BRAVEHEART
INVESTMENT GROUP

# Braveheart Investment Group plc

## Annual Report and Accounts

## 2013


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

#### Equity capital

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

#### Debt finance

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

#### Advisory services

Corporate finance advice on all aspects of raising money, strategic development and corporate governance.

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

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

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

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

We have offices in Perth, Yorkshire, London, Manchester, Jersey, Monaco and the Isle of Man, and an associate office in Dubai.

## Operational

- Strathtay Ventures (formerly Braveheart Ventures) awarded fund management contract for £10 million Lachesis Fund, a University Challenge Seed Fund;
- Yorkshire fund management operation performing well;
- Strong start from newly established WhiteRock Capital Partners in Belfast;
- Re-organisation of Yorkshire operations;
- Envestors led £17.6 million of financing for companies and established a presence in Monaco; and
- Funds under management at 31 March 2013 of £121 million (2012: £110 million).

## Financial

- Investment management and consultancy fee income increased 139% to £3,020,000 (2012: £1,265,000);
- Profit before tax of £68,000 (2012: loss of £1,713,000);
- Excluding unrealised portfolio movements, loss before tax reduced to £240,000 (2012: loss of £1,500,000);
- Net unrealised gain on revaluation of portfolio investments of £254,000 (2012: loss of £742,000), giving total portfolio fair value of £3,560,000 (2012: £3,310,000);
- Cash utilisation in the year decreased to £385,000 (2012: £555,000);
- Placed a total of 3,333,331 shares raising £500,000;
- Cash balances of £39,000 (2012: £424,000) with no material borrowings; and
- Net assets per share of 19.43 pence (2012: 21.73 pence).

## Events since the year end

- Envestors led a further £2.7m financing for client companies;
- WhiteRock team wins key industry award in Northern Ireland;
- First exit achieved in Finance Yorkshire Equity Fund, generating a money multiple of 2.2 on the transaction; and
- Portfolio realisations expected in the short to medium term.

**I have pleasure in providing shareholders with my statement which accompanies our financial results for the year ending 31 March 2013.**

I joined the Board of the Group in 2008 and became Chairman on 1 April 2013. Please allow me to extend a warm welcome to everyone and I hope to meet many more of the staff and shareholders over the coming few months.

The strategy of building the investment management business continues but let us not forget the on-going business of the Group which is that of seeking out great new companies and nurturing them to success. We see signs of green shoots in the economy, and whilst these are small, they can only enhance the growth prospects for our Company. Recent economic forecasts suggest gradual signs of recovery.

I would like to thank the previous Chairman, Garry Watson, for all his hard work and devotion to duty over the many years and also thank Edward Cunningham for his advice and statesmanship over a long period. Edward will be retiring as Non-executive Director at the forthcoming Annual General Meeting, but both he and Garry will remain in touch with the Company as they are investment clients of Strathtay Ventures Ltd. Thank you, to you both.

**Results**

Total fee-based revenue and finance income for the 12 months ended 31 March 2013 increased 136% to £3,033,000 (2012: £1,284,000). There were no portfolio realisations in the year (2012: gain on realisation £39,000). Total operating costs increased to £3,271,000 (2012: £2,836,000), resulting in a loss before unrealised movements in portfolio investments of £238,000 (2012: loss of £1,513,000). The net unrealised movement on the revaluation of portfolio investments was a gain of £254,000 (2012: loss of £742,000).

After taking account of portfolio movements, the profit after tax was £68,000 (2012: loss of £1,713,000) equating to a profit per share of 0.30 pence (2012: loss of 9.46 pence).

Cash utilised in the period decreased to £385,000 (2012: £555,000) and the Group had cash balances of £39,000 as at 31 March 2013 (2012: £424,000).

The Group is currently working on two material transactions as described in the Chief Executive Officer's report.

**Annual General Meeting**

The notice regarding the business to be dealt with at the Company's Annual General Meeting, to be held on 26 September 2013, is set out on pages 48 to 50.

