BRAVEHEART
INVESTMENT GROUP

Annual Report and Accounts 2008

Growth
Support
Service
Partnership

BRAVEHEART INVESTMENT GROUP PLC

Braveheart was founded by a small group of business angels who wished to use their skills and experience to identify and fund early stage investment opportunities.

Eleven years later Braveheart has developed into a recognised and successful private equity business which specialises in the commercialisation of intellectual property. A key strength of the business continues to be the assistance that its entrepreneurial investors give to the selection of investments and the management of the portfolio.

Our business is based on the following principles:

Growth	providing equity capital to enable companies to achieve their ambitions
Support	offering experienced business people to assist with corporate development
Service	building diversified portfolios for investors and showing market leading returns
Partnership	working with the academic and business communities to deliver economic benefit

Further information is available on our website: www.braveheart-ventures.co.uk

Garry S Watson
Chairman

Contents

BRAVEHEART HIGHLIGHTS

33%
EXIT IRR OF CLIENT PORTFOLIO

£1.7m
INCREASE IN PORTFOLIO VALUE

- Twelve equity investments totalling £3m made during the year by the Group and on behalf of clients
- Portfolio increased in value by £1.7m during the year
- Client exit portfolio at 31 March 2008 showed an internal rate of return of 33.4%, with the overall client portfolio (being both exited and unexited investments) showing a return of 26.7%
- Revenue increased 22% to £659k
- Profit before tax of £106k (2007: loss of £164k)
- Announcement of £25m University of Edinburgh Fund
- Acquisition of W L Ventures Ltd
- Listing of The Capital Pub Company plc shares on AIM resulting in initial market capitalisation of £32m

Post year end

- Fifteen year partnership with the University of Aberdeen announced
- New investment made in Im-Sense Ltd, a spin-out from the University of East Anglia
- Follow-on investments in Cascade Technologies Ltd and Spiral Gateway Ltd
- Group portfolio now comprises 33 companies

Our management team

OUR UNIQUE PROPOSITION

Our Business Model

The Group is focused on making market-leading returns from the management of, and investment in, intellectual property – principally via the provision of equity funding for university spin-outs.

Our Engagement

The investment of capital is only the start of our relationship with portfolio companies. We appoint chairmen and non-executive directors and we engage with management teams to assist in strategic development and to optimise exit values. We regularly review progress to identify opportunities and threats.

Our University Relationships

We have strong links with a number of leading universities and innovation centres across the UK. This gives us access to a wide variety of emerging commercial opportunities at early stages.

We believe our business model sets us apart from our peers:

- We have two income streams
- We have a client base of experienced and entrepreneurial high net worth investors who work with us in investment selection, monitoring and maximising the exit potential
- We have a pipeline of investment prospects from leading universities

Our headquarters

OUR BUSINESS

Our business consists of two components:

Private Client

The Group provides heavily screened investment opportunities to both discretionary and advisory clients. Clients in turn may provide the Group with secondary due diligence as part of the investment appraisal process and also form a pool of executive and non-executive directors to assist in the management and governance of portfolio companies.

Fund Management

The Group invests capital from its own balance sheet in order to make gains through income and capital appreciation in the equity of portfolio companies. The Group's returns are generated from the realisation of portfolio investments, whether this be through trade sale, secondary purchase, management acquisition or IPO.

Funds under management

SMART Fund

- Seed fund
- Fully invested (10 investments)
- Initially used to deliver SMART Equity Scheme

Alpha EIS Fund

- £2.5m virtual fund (will make 10 to 15 seed investments)
- Used to deliver SMART Equity Scheme and Proof of Concept Scheme
- Participants include Braveheart Investment Group, private clients, Bank of Scotland Corporate, Scottish Enterprise
- Performance bonus in place
- Eight investments completed

Scottish Co-investment Fund

- One of the largest partners in this public sector fund
- £6m under management
- Can use to match private investment

Portfolio and discretionary clients

- £13.5m under management

OUR VISION

Our vision is to grow Braveheart by way of organic growth and M&A.

Organic growth will come about via geographical expansion: we intend to establish a presence in or around London before the end of our financial year.

We are looking at M&A opportunities where we can see economies of scale and synergistic business combinations. The focus is on the areas of private clients, fund management and consulting. Our purchase of W L Ventures Ltd last year and our recent interest in ANGLE plc are examples of situations where we believe we can add value.

CHAIRMAN'S STATEMENT

I have pleasure in presenting the results of Braveheart Investment Group for the year ended 31 March 2008, the first complete year since the admission of the Company's shares to trading on AIM in March 2007.

Results

I am pleased to report that the profit for the year before taxation was £106k compared to a pre-tax loss of £164k last year. This equates to earnings per share of 0.74p compared to a loss per share of 1.6p last year.

Income from investment management operations, excluding bank interest, increased by 22% to £659k while bank interest amounted to £331k (2007: £49k). Gains and losses arising from fair value adjustments to balance sheet investments at the year end resulted in a net profit of £458k that has been recognised in the Group Income Statement.

The Group's investment portfolio contains investments with preferential subscription terms. On exit, these terms usually entitle the Group to receive a multiple of its subscription monies before the remaining proceeds of sale are divided amongst all shareholders on a pro-rata basis.

These preferential exit returns typically equate to a premium of 50% of the monies invested. In the year under review £541k was invested in eight companies through contracts employing such terms. Potential future value arising from these terms has not yet been recognised in the financial statements because their realisation is not sufficiently certain at this time. The directors believe that these arrangements represent an important source of potential future value that they expect will be realised over time. These arrangements are separate from any returns achieved by virtue of changes in value of the underlying asset.

The Group ended the year with a strong balance sheet, having cash balances in excess of £4.8m and no debt.

Delivering on Our Plans

Last year I spoke about our plans for growing our business with the aid of the additional capital raised through our IPO. I am pleased to report that we have made good progress during the year under review in implementing these plans.

In April 2007 we completed the acquisition of W L Ventures Ltd, now renamed Caledonia Portfolio Realisations Ltd, a portfolio of some 10 technology investments. Following a review of these underlying businesses, and an assessment of how we could best realise shareholder value, we are confident that this portfolio will show us a good return on our investment.

There are now 33 companies in the Group portfolio. During the year, the Group made six new investments and six follow-on investments in existing portfolio companies.

The first closing of the Strathclyde Innovation Fund is expected to complete shortly. A draft prospectus for our fund for the University of Edinburgh is in preparation and we anticipate that that fund will have a first closing around the turn of the calendar year.

We have recently announced that we have entered into a partnership agreement with the University of Aberdeen. This agreement will enable Braveheart and the university to work together to stimulate the commercialisation of intellectual property emanating from the university. In return, Braveheart will have first refusal on commercial investment opportunities which flow from within the university. In the longer term it is anticipated that a dedicated fund will be established to finance these opportunities. The University of Aberdeen has strong commercialisation expertise in the areas of life science, medicine, engineering and geosciences and we are excited about developing this partnership's potential.

Our business model is designed to deliver a surplus from our investment management operations, although there will be periods during which income lags behind expenditure as we invest in our management infrastructure. This has been the case in the year under review and will continue to be the case until income from the management of our dedicated university funds builds up.

Embedded Value

One of the most satisfactory developments of the year under review has been the value added to existing holdings within the portfolio. Strong advances were made by a number of companies, warranting further capital, and the opportunity was taken to increase the Group's investment at prices representing good value.

Throughout our Annual Report there will be found descriptions of such companies, demonstrating the breadth of the services that they provide or are seeking to provide, and all linked by their origins in intellectual property developed within academia or industrial research centres.

This is where our strategy starts to reap rewards; having funded start-up companies with a mixture of private and public sector money, our negotiated pre-emption rights enable us to increase the level of private client and balance sheet investment as they hit their pre-determined milestones and demonstrate their capacity to succeed in their respective marketplaces.

This store of value is nurtured by a combination of advice and experience from our entrepreneurial client base, and capital where warranted, to maximise exit results.

Plans for Growth

Braveheart needs to grow to realise its full potential. Your Board has always been alert to this need and saw the move to AIM as the first step in that process. Intermittent turmoil in the financial market place over the past two years has hastened this objective as both institutional investors and private client brokers have raised their sights on the level of capitalisation required to attract investment.

"The Group ended the year with a strong balance sheet, having cash balances in excess of £4.8m and no debt."

In April we announced that we had approached the board of ANGLE plc, a company whose shares are traded on AIM, with a view to making a recommended share offer. ANGLE has a portfolio of investments in technology companies together with a management services division that has contracts in this country and overseas. Unfortunately it has not been possible, to date, to reach agreement with the board of ANGLE, but your board continues to explore means by which the shareholders of both companies might benefit from the linking of their activities. Other expansion opportunities are continuously under review.

Braveheart has established a well recognised and reputable business in Scotland and has a growing client base in the South. We intend to expand that southern client base and, with it, the group of successful entrepreneurs who are willing to work with the management of companies in which we invest.

The success of our university relationships in Scotland and the features of the dedicated funds that are being established with them have attracted interest from universities in England. We have opened discussions with a number of institutions and, in the fullness of time, we look forward to establishing relationships that are tailored to the research outputs and requirements of individual establishments.

CHAIRMAN'S STATEMENT
CONTINUED

The Board believes that these initiatives, together with the establishment of an operational base in or around London, are key to Braveheart's growth in the near term and the Group is supporting them with the necessary financial resources.

Board, Management and Staff
I am delighted that Jeremy Delmar-Morgan has recently accepted an invitation to join the Board. Jeremy has had a distinguished City career, having been CEO and chairman of Teather & Greenwood and subsequently, from 2006, chairman of brokers Hichens, Harrison & Co. I am very pleased to welcome Jeremy and I am confident that he will make a valuable contribution to our Board debate.

Donald Turner and Shonaig Macpherson will be retiring from the Board at the AGM in September. I know that shareholders and colleagues will wish to join me in thanking them for their valuable contributions and support as Braveheart has emerged from a private 'Angel' syndicate into an AIM-listed company. We are indebted to them for the expertise and enthusiasm that they have brought to Board discussion.

The Board has now established a Nominations Committee. The Committee will review the composition of the Board, provide for the right balance of experience and skills, and ensure that there is continuity with regard to anticipated retirements.

We are fortunate in having experienced and dedicated members of staff who have worked as a well-knit team to deliver these results. I want to thank all of them for their individual contributions. Our management team, at a senior level, has been strengthened and further appointments can be expected in the near future.

Shareholders will be pleased to hear that at the Ernst & Young Entrepreneur of the Year (Scotland) awards ceremony in June, Geoffrey Thomson, our CEO, was given a special award by an independent judging panel, for the support given to Scotland's emerging technology companies over the last decade.

Braveheart Clients
Many of Braveheart's clients are successful entrepreneurs whose contributions to portfolio companies, as chairmen and non-executive directors, are all-important. Their skills and experience add value in the early stages as a company emerges from academia, through the development of a demonstrable product, and into periods of revenue growth when the structure of management teams and the selection of executives can be critical. I am grateful to them for their hard work which can often represent the difference between failure and success. The Board attaches particular importance to supporting these appointments and will continue to provide workshops, mentoring and networking opportunities.

Dividends
It remains the Board's intention that, in future, and subject to the availability of distributable reserves, regular dividends should be paid out of investment management profits and special dividends should be paid where there are meaningful capital profits realised from the disposal of portfolio investments.

Prospects
The current year has started with questionable economic prospects and with the financial markets unsympathetic towards small cap companies. However, these are the conditions in which a well regarded business such as Braveheart can secure good investment value.

"There are now 33 companies in the Group portfolio."

With our cash resources, and excellent market relationships, we are well placed to nurture and grow our existing portfolio of companies as we steer them towards an exit. Braveheart has always been open to exiting investments both through trade sale and IPO. Despite the current quoted market conditions we have no reason to believe that trade buyers will not be available to purchase portfolio assets at the opportune moment.

These expectations, and the implementation of our growth strategy, should ensure that Braveheart continues to build value for shareholders, as has been the case since our business was founded 11 years ago.

Annual General Meeting
The notice regarding the business to be dealt with at the Company's Annual General Meeting, to be held on 10 September 2008, is set out on page 46.

Your directors are unanimously in favour of resolutions nos. 1 – 7 (inclusive), which they consider to be in the best interests of the shareholders as a whole. Accordingly, your directors recommend shareholders to vote in favour of those resolutions, as they intend to do in respect of their own beneficial shareholdings.

I look forward to welcoming those shareholders who are able to attend.

Garry S Watson
Chairman

CHIEF EXECUTIVE OFFICER'S REPORT

This is the first time that I am reporting to shareholders on a full year as a listed company. Last year I said we had not been idle since we listed our shares on AIM in March 2007 and, once again, I am delighted to be able to report that we have had a busy year and that our prospects for growth are good.

Operating and Financial Review

Portfolio

During the year we invested in six new companies and provided further equity funding to six of our existing portfolio companies. One of our portfolio companies was listed on AIM and two companies were wound up. Unfortunately, one company that was listed on AIM failed to raise second round funding on the market and was placed in administration.

We are pleased with the statistics from our portfolios. More details are given in our Chief Investment Officer's report on page 10.

