

BRAVEHEART
INVESTMENT GROUP

Interim Report and Accounts 2007

Growth
Support
Service
Partnership

Company Information

Directors

Garry Watson OBE CA, *Chairman*
Geoffrey Thomson, *Chief Executive Officer*
Carolyn Smith ACIS, *Chief Investment Officer*
Edward Cunningham CBE, *Non-executive Director*
Donald Turner CA, *Non-executive Director*
Shonaig Macpherson CBE FRSE, *Non-executive Director*
Kenneth Brown BA CA, *Non-executive Director*
(appointed 12 September 2007)

Secretary

Carolyn Smith ACIS

Company registration number

SC247376

Registered office

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Website

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Registrar

Capita Registrars
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Principal Bankers

Bank of Scotland
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Solicitors

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

Solicitors

Simple Fraser LLP
80 George Street
Edinburgh
EH2 3BU

Financial PR

Tavistock Communications Ltd
131 Finsbury Pavement
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Auditors

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Nominated Adviser & Broker

Panmure Gordon (Broking) Ltd
Moorgate Hall
155 Moorgate
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Braveheart Investment Group plc makes and manages investments in young companies. Our investments are predominantly technology-focused and range from start-up companies to businesses in pre-listing situations. We work closely with universities to identify emerging technologies with global potential.

Highlights

- Acquisition of W L Ventures Ltd – first acquisition since IPO
- Agreement with the University of Edinburgh to create a £25m fund for spin-outs and licensing opportunities
- £32m AIM flotation of Capital Pub Company plc
- Over £1.2m invested in five spin-out technology businesses by the Group and its clients
- Appointment of Ken Brown as non-executive director
- Portfolio now comprises 31 companies
- Revenue from investment management operations, including bank interest, increased 87% to £451,000 (2006: £241,000)
- Pre-tax profit of £143,000 (2006: loss of £130,000)
- Cash balances of £5.9m



Our headquarters

Chairman's and Chief Executive's Statement



Garry S Watson
Chairman



Geoffrey C B Thomson
Chief Executive Officer

We are pleased to report to shareholders on progress achieved during the six months ended 30 September 2007.

Overview

In the six months since Braveheart's shares commenced trading on AIM we have accelerated our pace of development:

We made our first acquisition, namely W L Ventures Ltd with its portfolio of ten investments; this company is now known as Caledonia Portfolio Realisations Ltd (CPR).

Together with our clients, we invested £1.2m in five technology businesses over the period. We have also agreed terms for a number of other investments which we expect to complete between now and the end of our fiscal year. In June, one of our portfolio companies, Capital Pub Company plc, listed on AIM with a market capitalisation of £32m.

In June we announced a £25m fund dedicated to commercialising intellectual property developed within the University of Edinburgh. This is the largest such fund announced in Scotland to date. We expect to achieve a first closing of this fund in the middle of 2008. Additionally, the first closing of the £12m Strathclyde Innovation Fund, which was announced in February 2007, is due before our fiscal year end. Both funds, which will be managed by the Group, will have the first right of refusal to invest in intellectual property opportunities emanating from the respective universities, and are unique in their approach.

As noted in our annual report we are focused on our three-tier strategy:

- Increasing direct investment into portfolio companies;
- Setting up commercial partnerships with academic institutions where we can secure access to intellectual property; and
- Looking for opportunities where we can add value to under-performing assets.

Portfolio investments

Inxstor Limited was formed last year to develop placeshifting technology which allows users to watch TV where and when they want to. The technology is due to be released in 2008.

Traak Systems Limited is developing radio frequency identification (RFID) and sensor network appliances and services for the efficient processing of data in the growing RFID sector.

Board

We are delighted to welcome Ken Brown to the Board. Ken has been Finance Director of Kenmore Property Group since 1999. His expertise in M&A, together with his experience in setting up special purpose financing vehicles, will be valuable to us as we go forward.

Financial Review

Revenue from investment management operations, including bank interest, was £451,000, an increase of 87% over the £241,000 in the same period last year. Unrealised profit on the revaluation of investments amounted to £185,000 compared with an unrealised loss of £42,000 in the same period last year. There was no profit or loss from the disposal of investments, which compares with a profit of £12,000 in the corresponding period.

Operating profit before share-based payments was £167,000 compared with a loss of £130,000 in the same period last year. Pre-tax profit was £143,000 compared with a pre-tax loss of £130,000 (including IPO costs of £60,000 that could not be written off against the share premium account) in the corresponding period.