Your Directors are unanimously in favour of all Resolutions which they consider to be in the best interests of shareholders.

Accordingly, your Directors recommend shareholders to vote in favour of these 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.

**Jeremy Delmar-Morgan**
Chairman

**I am pleased to report to shareholders for the 12 months ending 31 March 2013.**

In early 2012 we delivered two major initiatives to the Group. These were the acquisition of Neon Capital Partners (Neon), the manager of the £48 million Finance Yorkshire Equity Fund and the winning of the mandate to manage the £50 million Growth Loan Fund in Northern Ireland. The latter resulted in the establishment of our joint venture company, WhiteRock Capital Partners in Belfast. Our focus during the year has been to ensure these new businesses are integrated and performing in-line with expectations. I am happy to report further as follows:

Since the acquisition we have brought more high quality staff into Neon and allocated resources to business development. Under the direction of Andrew Burton, our Regional Managing Director, the business has performed well and is now hitting stretching investment targets. As we deploy our cash resources, monitoring and management of the growing portfolio becomes an increasingly important part of our role. In that regard we have recently expanded our portfolio management team and as we go forward we are making an increasing number of portfolio company Non-executive Director appointments.

We signed contracts for the management of the Growth Loan Fund in Northern Ireland in mid-May 2012. Thereafter, Paul Millar, Chief Investment Officer of what is now WhiteRock Capital Partners, set about building the team and creating awareness of the fund. Our investment phase commenced in earnest in September 2012 and a steady number of loans are now being made. We are delighted with the reception the fund has received in the market and our newly formed team won a prestigious award for 'best private equity firm of the year' in April 2013.

It is now two and a half years since we acquired Envestors, the Group's corporate finance unit, and once again the business has shown steady growth in the year. The operation now has a presence in London, Manchester, Jersey, the Isle of Man, Monaco and Dubai. We are seeing particularly strong investment appetites from our off-shore locations and Monaco has made a good start with our Envestors SARL subsidiary now being approved and formally established in the Principality.

We recently rebranded Braveheart Ventures as Strathtay Ventures and launched a new Group website. We have also reorganised our Yorkshire businesses with Neon now being renamed Viking Fund Managers, which is a strong regional brand. At the same time we transferred the management of the Yorkshire Association of Business Angels (often referred to as YABA) to Envestors where there are good synergies with the Envestors business.

During the year Strathtay Ventures was awarded the fund management mandate for the Lachesis Fund, the Challenge Seed Fund for a number of universities in the East Midlands. The Lachesis Fund, which has been operating for 10 years, is fully invested and Carolyn Smith, Group Chief Investment Officer, and her team have invested significant amounts of time looking at ways of maximising returns to the partner universities.

While the Group focus is now on managing SME focused equity and loan funds, we still have a valuable directly held portfolio. This portfolio is maturing well and we have a number of realisation prospects both in the short and medium term. We are currently considering various options for the portfolio in order to reflect its true value and in particular how shareholder value could be enhanced.

Our financial results are described in detail by Aileen Brown, our Chief Financial Officer, in her report. I would simply note the following:

- Fee based revenue grew 139% during the year to £3.020 million (2012: £1.265 million);
- Total income (including realised and unrealised gains and losses from the investment portfolio) grew 197% to £3.339 million (2012: £1.123 million);
- Profit after tax, and amounts attributable to non-controlling interests, increased to £68,000 (2012: loss of £1.713 million), equivalent to a profit per share of 0.30p (2012: loss per share 9.46p);
- At the year end the fair value of our directly held portfolio increased to £3.560 million (2012: £3.280 million);
- During the period we raised £500,000 in new equity with shares being issued at a premium to the prevailing share price; and
- Cash at the year-end was £39,000 with no material borrowings.