Acquisition

Early in the year we acquired W L Ventures Ltd which we renamed Caledonia Portfolio Realisations Ltd (CPR) and which is now a wholly owned subsidiary of Braveheart Investment Group plc. CPR came with a portfolio of 10 companies and with tax losses amounting to around £1m. The consideration payable for the business was based on an initial sum together with a deferred element based on the exit proceeds of the portfolio.

Since acquisition, the value of the portfolio has increased substantially. This increase in value has been driven mainly by investment from third parties. In addition, the Group has invested in one business and achieved an exit by way of a trade sale in another.

Human Resources

During the year we continued to expand our management team, principally within our portfolio monitoring unit. In most of our investments we will exercise our right to place non-executive directors on the boards of our portfolio companies. These non-executives are drawn, primarily, from our client bank of experienced entrepreneurs and are supported by our portfolio management team. The Group holds regular seminars on non-executive director roles and responsibilities.

Regulatory

November 2007 saw the introduction of the Market in Financial Instruments Directive (MiFID). This legislation was greeted with trepidation in some quarters and received many column inches in the press. The principal effect on us relates to the classification of investors; under the new definitions the old 'expert' has become a 'professional' and there are now quantitive tests that must be applied before an investor can be classified as a professional client. These tests may be appropriate in the wider market but for our sector they are unnecessarily restrictive and we are supporting a review of the new requirements. Given that the legislation is Europe-wide, any changes are likely to take time to achieve. We are authorised to take on all categories of client and the effect of these measures is administrative only and not detrimental to our business.

CHIEF EXECUTIVE OFFICER'S REPORT

CONTINUED

Taxation

The Government has now abolished Business Asset Taper Relief in favour of entrepreneurs' relief and a Capital Gains Tax regime of 18%. An important part of our business involves building tax efficient portfolios for clients, typically utilising the Enterprise Investment Scheme (EIS).

Changes to the tax regime linked to an increased annual personal threshold of £500,000 mean that EIS portfolios are now becoming an increasingly useful asset class. This stands us in good stead for building this part of our business and I comment further on this below.

Financial Review

General

The consolidated results show a pre-tax profit of £106k (2007: loss of £164k). Revenue was up 22% to £659k (2007: £539k). Earnings per share were 0.74p (2007: loss of 1.6p).

Employee costs rose to £559k (2007: £472k) as we invested in new staff and other operating costs rose to £474k (2007: £274k) reflecting, amongst other things, the first year's full cost of being a listed company.

As at the end of the year the Group had net assets of £7.3m (2007: £7.2m) and cash balances of £4.8m (2007: £6.5m).

During the year £1.2m (2007: £725k) was invested by the Group in its portfolio.

Investment Management Income

In common with most other companies in the financial services business the general slowdown of global markets has impacted on our business. This has affected us by way of a reduced appetite for investment from our private clients, particularly since last autumn. I discuss, below, what this means to us in the longer term.

Group Investments

At the start of the year our investment portfolio had a book value of £896k. During the year we divested three investments with an aggregate loss of £71k, made six new investments, and made funds available to existing companies at an aggregate cost of £1.2m. At the year end our investment portfolio had a value of £2.6m, reflecting a fair value increase of £458k in the period. A liability of £310k has been provided for as part of the deferred consideration for the W L Ventures acquisition.

Portfolio Valuation Methodology

This year our portfolio has grown substantially and its underlying value has become increasingly significant. In view of this we have recently concluded a review of our valuation methodology and effected modifications to ensure that it continues to comply with the European Venture Capital Association guidelines.

I draw your attention to our Chairman's comments regarding the important potential store of value within our portfolio that arises as a result of the way in which we structure our investments. This potential store of value is distinct from any change in value arising from the progress or otherwise of the portfolio investments.

IFRS

Last year I noted that the requirement to adopt International Financial Reporting Standards (IFRS) meant that we were no longer able to account for work-in-progress at our year end. This is particularly important given that the end of the tax year tends to be our busiest time, and it is often the case that investments are completed in April rather than by the end of March. This year completion of two investments was deferred into April. Under the old accounting regime the work-in-progress element would have been taken into account and would have added to the revenue line for the year under review.

Share-based Payments

Under IFRS 2, a charge is required in the income statement in relation to the fair value of share options granted to employees. During the year under review 843,754 new options were granted resulting in a charge to the income statement of £24k.

Subsidiaries

During the year, W L Ventures Ltd was renamed Caledonia Portfolio Realisations Ltd and became a wholly owned subsidiary of Braveheart Investment Group plc.

Two companies were formed to act as partners in the establishment of the Strathclyde Innovation Fund, these being Strathclyde Innovation Fund GP Ltd and Caledonia LP Ltd. Both were set up as subsidiaries of Braveheart Investment Group plc.

Principal Risks
We use a risk matrix to identify and assess the impact of risks to our business, under four key headings: management, regulatory, strategic and financial. For each risk the likelihood and consequence are identified, management controls and frequency of monitoring are confirmed, and results noted. The Corporate Governance Statement on pages 18 to 20 provides further information about the Group's risk management process.

Key Performance Indicators (KPIs)
Last year we set out the KPIs that we use to monitor our performance on a quarterly basis. They were, and remain, as follows:
- Number of investments made
- Total sums invested
- Overheads as a percentage of total income
- Returns achieved on portfolio realisations
- Funds under management
- Staff retention

Forward Strategy
As shareholders know, we are committed to increasing shareholder value through a programme of organic growth and M&A activity.

We will build outwards from our investment management base. We have our core private client business, primarily based in Scotland, and that will be expanded by creating a similar client base in London and the Home Counties. That expansion programme is already underway and cash is being committed to fund this expansion.

Alongside this, we plan to build our fund management business with the creation of special purpose funds such as those for the universities of Strathclyde and Edinburgh. We have recently announced a partnership with the University of Aberdeen and we expect that, in the fullness of time, a fund may be established for that university.

Our company is focused on investing in early-stage technology. There are other businesses that operate in the same space and which have the potential to be a good fit. We are looking at a number of opportunities.

As we grow, we need to invest in senior personnel. We expect to recruit a further four people in the next 12 months, including appointments at both main board and operational board levels.

Outlook
At the start of the year under review, conversation was about all things green. Discussion now centres around three issues: the first is the price of our natural resources, the second is the global credit crisis and the third is the economic fallout.

Market conditions and volatility give us cause for concern. However, whilst these conditions create difficulties, they also provide opportunities for a well capitalised business like Braveheart.

The challenges going forward will be about raising capital and forming partnerships to strengthen our position. The opportunities will be about using our cash wisely in the market, both in M&A and in direct portfolio investment. We made good investments and business decisions at the turn of the century when the markets were last in turmoil – we intend to do the same again.

"As shareholders know, we are committed to increasing shareholder value through a programme of organic growth and M&A activity."

Following through on promises made to shareholders is vital; I am happy to report that we are carrying out the plans we unveiled at the time of our IPO, we are spending capital wisely and we are building shareholder value.

Geoffrey C B Thomson
Chief Executive Officer

CHIEF INVESTMENT OFFICER'S REPORT

I am delighted to give you an update on the investment activity in our portfolio and on our investment strategy.

Portfolio Investments

During the year under review we added six companies to the portfolio and invested in six existing portfolio companies; equity funds were provided to Edinburgh Robotics, Spiral Gateway, PSI Electronics, NXVision (previously Inxstor), MicroEmissive Displays Group and Bloxx. Bloxx is the first company from the Caledonia Portfolio Realisations (CPR) portfolio to receive funds from the Group following the acquisition of that portfolio in April 2007. New investments were made into Traak Systems, Pyreos, Atlas Genetics, Elonics, AppShare and Conjunct. Brief details of these new investments and Bloxx are provided on pages 11-13.

Portfolio Divestments

The Capital Pub Company plc, was listed on AIM at a market capitalisation of £32m and Pentland Systems Ltd, a CPR portfolio company, was acquired on a deferred consideration basis with the final return yet to be determined.

Losses are an inevitable feature in the venture capital arena. As our CEO has advised in his Report, we have had two portfolio companies placed into liquidation this year: Mixipix and the trading subsidiary of Infinite Data Storage Group. In addition, the AIM-listed company, Eleksen Group was placed into administration.

Looking at our portfolio, current market conditions would suggest that near-term exit opportunities will come via the trade sale route rather than the IPO route. This is borne out by our recent observations in the market that there are buyers looking to make acquisitions.

Portfolio Returns

At the end of the year under review our rebased client exit portfolio (being a portfolio where all exited investment returns are modelled since inception in 1997) showed an internal rate of return of 33.4%. The overall client portfolio (modelling both exited and unexited investment returns) is showing a return of 26.7%. The rates of return shown by our SMART Fund and Alpha Fund are 11.1% and 19.6% respectively. These returns compare favourably to the British Venture Capital benchmark for ten year vintage funds, where the returns are 3.5%, -4.8%, and -1.1% respectively for three, five and ten year funds.

Investment Process

We receive a steady stream of investment opportunities from a variety of sources including our clients, via university partnering agreements, our website and professional advisers.

Before we make a new investment we conduct rigorous due diligence on the investment prospect. Due diligence is predominantly carried out in-house but specialist consultants are typically used to validate technology and appraise market potential. This process ends with the issuing of an investment memorandum that is sent to our investment clients. They are then invited to meet the management teams of prospective portfolio companies and question any aspect of the investment proposition. Typically the whole process will take from two to three months. Our methodology, which we have refined over the past 11 years, provides a rigorous screening process and is one of the strengths of the Braveheart model.

Investment Strategy

We invest primarily in technology companies and we often start investment early in a company's life. This means that we can take a meaningful position for a relatively modest amount of capital and increase our exposure as the investment heads towards an exit.

We believe in strong corporate governance and a reporting regime from an early stage and, whilst we monitor our portfolio closely, we focus on managing and supporting the managers rather than managing the underlying businesses.

We look for balance in terms of sector and stage within our portfolio, as is evidenced by the matrix shown on page 13.

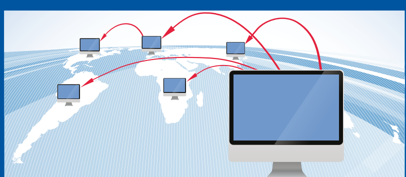
The types of company in which we invest usually require a number of rounds of funding. This means that we have a strong follow-on policy, although we re-evaluate a company on each occasion it requires further funding.

"Current conditions would suggest that near-term exit opportunities will come via the trade sale route rather than the IPO route."

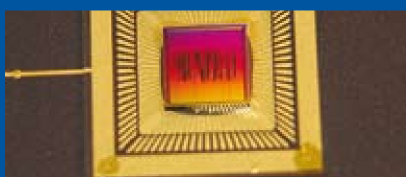
Portfolio Investments

Our investments are focused where there is potential for significant growth.

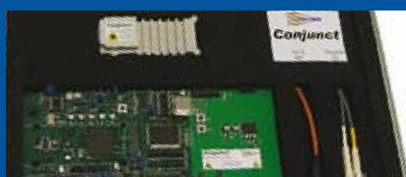
AppShare was formed in 2007 as a spin-out from the University of Strathclyde. The company is developing a collaborative software solution known as 'ePlace'. The technology allows the sharing of software applications between users at different locations. The company currently has a working ePlace prototype, which will be developed over the next 12 months utilising funds raised from the recent investment.



Spiral Gateway is a fabless semiconductor chip vendor incorporated in 2004 as a spin-out from the University of Edinburgh. The company is focused on the development of a computer processing platform known as Reconfigurable Instruction Cell Architecture (RICA). RICA is a method for processing multimedia, wireless and broadband computing tasks and will initially deliver new levels of flexibility and performance to a key segment of the Image Signal Processing (ISP) market.



Conjunct was formed in 2003 as a start up from Heriot-Watt University. The company was established to develop disruptive technology for short range, high speed optical communications. Its proprietary technology 'Fibre-Lyte' aims to offer benefits in the packaging of optical components in the data communications market, the size of which has typically been restricted due to the high cost and specification of components.



CHIEF INVESTMENT OFFICER'S REPORT
CONTINUED

"The types of company in which we invest usually require a number of rounds of funding."

In situations where one of our portfolio companies has not met its technical or commercial milestones, we may hedge risk by providing short-term funding in the form of a convertible instrument.

This table shows the portfolio companies that the Group and its clients have invested in (excluding the CPR portfolio) with the first year of investment by the Group and/or its clients and the number of rounds of equity funding that they have received.