Cash in hand at the period end amounted to £5.9m. At the time of writing there is a high degree of uncertainty in the financial markets. The directors consider that the Group's cash reserves place the business in a strong position to take advantage of opportunities that may present themselves in such market conditions.

Operational Review

We have been busy over the summer months and have now integrated the CPR portfolio. As a result we now have 31 companies in the portfolio and have increased the resources allocated to portfolio monitoring.

During the period under review, we completed investments in five companies. Since the end of September we have completed a further two investments.

Strategy

The Board believes that shareholder value can best be enhanced through scaling up the Company's business. We intend to achieve this on a UK-wide basis by steadily expanding our rights to invest in intellectual property whilst growing our investment management business.

Outlook

Our business has to be viewed on a medium to long term basis given our focus on early stage technology investments. The Board is encouraged by the Company's achievements to date and believes that the investment portfolio will continue to deliver good value to shareholders.

Garry S Watson
Chairman

Geoffrey C B Thomson
Chief Executive Officer

Spiral Gateway Limited

is a fabless semiconductor chip vendor. The company has exclusive rights to novel processor architecture, which has the potential to deliver advantages in digital circuit design.

Edinburgh Robotics

Limited is a spin-out from the University of Edinburgh's School of Informatics. It is designing a comprehensive software development platform – DevBot – to improve the development of mobile robotic solutions.

PSI Electronics Limited

aims to deliver an intelligent fault locator system that detects faults in buried and inaccessible low voltage power cables. The company is a spin-out from the University of Strathclyde.

Group Interim Income Statement

for the six months ended 30 September 2007

	Notes	Six months ended 30 Sep 2007 (unaudited) £'000	Six months ended 30 Sep 2006 (unaudited) £'000	Year ended 31 Mar 2007 (audited) £'000
Revenue		281	217	538
Realised profit on the disposal of investments		–	12	78
Unrealised profit/(loss) on the revaluation of investments		185	(42)	(82)
Finance revenue		170	24	49
Total income		636	211	583
Staff costs		(318)	(221)	(473)
Other operating costs		(175)	(120)	(274)
Total costs		(493)	(341)	(747)
Profit/(loss) before taxation		143	(130)	(164)
Tax credit	2	–	11	7
Profit/(loss) for the period		143	(119)	(157)
Earnings/(loss) per share		Pence	Pence	Pence
– basic	3	1.25	(1.50)	(1.67)

All of the operations of the Group are continuing.

Group Interim Balance Sheet

as at 30 September 2007

Braveheart Investment Group plc

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	As at 30 Sep 2007 (unaudited) £'000	As at 30 Sep 2006 (unaudited) £'000	As at 31 Mar 2007 (audited) £'000
ASSETS			
Non-current assets			
Property, plant and equipment	25	25	26
Investments at fair value through profit or loss	1,441	408	896
Deferred tax asset	5	2	5
Total non-current assets	1,471	435	927
Current assets			
Trade and other receivables	116	92	86
Cash and cash equivalents	5,906	1,082	6,482
Total current assets	6,022	1,174	6,568
Total assets	7,493	1,609	7,495
LIABILITIES			
Current liabilities			
Trade and other payables	(76)	(64)	(242)
Deferred income	(29)	(4)	(39)
Total liabilities	(105)	(68)	(281)
Net assets	7,388	1,541	7,214
EQUITY			
Called up share capital	268	188	268
Share premium account	7,008	1,378	7,001
Retained earnings	112	(25)	(55)
Total equity	7,388	1,541	7,214

Group Interim Cash Flow Statement

for the six months ended 30 September 2007

	Six months ended 30 Sep 2007 (unaudited) £'000	Six months ended 30 Sep 2006 (unaudited) £'000	Year ended 31 Mar 2007 (audited) £'000
Operating activities			
Profit/(loss) before tax	143	(130)	(164)
Adjustments to reconcile profit before tax to net cash flows from operating activities			
Depreciation of property, plant and equipment	4	3	8
Share-based payments expense	24	–	–
(Increase)/decrease on the revaluation of investments	(185)	42	82
Loss on disposal of property, plant and equipment	–	–	1
Interest income	(170)	(24)	(49)
Increase in investments	(360)	(139)	(667)
Decrease/(increase) in trade and other receivables	(30)	73	104
Increase/(decrease) in trade and other payables	(176)	(56)	156
Tax paid	–	–	(24)
Net cash flows from operating activities	(750)	(231)	(553)
Investing activities			
Purchase cost of property, plant and equipment	(3)	–	(6)
Interest received	170	24	49
Net cash flows from investing activities	167	24	43
Financing activities			
Proceeds from issue of shares	–	583	6,968
Transaction costs of issue of shares	7	(41)	(723)
Net cash flows from financing activities	7	542	6,245
Net increase/(decrease) in cash and cash equivalent	(576)	335	5,735
Cash and cash equivalent at the start of the period	6,482	747	747
Cash and cash equivalent at the end of the period	5,906	1,082	6,482

