




BRAVEHEART
INVESTMENT GROUP

Braveheart Investment Group plc

Half-Yearly Report

2015



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

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 £610,000 in the period (six months ended 30 September 2014: £922,000);
- Loss net of revaluations £258,000 in the period (six months ended 30 September 2014: profit of £6,000);
- Loss, post revaluation of £1,039,000 (2014: £88,000);
- Good progress made on exit potential of the portfolio; and
- Continuation of reorganisation and restructuring head office.

Post period end:

- Sale of one portfolio company, Bloxx Ltd, returning cash of around c£164,000 to investment clients and c£678,000 less contingent consideration of c£262,000 to our balance sheet.

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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.

We are pleased to report to shareholders for the six months ended 30 September 2015.

Strategy

Since last reporting to shareholders in August 2015, we have continued to look critically at all our operating costs and have identified further areas where costs can be reduced. We are now approaching the end of this review and expect that the key result of this work will be that we can look forward to beginning the new financial year with costs and income at levels which should result in modestly profitable trading from our continuing fund management businesses.

Portfolio

Braveheart's directly held portfolio (the Portfolio) currently represents the major proportion of shareholder funds and where there was both positive and negative news.

The negative news is that, as part of our comprehensive appraisal of operations, we have undertaken a review of the value of the constituent investments in the Portfolio and have decided it is appropriate to reduce their combined value to £1.76m. (31 March 2015 £2.48m), though this may prove to have been conservative in retrospect. We intend to step-up our efforts to pro-actively work with the managements of our portfolio companies to add value wherever possible and accelerate exits where appropriate.

More positively, on 30 October 2015, a subsidiary of Braveheart, Caledonia Portfolio Realisations Ltd (CPR), along with other investors in Bloxx Ltd which includes a number of Braveheart clients, sold its investment in Bloxx Ltd to Akamai Technologies Incorporated for an aggregate consideration of £678,000 in cash (net of costs), of which £143,000 is to be retained by the purchaser for two years. An aggregate contingent consideration of £262,000 will be settled by Braveheart in due course. In addition, the Company's investor clients will receive £164,000.

Bloxx Ltd is a web and internet filtering software business. At 31 March 2014 the abbreviated accounts of Bloxx Ltd showed net assets of £2.34m. Braveheart acquired Bloxx Ltd in April 2007 as part of the West Lothian Portfolio for which it paid £50,000, and it has since invested a further £50,000 in Bloxx Ltd. The investment in Bloxx Ltd was valued in CPR's accounts at £690,000 with a contingent consideration of £262,000. The disposal is at a premium to the amount invested by Braveheart. The proceeds will significantly increase the Company's cash reserves and will be used for general working capital.

We are working energetically to maximise the returns from the remaining investments in the Portfolio with the intention of recycling cash from any realisations into projects to enhance shareholder value.

Strathtay Ventures

We are not able to report any exits on behalf of our private clients from our portfolio companies in the first half of the year, although since the period end, as noted above, an exit was achieved from one company (Bloxx Limited) which has generated a satisfactory return to both our private client shareholders and also Braveheart plc shareholders.

In our last report we noted that we were looking at long term disposal options for the Lachesis Fund. This process continues and we remain hopeful that a satisfactory conclusion will be achieved in coming months.

Viking Fund Managers

Viking is the fund manager for the Finance Yorkshire Equity Fund www.finance-yorkshire.com (FYEF). Having completed FYEF's investment phase of £40m (into a portfolio of 46 companies) Viking is investing a further £5m of extension capital while continuing to successfully manage the FYEF portfolio. Viking is also preparing to explore opportunities to acquire further fund management mandates in 2016.

WhiteRock Capital Partners

WhiteRock Capital Partners (WCP) www.whiterockcp.co.uk is the manager of the £50m Northern Ireland Growth Loan Fund (GLF). Braveheart as equal partner with NEL Fund Managers and Clarendon Fund Managers owns one third of WCP. All GLF investments are made by way of loans, typically unsecured but with an element of profit share. Finance for the £50m Growth Loan Fund – which provides loans to established Northern Ireland SMEs seeking to access growth finance – has been provided by Invest Northern Ireland and private investor, Northern Ireland Local Government Officers' Superannuation Committee (NILGOSC). We look forward to working with our partners in WCP to further develop our business in Ireland as opportunities arise.

Financial Review

Revenue was £610,000 in the six months ended 30 September 2015 (2014: £922,000) with the reduction being mainly due to the Viking equity contract shifting from investment phase into exit phase.

The Group's direct investment portfolio comprises minority stakes in unquoted investments. There were no realisations in the six months ended 30 September 2015 and, following a further review of the valuations of this portfolio, we recorded an unrealised loss on the revaluation of these investments of £724,000 (2014: loss of £197,000) which resulted in the value of the Portfolio now being £1.76m (31 March 2015: £2.48m).

Operating costs were £868,000 (2014: £928,000).