Company	No. of Rounds	Date of First Investment
Alivox Ltd	2	July 2005
AppShare Ltd	1	March 2008
Atlas Genetics Ltd	1	December 2007
Biopta Ltd	2	November 2004
Cascade Technologies Ltd	2	March 2006
Conjunct Ltd	1	March 2008
Design LED Products Ltd	2	March 2005
Dimensional Imaging Ltd	3	December 2005
Eastern Choice Ingredients Ltd*	2	March 2001
EctoPharma Ltd	1	March 2007
Edinburgh Robotics Ltd	2	February 2006
Elonics Ltd	1	February 2008
MicroEmissive Displays Group plc	3	March 2004
MicroStencil Ltd	2	April 2005
NiTech Solutions Ltd	1	December 2006
NXVision Ltd	2	September 2006
PSI Electronics Ltd	2	January 2006
Pufferfish Ltd	2	May 2006
Pyreos Ltd	1	December 2007
Quantum Filament Technologies Ltd	2	April 2005
Spiral Gateway Ltd	2	September 2004
Tayside Flow Technologies Ltd	4	November 2002
The Capital Pub Company 2 plc	2	April 2004
The Capital Pub Company plc	2	May 2002
Traak Systems Ltd	1	August 2007
Virtual Well Engineer Ltd	1	March 2005

*No Group investment in this company

Portfolio Investments
Our investments are focused where there is potential for significant growth.

Cascade Technologies
is a spin-out from the University of Strathclyde. The company has created novel technology which uses quantum cascade lasers to provide breakthrough products that create instant DNA type fingerprints of gases, enabling their presence and quantity to be detected. The technology can be applied to multiple applications such as emissions monitoring in the marine and power generation industries, and the detection of explosives and chemical agents.

Elonics
was founded in 2003 and is based in Livingston. The company is a fabless mixed-signal semiconductor company specialising in the development and sale of multi-band radio frequency IC products. DigitalTune™ is the company's flexible radio tuner chip platform that can be configured to support different standards and frequencies for a number of applications. It will initially be used to develop a flexible TV tuner component for portable and handheld devices offering the manufacturer low power consumption and low system costs.

Traak Systems
was founded in 2005 and is a spin-out of the University of Edinburgh. It is developing intelligent self-learning radio frequency identification (RFID) and sensor network solutions for the growing RFID sector. RFID technology is commonly used in a wide variety of industries such as retail, transportation, logistics and healthcare. The company's highly optimised solution will efficiently process the raw data from RFID tags in complex environments such as airports, hospitals and manufacturing plants.

Group's Portfolio

The Group's portfolio (including the CPR portfolio) comprised 32 companies as at the year end:

Company	Subsector	Seed	Early	Expansion	Quoted
Alivox Ltd	Software & Computer Services		✓		
AppShare Ltd	Software & Computer Services	✓			
Atlas Genetics Ltd	Healthcare Equipment & Services		✓		
Biopta Ltd	Healthcare Equipment & Services			✓	
Cascade Technologies Ltd	Technology Hardware & Equipment			✓	
Conjunct Ltd	Electronic & Electrical Equipment		✓		
Design LED Products Ltd	Electronic & Electrical Equipment			✓	
Dimensional Imaging Ltd	Software & Computer Services			✓	
EctoPharma Ltd*	Pharmaceuticals & Biotechnology		✓		
Edinburgh Robotics Ltd	Software & Computer Services		✓		
Elonics Ltd	Technology Hardware & Equipment			✓	
MicroEmissive Displays Group plc	Electronic & Electrical Equipment				✓
MicroStencil Ltd	Technology Hardware & Equipment		✓		
NiTech Solutions Ltd	Technology Hardware & Equipment		✓		
NXVision Ltd	Software & Computer Services		✓		
PSI Electronics Ltd	Technology Hardware & Equipment		✓		
Pufferfish Ltd	Electronic & Electrical Equipment		✓		
Pyreos Ltd	Technology Hardware & Equipment		✓		
Quantum Filament Technologies Ltd	Electronic & Electrical Equipment		✓		
Spiral Gateway Ltd	Software & Computer Services		✓		
Tayside Flow Technologies Ltd	Healthcare Equipment & Services			✓	
The Capital Pub Company 2 plc	Travel & Leisure			✓	
The Capital Pub Company plc	Travel & Leisure				✓
Traak Systems Ltd	Electronic & Electrical Equipment	✓			
Virtual Well Engineer Ltd	Software & Computer Services	✓			
CPR					
Adaptive Venture Managers Ltd	Equity Investment Instruments			✓	
Bloxx Ltd	Software & Computer Services			✓	
Hydrosense Ltd	Support Services			✓	
Intrallect Ltd	Software & Computer Services			✓	
Orkell Ltd	Software & Computer Services		✓		
Scalar Technologies Ltd	Electronic & Electrical Equipment			✓	
Verbalis Ltd	Software & Computer Services		✓		
Number		**3**	**15**	**12**	**2**

*Also a CPR company

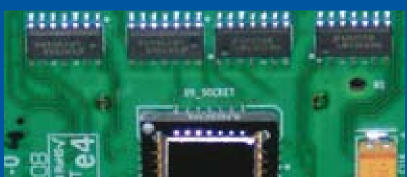
Forward Strategy

In common with other investor groups, we are concerned about adverse change in the market place. Capital is already more scarce for publicly quoted technology companies and in time this will filter down into the unquoted sector.

This means two things for us: firstly, there will be good buying opportunities for new portfolio entities, and secondly, we are going to need to support our existing portfolio companies with more capital than perhaps we might have expected 12 months ago. Our forward investment strategy is therefore directed at making new investments only where we believe there is outstanding value to be had, and supporting our existing portfolio with our own balance sheet and via the partnering or co-investment arrangements we have in place.

Carolyn Smith
Chief Investment Officer

Pyreos has developed a patented thin film pyro-electric ceramic technology for initial use in a new range of infra-red sensor products. The technology will initially be applied for use in mass market and high value specialist applications such as motion detectors, spectroscopy and infra-red cameras. The core technology and production process was developed at Siemens in Germany over a number of years and the company was formed in Edinburgh in July 2007.



Atlas Genetics is a healthcare company formed in 2005 as a spin-out of Bath University. The company is developing a 'point of care' molecular diagnostic platform for the rapid detection of DNA. The company is currently working on tests for meningitis, chlamydia, Group B Streptococcus and the hospital superbug MRSA. The company's novel, simple and low-cost method will give the clinician an immediate assessment in less than 30 minutes from taking the patient sample.

Bloxx is an established company that has developed and launched a new range of web filtering network appliances which help organisations proactively manage access to web content and prevent unsavoury websites reaching computer users. Using patented language analysis and intelligent identification techniques, the company's Tru-View technology analyses and blocks websites quickly and accurately providing instant classification of web content as soon as it is accessed.

BOARD OF DIRECTORS

1 Garry Watson OBE CA
Chairman

Garry Watson is a former managing director of Hill Samuel Bank (Head of Investment Finance), Legal Services Ombudsman for Scotland and a Governor and Deputy Chairman of the Macaulay Land Use Research Institute in Aberdeen. He is currently a director and chairman of the Audit Committee of Places for People Group, a major UK provider of mixed tenure housing.

2 Geoffrey Thomson
Chief Executive Officer

One of the founders of Braveheart, Geoffrey Thomson is well known as a deal maker and business angel. He has run his own venture capital backed group of companies and spent five years working as a company doctor specialising in restructuring and refinancing of SMEs. Geoffrey has written columns on investment for various national broadsheets and regularly speaks at business events in Scotland. Other than Braveheart, Geoffrey is a director of NESTech (the challenge fund of the universities of St Andrews, Dundee and Aberdeen), and sits on the advisory boards of the Engineering and Physical Sciences Research Council (EPSRC) and the Saltire Foundation Fellowship Programme.

3 Ken Brown BA CA
Non-executive Director

Ken has recently retired as Finance Director of Kenmore Property Group. During his time with Kenmore gross assets grew from £40m to £1.7bn and profits from £1m to £30m. He has extensive experience of negotiating corporate acquisitions and disposals, of structuring joint venture arrangements and of arranging both equity and debt finance. Prior to joining Kenmore he spent 12 years as Group Finance Director of two quoted companies. He is currently a non-executive director of four other companies.

4 Shonaig Macpherson CBE FRSE
Non-executive Director

Shonaig Macpherson joined the board of Braveheart in October 2005 after retiring as senior partner of McGrigors, one of Scotland's leading legal firms. Shonaig is currently Chairman of the Scottish Council for Development and Industry, Chairman of ITI Scotland Limited, a Fellow of the Royal Society of Edinburgh and Chairman of The National Trust for Scotland.

5 Edward Cunningham CBE FRSE
Non-executive Director

Edward Cunningham has UK and international industry experience. Latterly he was Director, Industry and Enterprise Development with the Scottish Development Agency. He has been chairman of a number of 3i-invested companies as well as other companies including the Scottish Exhibition & Conference Centre. He has also been a director of TSB Bank Scotland and Watson & Philip. He is currently chairman of two companies and is on the board of two other companies and two charitable trusts.

6 Carolyn Smith ACIS
Chief Investment Officer

Carolyn Smith has an honours degree in accountancy from the University of Stirling and is a Chartered Secretary. She spent five years working in insolvency before moving to business development and investment. After five years working in private equity she joined Braveheart in 2000.

7 Jeremy Delmar-Morgan MA MSI
Non-executive Director

Jeremy was a partner in Hoblyn, Dix & Maurice and a director of Vickers Da Costa before joining Teather & Greenwood in 1979 where he went on to become chairman. He subsequently joined Hichens, Harrison & Co as chairman in 2004. He is a director of London Symphony Orchestra and Sefton Resources Inc. and chairman of The Brendoncare Foundation and of Eagle Crown Productions Ltd. Jeremy joined the board of Braveheart in June 2008.

8 Donald Turner CA
Non-executive Director

Donald Turner was Managing Partner, Regions and Managing Partner for Scotland and Northern Ireland for Ernst & Young and retired from that firm as Regional Chairman Scotland in 2001. He is a past chairman and board member of the Scottish Council for Development and Industry and was a non-executive director of Young Enterprise Scotland. He is a former council member of the Institute of Directors and a past Chairman Scotland of The Princess Royal Trust for Carers.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2008

The directors present their report together with the audited financial statements for the year ended 31 March 2008.

Principal Activities

The Group's principal activities during the year continued to be the commercialisation of intellectual property and the provision of investment management services. Investment is made from the Group's own resources and on behalf of private clients.

Business Review and Future Developments

Accompanying this Directors' Report are the Chairman's Statement, Chief Executive Officer's Report, Chief Investment Officer's Report, Corporate Governance Statement and Directors' Remuneration Report.

A review of the business and the future developments of the Group is presented in the Chairman's Statement on pages 4 to 6 and the Chief Executive Officer's Report on pages 7 to 9 and the and Chief Investment Officer's Report on pages 10 to 13.

Results and Dividends

The financial statements of the Group and the Company for the year to 31 March 2008 are set out on pages 25 to 45.

The Group's consolidated profit for the year, after taxation, was £99,183 (2007: loss £156,896), which has been transferred to reserves.

The directors do not recommend payment of a dividend for the year (2007: nil).

Share Capital

Details of the structure of the Company's share capital and the rights attaching to the shares are set out in note 17 to the consolidated financial statements.

The Company had 13,403,895 allotted, called up and fully paid ordinary shares of 2p each.

The Company is not subject to any externally imposed capital requirements.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Company's articles of association (the 'Articles') and prevailing legislation.

Power to purchase the Company's own shares is provided in the Company's Articles subject to statutory provisions. The directors have no existing authority to purchase the Company's own shares.

Articles of Association

The Company's Articles may be amended by a special resolution of the shareholders.

Appointment and Replacement of Directors

The Company may by ordinary resolution appoint a person who is willing to act as a director, either to fill a vacancy or in addition to the existing directors and may also determine the rotation in which any additional directors are to retire. Any person so appointed by the directors shall hold office only until the conclusion of business at the next annual general meeting and shall be eligible for reappointment by ordinary resolution at that meeting. The Company may also by ordinary resolution remove a director from office.

At each annual general meeting of the Company, directors eligible to retire shall retire from office by rotation. No director shall continue to hold office as a director after the third annual general meeting following his election or re-election without submitting themselves for re-election at the said third annual general meeting.

Directors and Their Interests

The names of the directors who held office during the financial year along with their biographical details are shown on page 15.

No director had a material interest in any contract, other than their contract for services, during or at the end of the financial year that was significant to the Group's business.

Directors' Interests in Shares

The interests of the directors (all of which are beneficial, with the exception of 39,062 shares held by Garry Watson's spouse, 13,750 shares held in trust for Garry Watson's children and 5,000 shares held in trust for Garry Watson's grandchild) in the ordinary shares of the Company, as stated in the register of directors' interests, are shown below:

Directors	At 31 March 2008 Ordinary shares	At 1 April 2007 Ordinary shares
G C B Thomson	2,750,890	2,750,890
C Smith	231,680	231,680
G S Watson	328,177	328,177
E B Cunningham	493,275	493,275
D I Turner	149,490	149,490
A L A S Macpherson	25,000	25,000
J K Brown	–	–

No notification of any change in the above interests has been received in the period from 31 March 2008 to the date of this report.

Significant Shareholdings
As at 31 March 2008, the following beneficial owners each held 3% or more of the Company's issued share capital:

Name	Number	Percentage
G C B Thomson	2,750,890	20.52
Kenmore Private Equity Ltd	2,500,000	18.65
Uberior Investments plc (a subsidiary of HBOS plc)	1,338,410	9.98
A M Threipland	523,411	3.90
E B Cunningham	493,275	3.68
K J Campbell	454,500	3.39
W G Thomson	425,000	3.17
Schweco Nominees Ltd	406,250	3.03

Financial Instruments
The Group and Company's financial instruments comprise investments designated at fair value through profit or loss, cash, trade debtors and limited trade creditors that arise directly from its operations. The main purposes of these financial instruments are to provide returns from investment and finance for the Group's operations.