I believe the results show our strategy to grow the asset management and fee income side of our business is working, and it is pleasing to see a level of profit, albeit modest, now coming through. Going forward our strategy remains the same and we are looking at organic growth opportunities in addition to M&A opportunities where we can acquire assets at appropriate prices.

The Government has a number of initiatives aimed at increasing the availability of finance to SMEs and these initiatives include making resources available to fund managers such as ourselves. We plan to work in conjunction with the Business Bank and Capital for Enterprise as we investigate these initiatives. We note that the Angel Cofund, which we helped form and are represented on the Board, has recently been extended to £100 million (from an initial £50 million).

I would like to endorse our Chairman's thanks to both Garry Watson and Edward Cunningham for their unstinting service to the Company over many years. I wish them well in their retirement. I would like to thank our team, particularly our new staff members at Viking Fund Managers and WhiteRock Capital Partners, for all their hard work over the year. More of the same is required please, as we continue to grow the business.

Finally I am happy to report that the Group is currently progressing two capital transactions, both of which are at an advanced stage. If completed, each of these transactions is expected to generate six-figure cash receipts.

**Geoffrey Thomson**
Chief Executive Officer

**Income statement**

Fee based revenue is now generated by the Group's three principal operating companies, namely Strathtay Ventures Ltd (SVL) (formerly known as Braveheart Ventures Ltd), Envestors Ltd and Viking Fund Managers Ltd (VFM). For operational reasons VFM and Neon Capital Partners Ltd (Neon) were combined as at 31 March 2013, with the new combined business called Viking Fund Managers Ltd. The revenue comprises investment management fees and consultancy income, which grew 139% during the year to £3.020 million (2012: £1.265 million).

Investment management revenue, including success fees of £462,000 (2012: £377,000) generated by Envestors, was £2.592 million (2012: £932,000), an increase of 178%.

Consultancy income, earned from the provision of business advisory services by VFM and by the provision of corporate finance services by Envestors, was £497,000 (2011: £333,000), an increase of 49%.

Finance income was £13,000 (2012: £19,000), the reduction being due to reducing overall balances for outstanding loan notes within the investment portfolio.

As at 31 March 2012, the Group's own investment portfolio of 20 companies was valued at £3.280 million. During the year the Group made investments totalling £46,000 (2012: £101,000) into one existing portfolio company with the balance being invested in the Northern Ireland Growth Loan Fund (NIGLF). Of this investment, £14,000 (2012: £25,000) was made by way of equity. The balance of £32,000 (2012: £76,000) was invested in the NIGLF which is a loan fund. No realisations were made in the year (2012: gain on realisation of £39,000). Two companies repaid loan notes totalling £15,000 (2012: £9,000). At 31 March 2013 the fair value of the investment portfolio of 20 companies was £3.560 million, resulting in an aggregate unrealised revaluation gain of £254,000 (2012: unrealised revaluation loss of £742,000).

The Group's investments are held either by the Company, Strathclyde Innovation Fund LP (SIF), or Caledonia Portfolio Realisations Ltd (CPR) . There is a decrease in contingent consideration of £41,000 (2012: decrease in contingent consideration of £184,000) payable on future exit values of CPR portfolio companies.

Total income for the year ended 31 March 2013 including realised gains and unrealised revaluation losses was £3.339 million, an increase from £1.123 million in 2012.

Employee numbers increased by 5 on average in the year, due principally to the acquisition of the Neon Capital Partners Ltd team in March 2012 and the recruitment of a new team. Employee benefits expense was £1.971 million (2012: £1.762 million). Other operating and finance costs increased to £1.300 million (2012: £1.074 million). The increase in costs is due largely to the fund management costs associated with managing the NIGLF.

Excluding unrealised portfolio movements, the loss before tax reduced to £0.240 million (2012: £1.500 million) reflecting the benefit of growing the profitable fund management business line. The total profit after tax and amounts attributable to non-controlling interests increased to £68,000 (2012: £1.720 million), equivalent to a profit per share of 0.30 pence (2012: loss per share of 9.46 pence).