Loss before revaluation of portfolio was £258,000 in the period (six months ended 30 September 2014: loss of £6,000).

The Group recorded a loss before taxation of £1.04m or a loss of 3.84 pence per share (2014: loss of £88,000; loss of 0.35 pence per share).

Cash balances at 30 September 2015 were £260,000 (2014: £376,000).

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 2015 net assets were £2.36m (2014: £4.06m).

Outlook

The cost base of the Group has now been significantly reduced and we expect that the last elements of this program will be completed by the end of the current financial year so that the fund management businesses can return a modest profit over the course of the new financial year. Our attention will continue to focus upon developing a new strategy for the Group and working hard with our partners to achieve improvements in shareholder value. I very much look forward to be able to report positive news to our shareholders in the months ahead.

Jeremy H Delmar-Morgan

Chairman

Trevor E Brown

Chief Executive Officer

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the six months ended 30 September 2015

	Note	Six months ended 30 September 2015 (unaudited) £'000	As restated Six months ended 30 September 2014 (unaudited) £'000	Year ended 31 March 2015 (audited) £'000
Revenue		610	922	1,864
Change in fair value of investments	4	(724)	(197)	(1,080)
Movement on contingent consideration		(57)	115	136
Gain on disposal of investment		-	-	211
Finance revenue		-	-	14
Total income		(171)	840	1,145
Employee benefits expense		(457)	(678)	(1,394)
Other operating costs		(400)	(242)	(507)
Finance costs		(11)	(8)	(11)
Total costs		(868)	(928)	(1,912)
Loss before tax		(1,039)	(88)	(767)
Tax		-	-	-
Loss for the period and total comprehensive income for the period		(1,039)	(88)	(767)
Loss attributable to:				
Equity holders of the parent		(1,039)	(88)	(739)
Non-controlling interest		-	-	(28)
		(1,039)	(88)	(767)
Basic earnings per share		Pence	Pence	Pence
- basic and diluted		(3.84)	(0.35)	(2.78)

06 | INTERIM FINANCIAL STATEMENTS AND NOTES**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION***as at 30 September 2015*

	Note	30 September 2015 (unaudited) £'000	30 September 2014 (unaudited) £'000	31 March 2015 (audited) £'000
ASSETS				
Non-current assets				
Goodwill	3	580	752	752
Investments at fair value through profit or loss	4	1,762	3,522	2,478
Investment in limited liability partnership		5	5	5
Other receivables		91	-	91
		2,438	4,279	3,326
Current assets				
Trade and other receivables		274	184	248
Cash and cash equivalents		260	376	502
		534	560	750
Total assets		2,972	4,839	4,076
LIABILITIES				
Current liabilities				
Trade and other payables		(273)	(459)	(422)
Contingent consideration	5	(262)	(226)	(205)
Deferred income		(37)	(53)	(18)
		(572)	(738)	(645)
Non-current liabilities				
Borrowings		(43)	(43)	(43)
		(43)	(43)	(43)
Total liabilities		(615)	(781)	(688)
Net assets		2,357	4,058	3,388
EQUITY				
Called up share capital		541	541	541
Share premium		1,564	1,564	1,564
Merger reserve		524	524	524
Retained earnings		(244)	1,429	787
Equity attributable to owners of the parent		2,385	4,058	3,416
Non-controlling interest		(28)	-	(28)
Total equity		2,357	4,058	3,388

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the six months ended 30 September 2015

	Six months ended 30 September 2015 (unaudited) £'000	As restated Six months ended 30 September 2014 (unaudited) £'000	Year ended 31 March 2015 (audited) £'000
Operating activities			
(Loss) before tax	(1,039)	(88)	(767)
Adjustments to reconcile (loss) before tax to net cash flows from operating activities			
Share-based payments expense	8	3	12
Impairment losses	172	-	-
Decrease in the fair value movements of investments	724	197	1,080
Gain on disposal of equity investments	-	-	(211)
Interest income	-	-	(14)
(Increase)/decrease in trade and other receivables	(26)	327	172
(Decrease)/increase in trade and other payables	(73)	(359)	(452)
Net cash flow from operating activities	(234)	80	(180)
Investing activities			
Proceeds from sale of subsidiary	-	-	415
Increase in investments	(17)	-	(60)
Repayment of loan notes	9	6	23
Interest received	-	-	14
Net cash flow from investing activities	(8)	6	392
Financing activities			
Proceeds from issue of share capital	-	131	131
Net cash flow from financing activities	-	131	131
Net (decrease)/ increase in cash and cash equivalents	(242)	217	343
Cash and cash equivalents at the start of the period	502	159	159
Cash and cash equivalents at the end of the period	260	376	502

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 September 2015

	Attributable to owners of the Parent				Total £'000	Non- controlling Interest £'000	Total Equity £'000
	Share Capital £'000	Share Premium £'000	Merger Reserve £'000	Retained Earnings £'000			
At 1 April 2014 (audited)	517	1,457	524	1,514	4,012	-	4,012
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)
At 30 September 2014 (unaudited)	541	1,564	524	1,429	4,058	-	4,058
Share-based payments	-	-	-	9	9	-	9
Transactions with owners	-	-	-	9	9	-	9
Loss and total comprehensive income for the period	-	-	-	(651)	(651)	(28)	(679)
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

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 2015. 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 2015 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 **2 November 2015** 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 2015 has been extracted from the Group's Annual Report and Accounts for the year ended 31 March 2015 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 2015.