Risk Management
Investments in securities expose the Group to certain inherent risks, the most predominant of which are liquidity risk and market price risk. The Board reviews and agrees policies for managing each of these risks. Disclosures regarding risks are provided within the Chief Executive Officer's Report and note 22 to the financial statements.

Events After the Balance Sheet Date
Events since the balance sheet date are described within the Chief Executive Officer's Report on pages 7 to 9.

Going Concern
The directors have reviewed the Company's budgets and plans and are satisfied that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future and that it is therefore appropriate to continue to adopt the going concern basis in preparing the financial statements.

Creditor Payment Policy
The Group's policy is to:
a) agree payment terms with each supplier when placing orders and
b) adhere to the agreed terms.

The Group's average creditor payment period at 31 March 2008 was 25 days (2007: 32 days).

Political and Charitable Donations
It is the Board's policy not to make charitable and political donations which exceed £200. The Group did not make any such donations in the year.

Annual General Meeting
Notice of the Annual General Meeting is set out on pages 46 to 48. Information relating to certain of the resolutions is given or referred to in the notes forming part of the notice.

Disclosure of Information to Auditor
All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Group's auditor for the purposes of its audit and to establish that the auditor is aware of that information. The directors are not aware of any relevant audit information of which the auditor is unaware.

Auditor
A resolution proposing the reappointment of Ernst & Young LLP will be put to the shareholders at the forthcoming Annual General Meeting.

On behalf of the Board

Carolyn Smith
Company Secretary

CORPORATE GOVERNANCE STATEMENT

The directors recognise the importance of sound corporate governance. As a company whose shares are traded on AIM, the Group is not obliged to comply with the corporate governance regime as set out in the Combined Code, but it does support the principles of the Code. It complies with the Quoted Companies Alliance's Corporate Governance Guidelines for AIM Companies insofar as it is reasonably practicable for a public company of its size and nature. The directors have adopted a code of conduct for dealings by directors and employees which complies with the AIM Rules and are committed to maintaining the highest standards of corporate governance.

The Board of Directors

During the year the Board comprised seven directors: the Chairman, Garry Watson; four non-executive directors, Edward Cunningham, Shonaig Macpherson, Donald Turner and Ken Brown; and two executive directors, the Chief Executive Officer, Geoffrey Thomson and Chief Investment Officer, Carolyn Smith. Jeremy Delmar-Morgan joined the Board as a non-executive director on 3 June 2008. Certain executive and non-executive directors are clients of Braveheart Ventures Limited, the Company's investment management subsidiary. Further information regarding related party transactions during the year is detailed in note 21 to the financial statements.

Biographical details of the directors are set out on page 15. Executive and non-executive directors are subject to re-election at intervals of no more than three years. The letters of appointment of all directors are available for inspection at the Company's registered office during normal business hours.

All members of the Board and its committees served throughout the year with the exception of Ken Brown who was appointed on 12 September 2007.

The Board meets at least eight times per annum. It has appointed an Audit and Risk Management Committee, Remuneration Committee and has recently established a Nominations Committee, particulars of which appear hereafter.

Non-executive Directors

The non-executive directors have a broad range of experience, as evidenced by their biographies that appear on page 15, and are well equipped to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct that are vital to the success of the Company.

The Board has adopted guidelines for the appointment of non-executive directors which have been in place and which have been observed throughout the year. These provide for the orderly and constructive succession and rotation of the chairman and non-executive directors insofar as both chairman and non-executive directors will be appointed for an initial term of three years and may, at the Board's discretion, be appointed for a second such term. The Chairman may serve as a non-executive director before commencing a first term as chairman.

In accordance with the Companies Act 2006, the directors comply with: a duty to act within their powers; a duty to promote the success of the Company; a duty to exercise independent judgement; a duty to exercise reasonable care, skill and diligence; a duty to avoid conflicts of interest; a duty not to accept benefits from third parties and a duty to declare any interest in a proposed transaction or arrangement.

Delegation of Responsibilities by the Board of Directors

Ultimate authority for all aspects of the Company's activities rests with the Board, the respective responsibilities of the Chairman and Chief Executive Officer arising as a consequence of delegation by the Board. The Board has adopted two statements; the first sets out matters which are reserved to the Board and the second establishes the division of responsibilities between the Chairman and the Chief Executive Officer. The Chairman is responsible for the effectiveness of the Board and for ensuring communication with shareholders, while management of the Company's business has been delegated by the Board to the Chief Executive Officer.

Audit and Risk Management Committee

The Audit and Risk Management Committee comprises Donald Turner, Edward Cunningham and from 12 September 2007 Ken Brown, with Donald Turner acting as chairman of the Committee. The Committee has primary responsibility for monitoring the quality of internal controls and ensuring that the financial performance of the Group is properly measured and reported. It receives reports from the executive management and auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Group. The Audit and Risk Management Committee meets not less than three times in each financial year and has unrestricted access to the Group's auditor.

Remuneration Committee
During the year, the Remuneration Committee comprised Edward Cunningham, Shonaig Macpherson and Garry Watson with Edward Cunningham as its chairman. The Remuneration Committee reviews the performance of the executive directors and employees and makes recommendations to the Board on matters relating to their remuneration and terms of employment. The Remuneration Committee also considers and approves the granting of share options and other equity incentives pursuant to the share option plan and any other share option scheme or equity incentive scheme in operation from time to time.

Nominations Committee
The Nominations Committee was established in April 2008 and meets as and when required. The committee comprises Garry Watson and Edward Cunningham, with Edward Cunningham acting as chairman. The committee is responsible for the identification and nomination of candidates for the roles of chairman, CEO, other executive directors and non-executive directors. Its remit extends to the nomination of all directors of subsidiary companies and with succession planning in relation to the above aforementioned posts. It is also concerned with matters relating to corporate governance, insofar as they may relate to concerns or complaints from shareholders concerning the conduct of Board directors, and bringing any such issue to the attention of the Board.

Attendance at Board and Committee Meetings
The following table summarises the number of board and committee meetings held during the year and the attendance record of individual directors.

	Board	Audit and Risk Management	Remuneration
No. of meetings in the year	**8**	**4**	**2**
G S Watson	8		2
E B Cunningham	7	3	2
A L A S Macpherson	5		0
D I Turner	8	4	
G C B Thomson	8		
C Smith	8		
J K Brown (appointed 12/9/07)	5	2	

Share Dealings
The Company has adopted, with effect from the date on which its shares were admitted to AIM, a code for directors' and employees' dealings in securities that is appropriate for a company whose securities are traded on AIM and is in accordance with rule 21 of the AIM rules.

Investment Authorities
Investment authorities are reviewed in March of each year and more frequently as determined by the Board. These authorities relate to the maximum amount that the executive directors may invest from the Group's balance sheet in any one portfolio company. Investments outwith the agreed parameters may be made with the agreement of a non-executive director or by the Board.

Risk Management and Internal Control
Risk management is the responsibility of the Risk Management Group, consisting of the Chief Executive Officer, Chief Investment Officer and Financial Controller. The Risk Management Group reports to the Audit and Risk Management Committee, which is responsible to the Board for ensuring that procedures are in place, and are being effectively implemented to identify, evaluate and manage the significant risks faced by the Company. A risk assessment matrix sets out those risks, identifies their ownership and the controls that are in place. Management updates this matrix as changes arise in the nature of risks or the controls that are necessary to mitigate them. The Audit and Risk Management Committee reviews the matrix and the effectiveness of scenario testing by management on a regular basis.

CORPORATE GOVERNANCE STATEMENT
CONTINUED

The following key risks, and controls to mitigate them, have been identified:

Activity	Risk	Control
Management	Recruitment and retention of staff	Stimulating and safe working environment; balancing salary with longer term incentive plans
Regulatory adherence	Breach of rules	Strong compliance regime
Strategic	Reputation	Good in-house reviews; effective communications with shareholders, road shows; robust compliance;
	Disaster recovery	Secure off site storage of data; two networks
Financial	Inappropriate controls and accounting policies	Appropriate authority levels; Audit and Risk Management Committee

The directors have established procedures, as represented by this statement, for the purpose of providing a system of internal control. An internal audit function is not considered necessary or practical due to the size of the Company and the close day-to-day control exercised by the executive directors. However, the Board will continue to monitor the need for an internal audit function.

Communication with Shareholders
The Board has always sought to maintain good communication with its shareholders. The Company has particularly close relationships with its investment clients, many of whom are also shareholders, and the Board is convinced that the Company's progress will be enhanced by listening carefully to the views of both shareholders and clients, many of whom are experienced business people and successful entrepreneurs.

Institutional shareholders, private client brokers and analysts will have the opportunity to discuss issues and provide feedback in the course of road show presentations following the announcement of preliminary and interim results, and the Company seeks regular feedback from its stockbroker and PR adviser. Private shareholders, indeed all shareholders, are encouraged to attend the Company's AGM. Investors have access to current information on the Company though its website, www.braveheart-ventures.co.uk, and via Andrew McInroy, its Investor Relations Officer, who is available to answer investor relations enquiries.

DIRECTORS' REMUNERATION REPORT

INFORMATION NOT SUBJECT TO AUDIT

Remuneration Committee

The Remuneration Committee is comprised entirely of non-executive directors. During the year under review it was chaired by Edward Cunningham and its other members were Garry Watson and Shonaig Macpherson. The Chief Executive, Geoffrey Thomson, attends by invitation and assists the Committee.

The Committee met twice during the year.

Remuneration Policy

The Remuneration Committee reviews the remuneration of executive directors towards the end of each financial year. The overall policy of the Committee is to enable the Company to secure and retain the skills and experience required to ensure that its corporate objectives are achieved, including an increase in shareholder value.

Determination of Directors' and Senior Management Salaries

The Remuneration Committee determines these salaries in relation to the tasks and responsibilities involved and the level of comparable salaries in the market place. In particular, the Committee seeks to ensure that salaries are competitive. The Committee takes performance into account through the Company's appraisal process. In its final determination of salaries, the Committee's conclusions are set within what is affordable. The Company did not contribute to any pension schemes nor provide any benefits in kind during the year, however, post year end, the Company has put in place a private medical insurance plan which is open to all executive directors and employees.

Executive Director Service Agreements

Each of the executive directors has a service agreement with the Company. These agreements can be terminated by either party giving the other written notice at any time, not less than six months in the case of Geoffrey Thomson and not less than three months in the case of Carolyn Smith. Payments on termination are restricted to the value of the salary for the notice period.

Non-executive Directors

The fees payable to the Chairman and the non-executive directors are first reviewed by the Remuneration Committee, taking into account market rates, following which it submits recommendations to the Board for approval.

The Chairman and each non-executive director have agreed a letter of appointment which sets out their duties, responsibilities and fees.

INFORMATION SUBJECT TO AUDIT

Directors' Remuneration

The total amount of directors' remuneration is set out below:

	Basic salary and fees £	Total 2008 £	Total 2007 £
Executive directors:			
G C B Thomson	135,000	135,000	143,788
C Smith	100,000	100,000	86,475
Non-executive directors:			
G S Watson	25,000	25,000	7,000
E B Cunningham	10,000	10,000	5,000
D I Turner	10,000	10,000	5,000
A L A S Macpherson	10,000	10,000	5,000
J K Brown (appointed 12 September 2007)	5,385	5,385	–
	295,385	295,385	252,263

No bonuses were paid during the year. During the year ended 31 March 2007, bonuses of £43,788 and £13,975 were paid to G C B Thomson and C Smith respectively.

DIRECTORS' REMUNERATION REPORT

CONTINUED

Share Option Scheme

The Company offers an approved share option scheme and an unapproved scheme. The former has been approved by HMRC. The latter is performance based in relation to the growth in market capitalisation of the Company. Non-executive directors may participate in the unapproved scheme. Share options are awarded with regard to the contribution that individuals are expected to make in achieving the Company's objectives.

Share Options

The interests in options of the directors were as follows:

	Option	Exercise price	At 1 April 2007 No.	Granted during the year No.	Exercised during the year No.	At 31 March 2008 No.
G S Watson	B	£1.645	–	100,361	–	100,361
E B Cunningham	B	£1.645	–	40,079	–	40,079
G C B Thomson	A & B	£1.645	–	277,958	–	277,958
D I Turner	B	£1.645	–	40,079	–	40,079
C Smith	A & B	£1.645	–	170,286	–	170,286

No options were exercised during the year.

The options were granted on 18 June 2007 and consist of employment options (A) and performance options (B).

If a holder of employment options (A) ceases to be in the employment of any member of the Group by voluntary resignation, then all subsisting options (options which have neither lapsed nor been exercised), granted less than three years before cessation shall lapse.