Group Interim Statement of Changes in Equity

for the six months ended 30 September 2007

Braveheart Investment Group plc

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	Share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
At 1 April 2006	128	896	104	1,128
Exercise of options	60	523	–	583
Expenses paid in connection with share issue	–	(41)	–	(41)
(Loss) for the period	–	–	(119)	(119)
Share-based payments – deferred tax	–	–	(10)	(10)
At 30 September 2006 (unaudited)	188	1,378	(25)	1,541
Issue of new share capital	80	6,305	–	6,385
Expenses paid in connection with share issue	–	(682)	–	(682)
(Loss) for the period	–	–	(38)	(38)
Share-based payments – current tax	–	–	8	8
At 31 March 2007 (audited)	268	7,001	(55)	7,214
Expenses paid in connection with share issue	–	7	–	7
Profit for the period	–	–	143	143
Share-based payments	–	–	24	24
At 30 September 2007 (unaudited)	268	7,008	112	7,388

Notes to the Interim Financial Statements

1 Basis of preparation

The interim financial information in this document does not comprise statutory accounts for the purpose of section 240 of the Companies Act 1985. The comparatives for the full year ended 31 March 2007 are not the Group's full statutory accounts for that year. A copy of the statutory accounts for the year has been delivered to the Registrar of Companies. The auditors' report on those accounts, which were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, was unqualified and did not contain a statement under sections 237(2) or 237(3) of the Companies Act 1985.

This interim financial information is the unaudited interim consolidated financial statements (the 'interim financial statements') of Braveheart Investment Group plc, a company incorporated in the United Kingdom and registered in Scotland, and its subsidiaries (together referred to as the 'Group') for the six-month period ended 30 September 2007 (the 'interim period'). The interim financial statements have not been audited or reviewed by the Company's auditors.

The interim financial statements have been prepared in accordance with existing Group accounting policies, set out in the Group's 2007 Annual Report and Accounts. The presentation of the interim financial statements is consistent with the Annual Report and Accounts 2007.

These interim financial statements were approved by the Board and authorised for issue on 30 November 2007.

2 Taxation

No provision for corporation tax is required in the period due to the availability of tax losses.

3 Earnings/(loss) per share

Basic earnings/(loss) per share have been calculated by dividing the profit/(loss) for the period by the weighted average number of ordinary shares in issue during the period. There were no potentially dilutive share options over ordinary shares in the Group outstanding at the period end and therefore the dilutive earnings per share is equal to the basic earnings per share.

The calculations of earnings/(loss) per share are based on the following profit/(loss) and numbers of shares in issue:

	Six months ended 30 Sep 2007 (unaudited) £'000	Six months ended 30 Sep 2006 (unaudited) £'000	Year ended 31 Mar 2007 (audited) £'000
Profit/(loss) for the period	143	(119)	(157)
Weighted average number of ordinary shares in issue:			
– for basic earnings per ordinary share	11,408,385	7,898,735	9,412,875
– for diluted earnings per ordinary share	11,408,385	7,898,735	9,412,875

4 Business combination

On 4 April 2007, the Group acquired the entire issued share capital of W L Ventures Ltd, now known as Caledonia Portfolio Realisations Ltd (CPR), an unlisted company based in Scotland specialising in making investments in technology businesses. The acquisition included a deferred element of consideration based on future exit values of the portfolio and has been accounted for using the purchase method of accounting. From the date of acquisition, CPR has contributed £282,000 to the net profit of the Group. The interim financial statements include the results of CPR from the date of acquisition.

The fair value of the identifiable assets and liabilities of CPR at the date of acquisition were:

	Fair value recognised on acquisition (unaudited) £'000	Previous carrying value (unaudited) £'000
Investments	50	631
Cash	70	70
	120	701
Trade payables	70	70
Net assets	50	631
Consideration	50	

Shareholder Communications

A copy of this interim report will be sent to shareholders and is available on request from the Company's registered office at The Cherrybank Centre, Cherrybank Gardens, Perth PH2 0PF. A copy has also been posted on the Company's website.

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