**Financial position**

Net assets at 31 March 2013 were £4.520 million (2012: £4.190 million), equivalent to 19.43 pence per share (2012: 21.73 pence). The slight decrease reflects the new share issue during the financial year.

The Group's net assets include goodwill of £1.367 million (2012: £1.353 million) and intangible assets of £96,000 (2012: £109,000). Goodwill arises from the acquisitions of VFM, Envestors and Neon. The carrying value of goodwill has been reviewed during the year and in light of current projections of future performance the Directors do not believe the assets are impaired, however, a revision of £14,000 was made to the Neon goodwill. Intangible assets are amortised straight line over 10 years.

A new share subscription raised £500,000 from the placing of 3,333,331 shares during the period.

At the year end the Group had cash balances of £39,000 (2012: £424,000). There were no material borrowings. Cash utilisation decreased to £385,000 (2012: £555,000).

A summary analysis of the Group's performance is:

| | **2013 £'000** | 2012 £'000 |
|---|---|---|
| Investment management revenue | **2,592** | 932 |
| Consultancy income | **428** | 333 |
| Fee-based revenue | **3,020** | 1,265 |
| Finance income | **13** | 19 |
| Income before portfolio movements | **3,033** | 1,284 |
| Realised gain on disposal of investments | **-** | 39 |
| Net unrealised movement arising on the revaluation of investments | **306** | (200) |
| Total income | **3,339** | 1,123 |
| Employee benefits expense (including share based compensation) | **(1,971)** | (1,762) |
| Other operating and finance costs | **(1,300)** | (1,074) |
| Total costs | **(3,271)** | (2,836) |
| Profit/(loss) before tax | **68** | (1,724) |
| Profit/(loss) after tax and amount attributable to non-controlling interest | **68** | (1,713) |
| Profit/(loss) per share | **0.30 pence** | (9.46) pence |
| Opening cash balance | **424** | 643 |
| Increase in portfolio investments | **(46)** | (101) |
| Utilised in other activities | **(339)** | (454) |
| Cash held in respect of new share issue | **-** | 336 |
| Closing cash balance | **39** | 424 |
| Net assets | **4,519** | 4,190 |
| Net assets per share | **19.43 pence** | 21.73 pence |

**Aileen Brown**
Chief Financial Officer

**I am pleased to report to shareholders for the 12 months ending 31 March 2013.**

**Investment Activity**

At the end of the year under review the Group's portfolio of companies comprised 20 companies. As you will note from the list below we continue to have holdings in a diverse range of mainly technology-based companies. Nine of the companies received further funding throughout the year – Bloxx, Pyreos, mLED, Phase Focus, AppShare, Vascular Flow Technologies, Traak Systems, NiTech Solutions and Scalar Technologies. Since July 2012 the Group has generally ceased making direct investments into the portfolio given our strategy of building our investment management business. However, there continues to be modest investment from the Group's clients alongside substantial funds from venture capital funds and corporate investors. In the aggregate, our portfolio companies noted above received aggregate funding of almost £9m.

The portfolio ranges from companies that are building a platform for growth by advancing valuable proprietary technology in readiness for market entry, to those more established companies seeking to build sales in their marketplace in order to be more visible to potential acquirers. About 75% of the portfolio is consistently generating revenue. Whilst the current environment may have slowed the growth aspirations of some companies, the drive is to capitalise on their global presence. We continue to work with our companies in exploring strategies for exit and, as our CEO has mentioned, the portfolio has some potential realisation prospects in the short to medium term.