The performance conditions for the B options granted in the year are as follows:

Performance target	Percentage of the grant vesting
The Company's market capitalisation exceeds the benchmark price by 50% for five consecutive business days at any time before the first anniversary of grant.	33.33%
The Company's market capitalisation exceeds the benchmark price by 100% for five consecutive business days at any time before the second anniversary of grant.	33.33%
The Company's market capitalisation exceeds the benchmark price by 150% for five consecutive business days at any time before the third anniversary of grant.	33.33%

The options vest on the first anniversary following achievement of the performance targets.

The benchmark price is the option exercise price multiplied by the number of ordinary shares in the issued share capital of the company on the date of grant of such options.

Additional information on the share options is provided at note 19.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards (IFRS) as adopted by the European Union.

The directors are required to prepare financial statements for each financial year, which present fairly the financial position of the Company and of the Group and the financial performance and cash flows of the Company and of the Group for that period. In preparing those financial statements, the directors are required to:

1. select suitable accounting policies and then apply them consistently;
2. present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
3. provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company and Group's financial position and financial performance; and
4. state that the Company and Group have complied with IFRS, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and of the Group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF BRAVEHEART INVESTMENT GROUP PLC

We have audited the Group and Parent Company financial statements (the 'financial statements') of Braveheart Investment Group plc for the year ended 31 March 2008, which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statement of Changes in Equity and the related notes 1 to 22. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's 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 and the Company's members as a body, for our audit work, for this report or for the opinions we have formed.

Respective Responsibilities of Directors and Auditor

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRS) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' report includes that specific information presented in the Business Review (Chairman's Statement, Chief Executive Officer's Report and Chief Investment Officer's Report) that is cross referenced from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only Braveheart Highlights, Braveheart at a Glance, Chairman's Statement, Chief Executive Officer's Report, Chief Investment Officer's Report, Board of Directors, Directors' Report, Corporate Governance Statement, the unaudited part of the Directors' Remuneration Report, Notice of Annual General Meeting and Company Information. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other financial information.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the Group's affairs as at 31 March 2008 and of its profit for the year then ended;
- the Parent Company financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union as applied in accordance with provisions of the Companies Act 1985, of the state of the Parent Company's affairs as at 31 March 2008;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Ernst & Young LLP
Registered Auditor
Edinburgh
11 August 2008

GROUP INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2008

	Notes	2008 £	2007 £
Revenue	3	659,449	538,686
Realised profit on the disposal of investments		–	78,152
Unrealised profit/(loss) on the revaluation of investments	12	458,142	(82,372)
Deferred consideration		(309,717)	–
Finance revenue	6	330,856	48,713
Total income		1,138,730	583,179
Employee benefits expense	4	(558,532)	(472,400)
Other operating costs	5	(474,187)	(274,430)
Total costs		(1,032,719)	(746,830)
Profit/(loss) before taxation		106,011	(163,651)
Tax (charge)/credit	8	(6,828)	6,755
Profit/(loss) for the year		99,183	(156,896)

Earnings/(loss) per share		Pence	Pence
Basic and diluted	10	0.74	(1.6)

All revenues and profits arise from continuing operations.

GROUP BALANCE SHEET

AS AT 31 MARCH 2008

	Notes	2008 £	2007 £
ASSETS			
Non-current assets			
Property, plant and equipment	11	26,734	26,217
Investments at fair value through profit or loss	12	2,574,595	896,156
Deferred tax asset	8	–	5,056
		2,601,329	927,429
Current assets			
Trade and other receivables	14	442,879	61,602
Current tax asset		24,577	24,577
Cash and cash equivalents	15	4,808,870	6,481,751
		5,276,326	6,567,930
Total assets		7,877,655	7,495,359
LIABILITIES			
Current liabilities			
Trade and other payables	16	(198,712)	(242,370)
Deferred consideration		(309,717)	–
Deferred income		(22,442)	(38,770)
		(530,871)	(281,140)
Non-current liabilities			
Deferred tax liability	8	(1,772)	–
Total liabilities		(532,643)	(281,140)
Net assets		7,345,012	7,214,219
EQUITY			
Called up share capital	17	268,078	268,078
Share premium account		7,008,838	7,001,588
Retained earnings		68,096	(55,447)
Total equity		7,345,012	7,214,219

Approved for issue by the Board of Directors on 11 August 2008 and signed on its behalf by:

Garry S Watson
Chairman

COMPANY BALANCE SHEET

AS AT 31 MARCH 2008

	Notes	2008 £	2007 £
ASSETS			
Non-current assets			
Investments at fair value through profit or loss	12	1,855,160	896,156
Investment in subsidiaries	13	274,194	224,190
		2,129,354	1,120,346
Current assets			
Trade and other receivables	14	605,522	46,160
Cash and cash equivalents	15	4,616,263	6,160,316
		5,221,785	6,206,476
Total assets		7,351,139	7,326,822
LIABILITIES			
Current liabilities			
Trade and other payables	16	(110,464)	(86,167)
Current tax liability		(40,694)	(15,301)
Total liabilities		(151,158)	(101,468)
Net assets		7,199,981	7,225,354
EQUITY			
Called up share capital	17	268,078	268,078
Share premium account		7,008,838	7,001,588
Retained earnings		(76,935)	(44,312)
Total equity		7,199,981	7,225,354

Approved for issue by the Board of Directors on 11 August 2008 and signed on its behalf by:

Garry S Watson
Chairman

GROUP CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2008

	2008 £	2007 £
Operating activities		
Profit/(loss) before tax	106,011	(163,651)
Adjustments to reconcile profit before tax to net cash flows from operating activities		
Depreciation of property, plant and equipment	8,278	7,662
Share-based payments expense	24,360	–
(Increase)/decrease on the revaluation of investments	(456,492)	82,372
(Profit)/loss on disposal of property, plant and equipment	(19)	1,344
Interest income	(330,856)	(48,713)
Increase in investments	(1,171,947)	(667,097)
(Increase)/decrease in trade and other receivables	(381,277)	103,656
Increase in trade and other payables	178,768	156,549
Tax paid	–	(24,577)
Net cash flows from operating activities	(2,023,174)	(552,455)
Investing activities		
Acquisition of subsidiaries (net of cash acquired)	20,963	–
Purchase cost of property, plant and equipment	(9,448)	(6,151)
Proceeds from disposal of property, plant and equipment	672	–
Interest received	330,856	48,713
Net cash flows used in investing activities	343,043	42,562
Financing activities		
Proceeds from issue of shares	–	6,968,350
Transaction recoveries/(costs) from issue of shares	7,250	(722,969)
Repayment of capital element of hire purchase contract	–	(198)
Net cash flows used in financing activities	7,250	6,245,183
Net (decrease)/increase in cash and cash equivalents	(1,672,881)	5,735,290
Cash and cash equivalents as at 1 April	6,481,751	746,461
Cash and cash equivalents as at 31 March	4,808,870	6,481,751

COMPANY CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2008

	2008 £	2007 £
Operating activities		
Loss before tax	(7,230)	(38,213)
Adjustments to reconcile profit before tax to net cash flows from operating activities		
Decrease on the revaluation of investments	162,942	82,372
Interest income	(322,437)	(36,721)
Increase in investments	(1,121,946)	(667,097)
Increase in trade and other receivables	(559,362)	(41,683)
(Decrease)/increase in trade and other payables	(46,666)	69,428
Net cash flows from operating activities	(1,894,699)	(631,914)
Investing activities		
Acquisition of subsidiaries (net of cash acquired)	20,959	–
Interest received	322,437	36,721
Net cash flows used in investing activities	343,396	36,721
Financing activities		
Proceeds from issue of shares	–	6,968,350
Transaction recoveries/(costs) from issue of shares	7,250	(722,969)
Net cash flows used in financing activities	7,250	6,245,381
Net (decrease)/increase in cash and cash equivalents	(1,544,053)	5,650,188
Cash and cash equivalents as at 1 April	6,160,316	510,128
Cash and cash equivalents as at 31 March	4,616,263	6,160,316

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2008

Statement of Changes in Equity for the year ended 31 March 2007

Group	Share Capital £	Share Premium £	Retained Earnings £	Total £
Balance at 1 April	127,692	896,593	104,098	1,128,383
Exercise of options	60,566	522,153	–	582,719
Issue of new share capital	79,820	6,305,811	–	6,385,631
Expenses paid in connection with share issue	–	(722,969)	–	(722,969)
Loss for the year	–	–	(156,896)	(156,896)
Share-based payments – current tax	–	–	7,750	7,750
Share-based payments – deferred tax	–	–	(10,399)	(10,399)
Balance as at 31 March	268,078	7,001,588	(55,447)	7,214,219

Statement of Changes in Equity for the year ended 31 March 2008

Group	Share Capital £	Share Premium £	Retained Earnings £	Total £
Balance at 1 April	268,078	7,001,588	(55,447)	7,214,219
Expenses recovered in connection with share issue	–	7,250	–	7,250
Profit for the year	–	–	99,183	99,183
Share-based payments	–	–	24,360	24,360
Balance as at 31 March	268,078	7,008,838	68,096	7,345,012

Statement of Changes in Equity for the year ended 31 March 2007

Company	Share Capital £	Share Premium £	Retained Earnings £	Total £
Balance at 1 April	127,692	896,593	7,045	1,031,330
Exercise of options	60,566	522,153	–	582,719
Issue of new share capital	79,820	6,305,811	–	6,385,631
Expenses paid in connection with share issue	–	(722,969)	–	(722,969)
Loss for the year	–	–	(51,357)	(51,357)
Balance as at 31 March	268,078	7,001,588	(44,312)	7,225,354

Statement of Changes in Equity for the year ended 31 March 2008

Company	Share Capital £	Share Premium £	Retained Earnings £	Total £
Balance at 1 April	268,078	7,001,588	(44,312)	7,225,354
Expenses recovered in connection with share issue	–	7,250	–	7,250
Loss for the year	–	–	(32,623)	(32,623)
Balance as at 31 March	268,078	7,008,838	(76,935)	7,199,981

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2008

1 Corporate information

The Group's and Company's financial statements of Braveheart Investment Group plc (the 'Company') for the year ended 31 March 2008 were authorised for issue by the Board of the Directors on 11 August 2008 and the balance sheets were signed on the Board's behalf by Garry Watson.

Braveheart Investment Group plc is a company incorporated in the United Kingdom under the Companies Act 1985. The address of the registered office is detailed at the back of this report. The nature of the Group's operations and its principal activities are set out in the Directors' Report. The Company is registered in Scotland. The Company's ordinary shares are traded on the London Stock Exchange (Alternative Investment Market).

2 Accounting policies

(a) Basis of preparation

The Group's and Company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union as they apply to financial statements for the year ended 31 March 2008 and as applied in accordance with the provisions of the Companies Act 1985. The principal accounting policies adopted by the Group and by the Company are set out in the following notes.

The Company has taken advantage of the provision of section 230 of the Companies Act 1985 not to publish its own Income Statement. The amount of loss for the financial year dealt with in the financial statements of the Company is set out in note 9 to the accounts.

The financial statements are presented in sterling and all values are rounded to the nearest pound (£) except when otherwise indicated.

(b) Changes in accounting policy

The Group has adopted the following new and amended IFRS interpretations during the year. Adoption of these revised standards and interpretations did not have any effect on the financial performance or position of the Group in the current or prior periods. In certain cases they did however give rise to additional disclosures.

- IFRS 7 Financial Instruments: Disclosures
- IAS 1 Amendment – Presentation of Financial Statements: Capital Disclosures

The principal effect of these changes are as follows:

IFRS 7 Financial Instruments: Disclosures

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature of extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results, comparative information has been revised where necessary.

IAS 1 Amendment – Presentation of Financial Statements: Capital Disclosures

This amendment requires the Group to make new disclosures in the financial statements to evaluate the Group's objectives, policies and processes for managing capital.

(c) Basis of consolidation

The Group's financial statements consolidate the results of Braveheart Investment Group plc and its subsidiaries (together referred to as the 'Group') drawn up to 31 March each year. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting year as the parent company using consistent accounting policies. All intra-group balances, transactions, income and expenses are eliminated in full on consolidation.

The subsidiaries have been consolidated from the date of their acquisition, being the date on which the Group obtained control, and will continue to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the subsidiary so as to obtain benefit from its activities and is achieved through direct ownership.

(d) Use of estimates and assumptions

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and 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 the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Where management's judgement has been applied, this is noted in the relevant accounting policy.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

The key assumptions concerning the future and other key sources of estimating uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Fair value of unquoted investments
Unquoted investments have been valued by the directors in compliance with the principles of the International Private Equity and Venture Capital Guidelines. By using such valuation techniques the directors are required to make reasonable estimates and assumptions and hence the figures are subject to uncertainty. The fair value of unquoted investments at 31 March 2008 was £2,427,874 (2007: £720,311).

Share-based payments
The Group measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they were granted. Judgement is required in determining the most appropriate valuation model for a grant of equity instruments depending on the terms and conditions of the grant. Management are also required to use judgement in determining the most appropriate inputs to the valuation model including expected life of the option, volatility, risk-free rate and dividend yield. The assumptions and model used are disclosed in note 19.