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 2015 and which will form the basis of the 2016 Annual Report. The interim financial statements have been prepared on the same basis as the financial statements for year ended 31 March 2015 which is on the assumption that the company is a going concern.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS

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:

	Six months ended		Year ended
	30 September		31 March
	2015	2014	2015
	£'000	£'000	£'000
Loss for the period attributable to equity holders of the parent	(1,039)	(88)	(739)
Weighted average number of ordinary shares in issue:			
- For basic loss per ordinary share	27,055,491	24,839,559	26,626,973
- For diluted loss per ordinary share	27,055,491	24,839,559	26,626,973

3 Goodwill

	VFM	Neon	Total
	£'000	£'000	£'000
At 1 April 2014 (audited)	372	380	752
At 30 September 2014 (unaudited)	372	380	752
At 31 March 2015 (audited)	372	380	752
Movement	(172)	-	(172)
At 30 September 2015 (unaudited)	200	380	580

The Group assessed the recoverable amount of the above goodwill with each of Viking and Neon's cash generating units and determined that Viking's goodwill was impaired. The recoverable amount was assessed by reference to the cash generating unit's value in use based on internally prepared and approved 3 year cash flow projections and growth based projections for a further two years assuming a 2.5% growth rate and 12.5% discount factor.

4 Investments at fair value through profit or loss

	<u>Level 1</u>		<u>Level 2</u>		<u>Level 3</u>		Total £'000
	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		
At 1 April 2014 (audited)	-	-	-	3,601	124	3,725	
Repayments	-	-	-	-	(6)	(6)	
Change in Fair Value	-	-	-	(197)	-	(197)	
At 30 September 2014 (unaudited)	-	-	-	3,404	118	3,522	
Repayments/disposals	-	-	-	(203)	(18)	(221)	
Additions at Cost	-	-	-	-	60	60	
Change in Fair Value	-	-	-	(883)	-	(883)	
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	

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 £11,508 (2014: £15,946).

5 Contingent consideration

During the half year, £57,000 was debited (half year to September 2014: credited £115,000) to the statement of comprehensive income in respect of the increase in the sum due on future exit values of the Caledonia Portfolio Realisations (CPR) portfolio as a result of an increase in the fair value of the related portfolio assets. The contingent consideration will be eliminated once the sale of Bloxx Limited is recorded in the accounts.

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

We completed the sale of our investment in Bloxx Limited.

Directors, Secretary, Registered Office and Advisers

Directors	<p>Jeremy H Delmar-Morgan MA MSI, <i>Chairman</i></p> <p>Geoffrey C B Thomson, <i>Chief Executive Officer (resigned 21 August 2015)</i></p> <p>Trevor E Brown, <i>Non-executive Director (appointed interim CEO 21 August 2015)</i></p> <p>Martin A Bowles, <i>Non-executive Director</i></p> <p>Jonathan D Freeman, <i>Executive Director (appointed 21 August 2015)</i></p>	
Secretary	Kevin C Brown (<i>appointed 21 April 2015</i>)	
Registration number	SC247376	
Registered office	<p>2 Dundee Road</p> <p>Perth</p> <p>PH2 7DW</p> <p>Telephone +44 (0) 1738 587555</p>	
Website	www.braveheartgroup.co.uk	
Advisers	<p>Registrar</p> <p>Capita Asset Services Limited</p> <p>The Registry</p> <p>34 Beckenham Road</p> <p>Beckenham</p> <p>Kent</p> <p>BR3 4TU</p>	<p>Solicitors</p> <p>Maclay Murray & Spens LLP</p> <p>Quartermile One</p> <p>15 Lauriston Place</p> <p>Edinburgh</p> <p>EH3 9EP</p>
	<p>Principal Bankers</p> <p>HSBC Bank plc</p> <p>76 Hanover Street</p> <p>Edinburgh</p> <p>EH2 1HQ</p>	<p>Auditors</p> <p>Grant Thornton UK LLP</p> <p>7 Exchange Crescent</p> <p>Edinburgh</p> <p>EH3 8AN</p>
	<p>Nominated Adviser and Broker</p> <p>Sanlam Securities UK Limited</p> <p>10 King William Street</p> <p>London</p> <p>EC4N 7TW</p>	<p>Bankers</p> <p>Bank of Scotland plc</p> <p>Pentland House</p> <p>8 Lochside Avenue</p> <p>Edinburgh</p> <p>EH12 9DJ</p>

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

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