.



#### 4 Investments at fair value through profit or loss

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>			
	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
<b>At 1 April 2013</b> (audited)	-	-	-	<b>3,492</b>	<b>68</b>	<b>3,560</b>
Repayments	-	-	-	-	(6)	(6)
Additions at Cost	-	-	-	3	33	36
Change in Fair Value	-	-	-	(22)	-	(22)
<b>At 30 September 2013</b> (unaudited)	-	-	-	<b>3,473</b>	<b>95</b>	<b>3,568</b>
Repayments	-	-	-	(5)	(6)	(11)
Additions at Cost	-	-	-	-	35	35
Change in Fair Value	-	-	-	133	-	133
<b>At 1 April 2014</b> (audited)	-	-	-	<b>3,601</b>	<b>124</b>	<b>3,725</b>
Repayments	-	-	-	-	(6)	(6)
Change in Fair Value	-	-	-	(197)	-	(197)
<b>At 30 September 2014</b> (unaudited)	-	-	-	<b>3,404</b>	<b>118</b>	<b>3,522</b>

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 £15,946.

#### 5 Contingent consideration

During the half year, £115,000 was credited (half year to September 2013: debited £29,000) 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 decrease in the fair value of the related portfolio assets.

#### 6 Share capital

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 Post balance sheet events

Martin Bowles was appointed to the Board as a Non-executive Director on 1 October 2014.

**Directors, Secretary, Registered Office and Advisers**

<b>Directors</b>	Jeremy H Delmar-Morgan MA MSI, <i>Chairman</i> Geoffrey C B Thomson, <i>Chief Executive Officer</i> Carolyn Smith BA Hons ACIS, <i>Chief Investment Officer</i> Aileen Brown BA CA, <i>Chief Financial Officer</i> J Kenneth Brown BA CA, <i>Non-executive Director</i> Trevor E Brown, <i>Non-executive Director</i> Martin Bowles, <i>Non-executive Director (appointed 1 October 2014)</i>	
<b>Secretary</b>	Aileen Brown BA CA	
<b>Registration number</b>	SC247376	
<b>Registered office</b>	Merlin House Necessity Brae Perth PH2 0PF Telephone +44 (0) 1738 587555	
<b>Website</b>	<a href="http://www.braveheartgroup.co.uk">www.braveheartgroup.co.uk</a>	
<b>Advisers</b>	<b>Registrar</b> Capita Asset Services Limited The Registry 34 Beckenham Road Beckenham Kent BR3 4TU	<b>Solicitors</b> Maclay Murray & Spens LLP Quartermile One 15 Lauriston Place Edinburgh EH3 9EP
	<b>Principal Bankers</b> HSBC Bank plc 76 Hanover Street Edinburgh EH2 1HQ	<b>Auditors</b> Grant Thornton UK LLP 7 Exchange Crescent Edinburgh EH3 8AN
	<b>Nominated Adviser and Broker</b> Sanlam Securities UK Limited 10 King William Street London EC4N 7TW	<b>Bankers</b> Bank of Scotland plc Pentland House 8 Lochside Avenue Edinburgh EH12 9DJ

**Shareholder communications**

A copy of this report will be sent to shareholders and is available on request from the Company's registered office: Merlin House, Necessity Brae, Perth, PH2 0PF. A copy has also been posted on the Company's website: [www.braveheartinvestmentgroup.co.uk](http://www.braveheartinvestmentgroup.co.uk)





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