(e) Revenue recognition and segmental reporting
The Group earns fee income from the services it provides to its clients. Revenue is recognised at the fair value of the consideration received or receivable on fee income, excluding rebates. Revenue can be divided into two types: revenue for services provided over a period (client subscription fees) and revenue for transaction-based services (deal fees and monitoring fees). Fees earned for the provision of an ongoing service are recognised as that service is provided. Deal fees are earned on individual transactions and related revenue is recognised on completion of the underlying transaction. Interest income is recognised using the effective interest method. Dividend income is recognised when the Group's right to receive payment is established. Interest income is interest earned on bank deposit accounts and loan notes.

The business is regarded as one segment due to the nature of services provided and the methods used to provide these services. All operations are conducted in the United Kingdom.

(f) Taxation
The tax expense represents the sum of the tax currently payable, and deferred tax. Current tax is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expenses that are deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profits ('temporary differences') and is accounted for using the balance sheet liability method.

A deferred tax liability shall be recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from (a) the initial recognition of goodwill or (b) the initial recognition of an asset or liability in a transaction which (i) is not a business combination and (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

(g) Property, plant and equipment
Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment.

Depreciation has been provided on the following basis annually:
- Computer equipment 33.3% reducing balance
- Fixtures and fittings 20% reducing balance

The carrying value of assets and their useful lives are reviewed at each reporting date and if an indication of impairment exists, the assets will be written down to their recoverable amount and the impairment charged to the income statement in the period in which it arises.

(h) Investments at fair value through profit or loss

Investments are designated as financial assets at fair value through profit or loss, as it is Group policy to achieve income and capital gains through investment in equity shares in the short term. The Group determines the classification of its financial assets at initial recognition and re-evaluates this designation at each financial year-end. When financial assets are recognised initially, they are measured at fair value, being the transaction price less directly attributable transaction costs.

In determining fair value, investments have been valued by the directors in compliance with the principles of the International Private Equity and Venture Capital Guidelines, updated and effective 2 January 2007, as recommended by the European Venture Capital Association (EVCA).

Where there is no active market, fair value is determined using one of the valuation methodologies set out in the guidelines. These include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; earnings or profit multiples; indicative offers; and discounted cash flow analysis and pricing models. In calculating fair value, the directors have also taken account of rights which when exercised either enhance or diminish the value of the investment. These rights are reviewed on a regular basis to assess whether they are likely to be exercised. The extent of any impact on the value of the investments has been calculated on the basis that all quantifiable rights are, or are likely to be exercisable, or that occur automatically on certain events taking place, such as exit and liquidation preferences on realisation. Otherwise assets will be carried at cost less impairment provision.

The fair value of quoted investments is determined by reference to bid prices at the close of business on the balance sheet date.

The gains and losses arising from changes in fair value are recognised in the income statement in the period in which they arise.

(i) Impairment of financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use, and is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at the revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value on a systematic basis over its remaining useful life.

(j) The Company's investment in its subsidiaries

In the Company's accounts, investment in its subsidiary undertakings is stated at cost less any provision for impairment.

(k) Leases

Lease payments under operating leases, where a significant proportion of the risks and benefits remain with the lessor, are recognised on a straight line basis over the term of the lease.

(l) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits maturing between three and nine months. For the purposes of the cash flow statement, cash and cash equivalents comprise cash and short-term deposits as defined above.

(m) Trade receivables

Trade receivables are carried at the lower of invoice value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Provision is made when there is objective evidence that a balance will not be recovered in full and balances are written off when the probability of recovery is assessed as remote.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

(n) Share-based payments
The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the Company (market conditions).

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and of the number of equity instruments that will ultimately vest or, in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, any expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement.

(o) Business combinations
The Group uses the purchase method of accounting to account for acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

(p) New standards and interpretations not yet applied
IASB and IFRIC have issued the following standards and interpretations with an effective date after the date of these financial statements:

International Accounting Standards (IAS/IFRS)	Effective date*
IFRS 1 Amendments to IFRS 1 – First-time adoption of International Financial Reporting Standards	1 May 2008
IFRS 2 Amendment to IFRS 2 – Vesting Conditions and Cancellations	1 January 2009
IFRS 3 Business Combinations (revised January 2008)	1 July 2009
IFRS 8 Operating Segments	1 January 2009
IAS 1 Presentation of Financial Statements (revised September 2007)	1 January 2009
IAS 23 Borrowing Costs (revised March 2007)	1 January 2009
IAS 27 Consolidated and Separate Financial Statements (revised January 2008)	1 July 2009

International Financial Reporting Interpretations Committee (IFRIC)	
IFRIC 12 Service Concession Arrangements	1 January 2008
IFRIC 13 Customer Loyalty Programmes	1 July 2008
IFRIC 14 IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2008

The Group is currently assessing the effects of implementing the revision to IFRS 1.

The amendment to IFRS 2 restricts the definition of vesting conditions to include only service conditions (requiring a specified period of service to be completed) and performance conditions (requiring the other party to achieve a personal goal or contribute to achieving a corporate target). All other features are not vesting conditions, and whereas a failure to achieve such a condition was previously regarded as a forfeiture (giving rise to a reversal of amounts previously charged to profit) it must be reflected in the grant date fair value of the award and treated as a cancellation, which results in either an acceleration of the expected charge, or a continuation over the remaining vesting period, depending on whether the condition is under the control of the entity or counterparty. The amendment is mandatory for periods beginning on or after 1 January 2009 and the Group is currently assessing its impact on the financial statements, although it is not expected to be material.

The Group does not anticipate the early adoption of the revised IFRS 3 and so will apply it prospectively to all business combinations on or after 1 April 2010. Whilst it is not possible to estimate the outcome of adoption, the key features of the revised IFRS 3 include a requirement for acquisition-related costs to be expensed and not included in the purchase price, and for contingent consideration to be recognised at fair value on the acquisition date (with subsequent changes recognised in the income statement and not as a change to goodwill). The standard also changes the treatment of non-controlling interests (formally minority interests) with an adoption to recognise these at full fair value as at the acquisition date and a requirement for previously held controlling interests to be fair value as at the date control is obtained, with gains and losses recognised in the income statement.

In November 2006, the IASB issued IFRS 8 Operating Segments which becomes effective for periods commencing on or after 1 January 2009. This standard requires disclosure on the financial performance of the Group's operating segments. The Group will apply IFRS 8 for its accounting period commencing 1 April 2009. The Group does not consider that the future adoption of this standard, in the form currently available, will have any material impact on the financial statements as presented.

Whilst the revised IAS 1 will have no impact on the measurement of the Group's results or net assets it is likely to result in certain changes in the presentation of the Group's financial statements from 2009 onwards.

IAS 23 has been revised to require capitalisation of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. In accordance with the transitional provisions in the Standard, the Group will adopt this as a prospective change. Accordingly, borrowing costs will be capitalised on qualifying assets with a commencement date of 1 January 2009. No changes will be made for borrowing costs incurred prior to this date that have previously been expensed.

IAS 27 revised is effective for annual periods beginning on or after 1 July 2009, with earlier application only permitted when the revised IFRS 3 is applied. The revised standard applies retrospectively with some exceptions. IAS 27 revised no longer restricts the allocation to minority interest of losses incurred by a subsidiary to the amount of the non-controlling equity investment in the subsidiary. A partial disposal of equity interest in a subsidiary that does not result in a loss of control will be accounted for as an equity transaction and will have no impact on goodwill nor will it give rise to any gain or loss. Where there is loss of control of a subsidiary, any retained interest will have to be re-measured to fair value, which will impact the gain or loss recognised on disposal. The Group is currently assessing the impact on its financial statements from adopting IAS 27 revised.

The directors do not anticipate that the adoption of the remaining standards and interpretations will have a material impact on the Group's financial statements in the period of initial application.

* The effective dates stated here are those given in the original IASB/IFRIC standards and interpretations. As the Group has elected to prepare its financial statements in accordance with IFRS as adopted by the European Union, the application of new standards and interpretations will be subject to them having been endorsed for use in the EU via the EU Endorsement Mechanism. In the majority of cases this will result in an effective date consistent with that given in the original standard or interpretation but the need for endorsement restricts the Group's discretion to adopt standards early.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

3 Revenue
Revenue is attributable to the principal activities of the Group. All revenue arose within the United Kingdom and the Channel Islands.

	Group 2008 £	Group 2007 £
Deal fees	488,504	460,448
Client subscriptions	114,970	78,238
Monitoring fees	55,975	–
	659,449	538,686

4 Employee benefits expense

	Group 2008 £	Group 2007 £
Salaries	481,768	423,132
Social security costs	52,404	49,268
Expense of share-based payments	24,360	–
	558,532	472,400

The average number of employees (including executive directors) was as follows:

	No.	No.
	9	8

All of the Group's employees work within management and administration. Braveheart Ventures Ltd employs all employees.

The remuneration of the directors, who are key management personnel of the Group, is set out in the Directors' Remuneration Report on page 21.

5 Other operating costs

	Group 2008 £	Group 2007 £
Non-executive directors' fees	65,007	23,529
Rent and rates	45,872	45,000
Professional fees	130,665	61,955
Travel and entertainment	35,492	12,938
Investment fees	57,797	20,545
Shareholder communications	49,744	–
Depreciation	8,278	7,662
Other expenses	81,332	102,801
	474,187	274,430

6 Finance revenue

	Group 2008 £	Group 2007 £
Bank interest receivable	323,507	47,539
Interest on loan notes	7,349	1,174
	330,856	48,713

7 Profit/(loss) before taxation

Profit/(loss) for the year has been arrived at after charging:

	Group 2008 £	Group 2007 £
Depreciation of property, plant and equipment	8,278	7,662
Lease payments recognised as an operating lease (office rent)	31,861	45,000
(Profit)/loss on the disposal of plant, property and equipment	(19)	1,344
Auditor's remuneration:		
– audit of parent	35,000	9,300
– audit of subsidiary companies	12,750	18,950
– audit related regulatory reporting	5,500	3,000
– taxation compliance	4,500	6,540
– corporate finance services	–	32,770

8 Taxation on profit/(loss) on ordinary activities

	2008 £	2007 £
UK corporation tax	–	(17,138)
Deferred tax	6,828	10,383
Tax charge/(credit) in the income statement	6,828	(6,755)
Tax relating to items charged or credited to equity		
Deferred tax: share-based payments	–	10,399
Current tax: share-based payments	–	(7,750)
Tax charge in equity	–	2,649
Reconciliation of total tax charge/(credit):		
Profit/(loss) before tax	106,011	(163,651)
Tax charge/(credit) on profit on ordinary activities at the rate of 20% (2007:19%)	21,202	(31,094)
Disallowed expenses	113,876	12,645
Unrealised (profit)/loss on revaluation of investments	(133,364)	13,493
Increase in unutilised tax losses	8,218	–
Change in prior year estimate	–	(311)
Other	(3,104)	(1,488)
Total tax reported in the income statement	6,828	(6,755)

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

8 Taxation on profit/(loss) on ordinary activities CONTINUED

Deferred tax
The deferred tax included in the balance sheet is as follows:

	2008 £	2007 £
Deferred tax liability		
Accelerated capital allowances	1,772	1,747
Revaluation of investments	–	–
Total deferred tax liability	1,772	1,747
Deferred tax asset		
Short-term timing differences	–	(6,803)
Share-based payments	–	–
Total deferred tax asset	–	(6,803)
Total deferred tax as reported in the balance sheet	1,772	(5,056)

The Group has potential deferred tax assets in respect of:
- Excess management expenses of £940,239 arising from Caledonia Portfolio Realisations Ltd; and
- Unutilised trading losses of £378,071 in Braveheart Ventures Ltd

No deferred tax assets have been recognised in respect of these amounts as it is uncertain that there will be suitable taxable profits from which the future reversal of the deferred tax could be deducted.

The Group has a potential deferred tax liability in respect of unrealised gains on the revaluation of investments in the year of £666,821. No deferred tax liability has been recognised in this respect because, if these gains were to crystallise in the future they could be offset against the Group’s excess management expenses described above.

9 Loss attributable to members of the Parent Company

	2008 £	2007 £
Loss of the Parent Company only	(32,623)	(51,357)

10 Earnings/(loss) per share
Basic earnings/(loss) per share have been calculated by dividing the earnings attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

Diluted earnings/(loss) per share is adjusted for share options granted where the exercise price is less than the average price of the ordinary shares during the year.

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

	2008 £	2007 £
Profit/(loss) for the year	99,183	(156,896)

	No.	No.
Weighted average number of ordinary shares in issue:		
For basic earnings per ordinary share	13,403,895	9,412,875
Dilutive effect of exercisable options	0	0
	13,403,895	9,412,875

The exercise price of the share options is £1.645 and the average price of ordinary shares during the period was £1.362. Diluted earnings per share adjustment is therefore not required.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of the financial statements.

11 Property, plant and equipment

Group	Fixtures & fittings £	Computer equipment £	Total £
Cost			
At 1 April 2006	28,636	26,170	54,806
Additions	30	6,121	6,151
Disposals	(1,094)	(1,963)	(3,057)
At 1 April 2007	27,572	30,328	57,900
Additions	1,529	7,919	9,448
Disposals	–	(978)	(978)
At 31 March 2008	29,101	37,269	66,370
Accumulated depreciation			
At 1 April 2006	9,943	15,791	25,734
Charge for year	3,715	3,947	7,662
Disposals	(599)	(1,114)	(1,713)
At 1 April 2007	13,059	18,624	31,683
Charge for year	3,103	5,175	8,278
Disposals	–	(325)	(325)
At 31 March 2008	16,162	23,474	39,636
Net book value			
At 31 March 2008	12,939	13,795	26,734
At 31 March 2007	14,513	11,704	26,217

All of the above assets are held within the subsidiary company Braveheart Ventures Ltd.

12 Investments at fair value through profit or loss

Group	Unlisted £	AIM Listed £	Total £
Valuation at 1 April 2006	306,525	4,906	311,431
Revaluation of investments	(15,314)	3,955	(11,359)
Cost at 1 April 2006	291,211	8,861	300,072
Additions at cost	519,722	205,433	725,155
Transfers	(70,141)	70,141	–
Disposals – Proceeds	–	(136,210)	(136,210)
– Gain on disposal	–	78,152	78,152
Cost at 31 March 2007	740,792	226,377	967,169
Unrealised loss on the revaluation of investments	(20,481)	(50,532)	(71,013)
Valuation at 1 April 2007	720,311	175,845	896,156
Additions at cost	1,123,308	98,639	1,221,947
Transfers	(58,695)	58,695	–
Disposals – Proceeds	(1,650)	–	(1,650)
Cost at 31 March 2008	1,783,274	333,179	2,116,453
Unrealised profit/(loss) on the revaluation of investments	644,600	(186,458)	458,142
Valuation at 31 March 2008	2,427,874	146,721	2,574,595

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

12 Investments at fair value through profit or loss CONTINUED

Company	Unlisted £	AIM Listed £	Total £
Valuation at 1 April 2006	306,525	4,906	311,431
Revaluation of investments	(15,314)	3,955	(11,359)
Cost at 1 April 2006	291,211	8,861	300,072
Additions at cost	519,722	205,433	725,155
Transfers	(70,141)	70,141	–
Disposals – Proceeds	–	(136,210)	(136,210)
– Profit on disposal	–	78,152	78,152
Cost at 31 March 2007	740,792	226,377	967,169
Unrealised loss on the revaluation of investments	(20,481)	(50,532)	(71,013)
Valuation at 1 April 2007	720,311	175,845	896,156
Additions at cost	1,023,307	98,639	1,121,946
Transfers	(58,695)	58,695	–
Disposals – Proceeds	(1,650)	–	(1,650)
Cost at 31 March 2008	1,683,273	333,179	2,016,452
Unrealised profit/(loss) on the revaluation of investments	25,166	(186,458)	(161,292)
Valuation at 31 March 2008	1,708,439	146,721	1,855,160

Details of the investments where the nominal value of the holding in the undertaking is 20% or more of any class of share are as follows:

Name of Company	Holding	% of shares held	Nature of Business
Verbalis Limited	'A' Ordinary shares	100%	Design and production of automated language translation systems

13 Investment in subsidiaries

Company	2008 £	2007 £
Cost		
At 1 April 2007	224,190	224,190
Additions	50,004	–
At 31 March 2008	274,194	224,190

The principal subsidiaries, both of which are 100% owned by Braveheart Investment Group plc, are Braveheart Ventures Ltd and Caledonia Portfolio Realisations Ltd. The Company holds 100% of the issued 10p ordinary share capital and 100% of the issued redeemable preference shares of Braveheart Ventures Ltd and 100% of the issued £1 ordinary shares of Caledonia Portfolio Realisations Ltd. Both companies are registered in Scotland.

14 Trade and other receivables

	Group 2008 £	Group 2007 £	Company 2008 £	Company 2007 £
Trade receivables	147,999	26,663	–	–
Amounts due from subsidiary undertakings	–	–	324,588	18,406
Prepayments and accrued income	180,103	34,939	166,157	27,754
Other receivables	114,777	–	114,777	–
	442,879	61,602	605,522	46,160

Trade receivables are non-interest bearing and stated at their nominal value.

15 Cash and cash equivalents

	Group 2008 £	Group 2007 £	Company 2008 £	Company 2007 £
Cash at bank and on hand	4,808,870	6,481,751	4,616,263	6,160,316

Cash at bank earns interest at floating rates based on daily bank deposit rates.

16 Trade and other payables

	Group 2008 £	Group 2007 £	Company 2008 £	Company 2007 £
Trade and other payables	78,997	9,516	56,797	–
Amounts due to subsidiary undertaking	–	–	–	2,667
Other taxes and social security	40,029	84,450	–	–
Accruals	79,686	148,404	53,667	83,500
	198,712	242,370	110,464	86,167

Trade payables are non-interest bearing and are normally settled on 30-day terms.

17 Share Capital

	2008 £	2007 £
Authorised		
33,645,000 ordinary shares of 2p each	672,900	672,900
Allotted, called up and fully paid		
13,403,895 ordinary shares of 2p each	268,078	268,078

The Company has one class of ordinary shares which carries equal voting rights, equal rights to income and distribution of assets on liquidation or otherwise, and no right to fixed income.

During the year ended 31 March 2007 1,882,575 issued and 117,425 authorised but unissued ordinary shares of 10p each were subdivided into 2p ordinary shares on the basis of five new ordinary shares for every one existing ordinary share, resulting in 10,000,000 ordinary shares of 2p each. On the same date, the authorised share capital was increased from £200,000 to £672,900 by the creation of an additional 23,645,000 ordinary shares of 2p each, ranking equally.

During the year ended 31 March 2007 the Company issued 3,991,020 shares of 2p each on admission to the Alternative Investment Market of the London Stock Exchange with an aggregate nominal value of £79,820 for a total consideration of £6,385,631.

18 Business Combination

On 4 April 2007, the Group acquired 100% of the share capital of W L Ventures Ltd, now known as Caledonia Portfolio Realisations Ltd (CPR). CPR is an unlisted company based in Scotland specialising in making investments in technology businesses. The acquisition consisted of a cash consideration of £50,000 and a deferred element of consideration based on future exit values of the portfolio, and has been accounted for using the purchase method of accounting. At the date of acquisition deferred consideration was determined to be £nil.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

18 Business Combination CONTINUED

The fair value of the identifiable assets and liabilities of CPR, determined in accordance with the Group's accounting policies, at the date of acquisition were:

	Fair value recognised on acquisition £	Previous carrying value £
Investments	50,000	631,307
Cash	70,963	70,963
	120,963	702,270
Trade payables	70,963	70,963
Net assets	50,000	631,307
Consideration	50,000	–

At 31 March 2008, based on events following acquisition, these investments are now estimated to have a fair value of £719,435 and consequently deferred consideration of £309,717 has been recorded as a liability on the balance sheet. Deferred consideration is due only on those investments acquired on the acquisition date and not on any subsequent investments made. It is calculated at 50% of the exit value, less the original acquisition cost.

From the date of acquisition, CPR has contributed £323k to the net profit of the Group. The financial statements include the results of CPR for the period from the date of acquisition.

19 Share-based payments

The Group operates approved and unapproved share option schemes.

Option	Plan type	Vesting period	Exercise period
A	Employment option plan	Immediately	18 June 2010 – 17 June 2017
B	Performance option plan	1st anniversary following achievement of performance targets	18 June 2007 – 17 June 2017

The options were granted by the Board taking into account the need to motivate, retain and recruit high-calibre employees. The grant date of the options was 18 June 2007.

The options were granted with an exercise price per share of £1.645, this being the closing mid-market price on AIM of a share in the Company on the last business day prior to the date of the grant.

The expense recognised for employee services received during the period is shown below:

	2008 £	2007 £
Expense arising from equity-settled share-based payments transactions	24,360	–

	No.	No.
Number of share options:		
Outstanding at the beginning of the year	–	605,656
Granted during the year	843,754	–
Exercised during the year	–	(605,656)
Outstanding at the end of the year	843,754	–
Exercisable at the end of the year	–	–

	2008 £	2007 £
Weighted average exercise price of share options:		
Outstanding at the beginning of the year	–	0.96
Granted during the year	1.65	–
Exercised during the year	–	0.96
Outstanding at the end of the year	1.65	–
Exercisable at the end of the year	–	–

The Group uses the 'Black-Scholes' model to determine the fair value of the Company's share options. The following assumptions were used in the model to determine the fair value of share options:

	A option	B option
Exercise price	£1.645	£1.645
Dividend yield	0%	0%
Expected volatility	28.08%	28.08%
Risk-free rate	4.55%	4.55%
Expected term (years)	3	3
Weighted average share price	£1.645	£1.645

The expected term of the options is the midpoint between the date of vesting and the legal life. The expected volatility is derived from expected volatility over the expected term taking into account the tendency of volatility to revert to its mean. Consideration is given to historical volatility of the share price of quoted comparable companies over the most recent period at the date of grant that is commensurate with the expected term of the option. The expected life of the option is based on the best estimate of the directors for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group previously operated an unapproved scheme. The share options were awarded annually by the Board based on individual employee performance. In April 2006, before the Group was admitted to AIM, all six of the directors at that time exercised their options.

Option	Plan type	Vesting period	Exercise period
C	Discretionary option plan	Immediately	12 Dec 2002 – 12 Dec 2012
D1	Discretionary option plan	Immediately	26 Aug 2003 – 26 Aug 2007
D2	Discretionary option plan	Immediately	26 Aug 2003 – 26 Aug 2007
E	Discretionary option plan	Immediately	11 May 2004 – 11 May 2009
E2	Discretionary option plan	Immediately	15 Dec 2004 – 15 Dec 2009
F	Discretionary option plan	Immediately	19 Apr 2005 – 19 Apr 2010
G	Discretionary option plan	Immediately	31 Mar 2006 – 31 Mar 2011

20 Operating lease commitments

The Group entered into a commercial lease on the office premises in June 2005 for a five-year period. Renewals are at the option of the entity that holds the lease. There are no restrictions placed upon the lessee by entering into this lease.

Future minimum rentals payable under operating leases are as follows:	2008 £	2007 £
Future minimum payments due:		
Not later than one year	30,730	45,000
In two to five years	35,852	97,500
	66,582	142,500

21 Related party disclosures

Trade and other receivables (note 14) include the following amounts due from subsidiary undertakings:	2008 £	2007 £
Braveheart Ventures Ltd	274,587	18,406
Caledonia Portfolio Realisations Ltd	50,001	–
	324,588	18,406

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

21 Related party disclosures CONTINUED
During the year, the Company made loans totalling £200,000 to Braveheart Ventures Ltd in order to ensure compliance with FSA liquidity requirements. Other movements during the year relate to VAT reclaimable from H M Revenue & Customs through the group VAT registration.

The Company participated in investing activities totalling £50,001 on behalf of Caledonia Portfolio Realisations Ltd.

All above amounts are unsecured, interest free and repayable on demand.

Transactions between the Company and its subsidiaries are eliminated on consolidation.

Certain executive and non-executive directors are clients of Braveheart Ventures Ltd, the Company's investment management subsidiary. Investment transactions executed on their behalf are carried out on the same commercial terms as all other clients of the Company. Fees arising during the year from such transactions were as follows: Donald Turner £382, Edward Cunningham £613 and Garry Watson £1,515.

22 Financial risk management objectives and policies (Group and Company)
The Group and Company's financial instruments comprise investments designated at fair value through profit or loss, cash and various items such as trade receivables and trade payables, which arise directly from its operations.

One of the Group's principal objectives and policies is to achieve income and capital gains through investment in equity shares in UK companies that are both listed and unlisted. The majority of the Group's investments are in unlisted companies, which by their nature entail a higher level of risk and lower liquidity than investments in listed companies. The directors aim to limit the risk attached to the portfolio as a whole by careful selection and by splitting the portfolio of investments by financing stage and across the technology sector. The Group monitors investments carefully and the Board reviews the portfolio with the directors on a regular basis.

Investments in securities expose the Group to certain inherent risks, the most predominant of which are liquidity risk and market price risk. The Board reviews and agrees policies for managing each of these risks which are summarised below:

Credit risk
The Group has no significant concentration of credit risk.

Interest rate risk
The Group finances its operations through equity funding as opposed to debt and therefore minimises its exposure to interest rate risks. The Group's financial instruments are non-interest bearing, the only exception being the cash balances held by the Group, which attract variable interest rates determined with reference to the bank interest rate.

Interest rate risk profile of financial assets and liabilities
The interest rate risk profile of the financial assets and liabilities of the Group is as follows:

Year ended 31 March 2007:

Fixed rate

	Within 1 year £	1 – 2 years £	2 – 3 years £	3 – 4 years £	4 – 5 years £	Total £
Loan notes	–	40,000	–	–	–	40,000

Floating rate

	Within 1 year £	1 – 2 years £	2 – 3 years £	3 – 4 years £	4 – 5 years £	Total £
Cash	6,481,751	–	–	–	–	6,481,751

Non-interest bearing

	Within 1 year £	1 – 2 years £	2 – 3 years £	3 – 4 years £	4 – 5 years £	Total £
Trade and other receivables	61,602	–	–	–	–	61,602
Trade and other payables	(242,370)	–	–	–	–	(242,370)

Year ended 31 March 2008:

Fixed rate

	Within 1 year £	1 – 2 years £	2 – 3 years £	3 – 4 years £	4 – 5 years £	Total £
Loan notes	40,000	114,074	–	–	–	154,074

Floating rate

	Within 1 year £	1 – 2 years £	2 – 3 years £	3 – 4 years £	4 – 5 years £	Total £
Cash	4,808,870	–	–	–	–	4,808,870

Non-interest bearing

	Within 1 year £	1 – 2 years £	2 – 3 years £	3 – 4 years £	4 – 5 years £	Total £
Trade and other receivables	442,879	–	–	–	–	442,879
Deferred consideration	(309,717)	–	–	–	–	(309,717)
Trade and other payables	(198,712)	–	–	–	–	(198,712)

Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument. The other financial instruments of the Group are non-interest bearing and therefore are not subject to interest rate risk.

It is estimated that the maximum effect of a one percentage point (100 basis points) fall in interest rates to which the Group is exposed would be a reduction in profit before tax for the 12 months to 31 March 2008 of £47,414 (2007: £5,626).

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and nine months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The fair value of cash and cash equivalents at 31 March 2008 is £4,808,870 (2007: £6,481,751).

The Group only deposits cash with major banks of high quality credit standing.

Liquidity risk
The Group strategy is to invest principally in unquoted investments. Such investments are relatively illiquid and the Group manages this by holding cash reserves.

Market price risk
The Group is exposed to market price risk due to its investment portfolio. The performance of the Group is partly dependent on the market price of the investments within the portfolio. The Group monitors its exposure to market risk through sensitivity analysis. It is estimated that the maximum effect of a 10 per cent fall in market prices to which the Group is exposed would be a reduction in profit before tax for the 12 months to 31 March 2008 of £14,672 (2007: £17,341).

Foreign currency risk
The Group is not exposed to foreign currency risk as all of its financial instruments are denominated in sterling.

Fair values of financial assets
The fair value of cash deposits is not materially different from book value. The fair values of quoted investments are based on open market values and are carried at this amount according to the Group's accounting policy. The directors have estimated the fair value of unlisted investments in accordance with the International Private Equity and Venture Capital Guidelines.

NOTICE OF ANNUAL GENERAL MEETING

BRAVEHEART INVESTMENT GROUP PLC ('THE COMPANY')

(REGISTERED IN SCOTLAND WITH COMPANY NUMBER: SC247376)

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser authorised under the Financial Services and Markets Act 2000. This document does not seek to address your personal tax position and you are therefore recommended to seek independent taxation advice.

If you have sold or transferred all your holding(s) of Ordinary Shares in the Company, please hand this letter and the accompanying Annual Report and Accounts and Form of Proxy immediately to the purchaser or transferee or to the stockbroker, bank or other professional adviser through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

NOTICE IS HEREBY GIVEN that an Annual General Meeting of the Company will be held at The Centenary Suite, St Johnstone Football Club, McDiarmid Park, Crieff Road, Perth, PH1 2SJ on Wednesday 10 September 2008 at 12.30 pm to consider the following resolutions:

Ordinary Business

To consider and, if thought fit, pass the following resolutions which will be proposed as Ordinary Resolutions of the Company:

Resolution 1

THAT the audited accounts of the Company for the financial year ended 31 March 2008 and the reports of the directors and auditor thereon, be received;

Explanation of Resolution 1: The directors are required by law to present to the shareholders of the Company at a general meeting the audited accounts of the Company for the financial year ended 31 March 2008 and the reports of the directors and auditor thereon. The report of directors and the audited accounts have been approved by the directors, and the report of the auditor has been approved by the auditor. A copy of each of these documents may be found in the annual report of the Company.

Resolution 2

THAT Ernst & Young LLP be re-appointed as auditor of the Company to hold office until the conclusion of the next general meeting of the Company before which audited accounts are laid;

Explanation of Resolution 2: The auditor is responsible for examining the annual accounts of the Company and forming an opinion as to whether or not they give a true and fair view of its results and financial position. It is a requirement of law that the Company appoints an auditor at each meeting at which accounts are presented to its shareholders, such appointment to continue until the next meeting at which accounts are presented.

Resolution 3

THAT the directors be authorised to determine the remuneration of the auditor;

Explanation of Resolution 3: The resolution gives the directors of the Company the authority to determine the remuneration paid to the auditor for the next financial year. The amount of the remuneration for the next financial year will be disclosed in the next audited accounts of the Company.

Resolution 4

THAT Edward Brandwood Cunningham, who retires by rotation under article 107.1 of the Company's Articles of Association, be re-elected as a director of the Company;

Explanation of Resolution 4: Edward Brandwood Cunningham, a director of the Company, is retiring by rotation pursuant to the requirements of the Company's Articles of Association and is making himself available for re-election. Biographical details for Mr Cunningham are shown on page 15 of the annual report.

Resolution 5

THAT Jeremy Hugh Delmar-Morgan be re-elected as a director of the Company, having been appointed by the Board since the last Annual General Meeting;

Explanation of Resolution 5: Jeremy Hugh Delmar-Morgan was elected a director of the Company by the Board on 3 June 2008 and pursuant to the requirements of the Company's Articles of Association is making himself available for re-election. Biographical details for Mr Delmar-Morgan are shown on page 15 of the annual report.

Special Business

To consider and, if thought fit, pass the following resolutions 6 to 7 to be proposed as Special Resolutions of the Company:

Resolution 6

THAT the Articles of Association of the Company be amended by the insertion of the following as a new Article 101.1:

> '101.1 Subject to the provisions of the Act and as contemplated by section 175 of the Companies Act 2006, the directors may authorise, in such manner and on such terms and subject to such limits and conditions as they see fit, any matter in which a director has, or can have, a direct or indirect interest which conflicts, or possibly may conflict, with the interests of the Company. The director concerned shall not vote on (or if he does vote, his vote shall not be counted), or be counted as part of the quorum in relation to, any resolution of the directors concerning any such matter. This Article does not apply to a conflict of interest arising in respect of a transaction or arrangement with the Company. For the purpose of this Article 101.1, a conflict of interest includes a conflict of interest and duty and a conflict of duties'

and by amending the numbering of the remainder of article 101 (and any references thereto in the Articles) accordingly; and by the deletion of '101.3' in the first sentence of Article 101.2 (as renumbered) and the insertion of '101.4, and further provided that the directors have authorised the matter pursuant to Article 101.1' in its place; and by the insertion of 'Subject to the provisions of Article 101.1,' at the beginning of Article 101.3 (as renumbered).

Explanation of Resolution 6: This Resolution is being proposed in light of new provisions in relation to directors' conflicts of interest which are to be introduced by the Companies 2006 Act (the '2006 Act') with effect from 1 October 2008.

The 2006 Act contains a general statement of directors' duties which largely codifies the previous law but with some changes. Under the 2006 Act, a director will be required to avoid situations in which he has, or can have, a direct or indirect interest that conflicts, or may possibly conflict, with a company's interests. It is arguable that this requirement is broader than the existing common law duty to avoid conflicts of interest. It may, for example, apply if a director becomes a director of another company where there is no immediate conflict of interest but there is the possibility of future conflicts.

The 2006 Act will, however, permit the directors of a public company to authorise a director's conflict or potential conflict of interest provided that the company's constitution includes provision enabling the directors to give such authorisation. Under the previous law, only shareholders could approve a conflict of interest.

Resolution 6 is therefore being proposed to amend the Company's Articles to include such provision. If the amendment is not made then when the sections of the 2006 Act dealing with conflicts of interest come into force, expected to be on 1 October 2008, the Company may be required to seek shareholder approval every time there is a situation where a director has an interest which may conflict with the Company's interests. This is not considered to be practical.

There are safeguards in the 2006 Act which will apply when directors decide whether to authorise a conflict or potential conflict of interest. Firstly, only independent directors (i.e. those who have no interest in the matter being considered) will be able to take the decision and, secondly, in taking the decision, the directors will have to act in a way they consider, in good faith, will be most likely to promote the Company's success for the benefit of shareholders as a whole. The directors will also be able to impose limits or conditions when giving authorisation if they think this is appropriate.

The directors would report to shareholders on the Board's authorisation of conflicts of interest on an annual basis.

Resolution 7

THAT the share premium account of the Company be reduced by £7,008,838.

Explanation of Resolution 7: Currently the Company has no distributable reserves and is accordingly unable to pay dividends to shareholders. Resolution 7 is being proposed by the Board with the aim, as a result of the reduction in capital, of converting the share premium account of the Company, which is undistributable, to a distributable reserve. If approved by shareholders, the reduction of capital will also need to be sanctioned by the Court. If the resolution is passed and the reduction of capital is sanctioned by the Court, the Company may use the distributable reserves created by the reduction to commence payment of dividends to shareholders in due course.

BY ORDER OF THE BOARD
Carolyn Smith
Company Secretary
18 August 2008

Registered office:
The Cherrybank Centre
Cherrybank Gardens
Perth PH2 0PF

NOTICE OF ANNUAL GENERAL MEETING
CONTINUED

Notes:

1. A member entitled to attend and vote at the Annual General Meeting (the 'Meeting') is entitled to appoint one or more proxies to exercise all or any of his rights to attend, vote and speak instead of him. A proxy need not be a member of the Company. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise the rights attached to any one share.

2. To be valid, a form of proxy (other than an electronic communication appointing a proxy) together with the power of attorney or other authority (if any) under which it is signed (or a copy of such authority certified notarially) must be lodged at the office of the Company's registrars, Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU by 12.30 pm on 8 September 2008, or not less than 48 hours before the time appointed for holding any adjourned meeting.

3. Pursuant to Regulation 41 of the Uncertificated Securities Regulation 2001, the Company has specified that only those shareholders registered in the register of members of the Company as at close of business on 8 September 2008 or, in the event that this meeting is adjourned, in the register of members at close of business two days before the time of any adjourned meeting, will be entitled to vote, or to appoint one or more proxies to vote on their behalf, at this meeting in respect of the number of shares registered in their names at that time. Changes to entries on the register of members after close of business on 8 September 2008 or, in the event that this meeting is adjourned, in the register of members at close of business two days before the time of any adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the meeting.

4. Completion and return of a form of proxy will not prevent a member from attending the meeting and voting in person should he wish to do so.

5. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) thereof by utilising the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

6. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ('EUI') specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by 12.30 pm on 8 September 2008. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

7. CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is therefore the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

8. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5) (a) of the Uncertificated Securities Regulations 2001.

9. In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the chairman of the meeting as its corporate representative to vote on a poll in accordance with the directions of all the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the chairman and the chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details of this procedure. The guidance includes a sample form of appointment letter if the chairman is being appointed as described in (i) above.

10. Copies of the existing Articles of Association of the Company and the proposed amended Articles of Association will be available for inspection at the Company's registered office from 18 August 2008 up until and including the date of the meeting, 10 September 2008, during normal business hours on any day (Saturdays, Sundays and public holidays excepted) and will also be available at the Registered Office for at least 15 minutes before the Meeting until its conclusion.

COMPANY INFORMATION

Directors

Garry Watson OBE CA, *Chairman* [n] [r]
Geoffrey Thomson, *Chief Executive Officer*
Carolyn Smith ACIS, *Chief Investment Officer*
Edward Cunningham CBE FRSE, *Senior Non-executive Director* [a] [n] [r]
Donald Turner CA, *Non-executive Director* [a]
Shonaig Macpherson CBE FRSE, *Non-executive Director* [r]
Kenneth Brown BA CA, *Non-executive Director* [a] [r] *(appointed 12 September 2007)*
Jeremy Delmar-Morgan MA MSI, *Non-executive Director (appointed 3 June 2008)*

(a) Member of Audit and Risk Management Committee
(n) Member of Nominations Committee
(r) Member of Remuneration Committee

Secretary

Carolyn Smith ACIS

Company registration number

SC247376

Registered office

The Cherrybank Centre
Cherrybank Gardens
Perth
PH2 0PF
Telephone +44 (0) 1738 587555

Website

www.braveheart-ventures.co.uk

Advisers

Registrar
Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
HD8 0LA

Principal Bankers
Bank of Scotland
110 St Vincent Street
Glasgow
G2 5ER

Solicitors
Semple Fraser LLP
80 George Street
Edinburgh
EH2 3BU

Solicitors
Maclay Murray & Spens LLP
Quartermile One
15 Lauriston Place
Edinburgh
EH3 6EP

Auditor
Ernst & Young LLP
Ten George Street
Edinburgh
EH2 2DZ

Nominated Adviser and Broker
Seymour Pierce Limited
20 Old Bailey
London
EC4M 7EN

Financial PR
Tavistock Communications Ltd
131 Finsbury Pavement
London
EC2A 1NT

Designed and produced by **Emperor Design Consultants Ltd**
Tel **+44 (0)131 220 7990 www.emperordesign.co.uk**

The Cherrybank Centre
Cherrybank Gardens
Perth
PH2 0PF
United Kingdom

mail@braveheart-ventures.co.uk
T: +44 (0)1738 587555
F: +44 (0)1738 587666

www.braveheart-ventures.co.uk