In addition to our directly-held portfolio, Strathtay Ventures has assumed the position as fund manager for the Lachesis Seed Fund. This £10m Fund was set up in 2002 and comprises a portfolio of spin-out companies from the universities of De Montfort, Leicester, Loughborough, Nottingham and Nottingham Trent. Some of the companies in the portfolio show particular promise including OncImmune (cancer diagnostic test development and screening service with its 'EarlyCDT' test for lung cancer commercially available), Monica Healthcare (design and manufacture of foetal-maternal monitoring systems for use in labour and delivery rooms) and Haemostatix (new class of active haemostat which is synthetic and therefore does not have the infection risks associated with similar blood derived products when used to stop bleeding).

**Portfolio Performance**

During the year the Group's own portfolio showed an unrealised gain before the movement on contingent consideration of £254,063 (2012: unrealised revaluation loss of £742,000). The effect of multiple fundraisings across the portfolio, the performance of the companies and macroeconomic factors inevitably causes valuations to ebb and flow from year to year. As I have said previously, it is the ultimate realisation value of these portfolio assets that will be of interest to shareholders.

Our rebased client exit portfolio (being a portfolio where all exited investment returns are modelled since Braveheart's inception in 1997) showed an IRR of 28% while the overall client portfolio (modelling both exited and unexited investment returns) shows a return of 21%.

Over the next year we will continue to develop our key Group assets and work towards optimising shareholder value.

| Portfolio Company | Description of business |
|---|---|
| **Company portfolio** | |
| AppShare Ltd[1] | Web collaboration software design |
| Atlas Genetics Ltd | Rapid 'point-of-care' molecular diagnostic equipment |
| Biopta Ltd | Contract research services for drug and tissue measurement |
| Cascade Technologies Ltd | Laser-based equipment to detect presence of gases, explosives, etc |
| Conjunct Ltd | Optical communications components |
| Convivial London Pubs plc | Purchase and operation of pubs |
| Design LED Products Ltd | Lighting display technology based on LEDs |
| Dimensional Imaging Ltd | 3D and 4D image capture systems |
| EctoPharma Ltd[2] | Therapeutic healthcare pesticides and cancer therapeutics |
| mLED Ltd[1] | Solid-state optical micro-projection systems |
| NiTech Solutions Ltd | Designs manufacturing solutions for chemical and process industries |
| Phase Focus Ltd | Lensless microscope technology |
| Pufferfish Ltd | 360° display solutions principally for promotional activities |
| Pyreos Ltd | Infrared sensor arrays and components for commercial applications |
| Vascular Flow Technologies Ltd | Cardiovascular medical devices |
| Traak Systems Ltd | Intelligent self-learning RFID identification and sensor network solutions |
| **CPR portfolio** | |
| Bloxx Ltd | Web filtering and internet filtering software |
| Leading Software Ltd | IT services |
| Scalar Technologies Ltd | Thin film measurement |
| Verbalis Ltd | Language translation software |

[1] Also a Strathclyde Innovation Fund portfolio company
[2] Also a CPR portfolio company

**Carolyn Smith**
Chief Investment Officer

The directors present their report together with the audited financial statements for the year ended 31 March 2013.

**Principal Activities**

The Group provides debt/equity and advisory services to SMEs and services the investment requirements of business angels, high net worth individuals, family offices and public sector organisations.

**Results and Dividends**

The financial statements of the Group and the Company for the year to 31 March 2013 are set out on pages 19 to 47.

The Group's consolidated profit for the year after tax was £67,570 (2012: loss of £1,712,996), which has been transferred to reserves.

The directors do not recommend payment of a dividend for the year (2012: £nil).

**Directors and their Interests**

The names of the directors who held office during the financial year are listed on page 53.

Biographical details of the directors who held office at the end of the financial year are shown on page 10.

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 directors at 31 March 2013 and their interests in the share capital in the Company are as follows:

| | **At 31 March 2013** | | At 31 March 2012 | |
|---|---|---|---|---|
| **Directors** | **Ordinary shares** | **Options over ordinary shares** | Ordinary shares | Options over ordinary shares |
| G S Watson | **297,925** | **-** | 328,177 | - |
| G C B Thomson | **2,350,890** | **494,646** | 2,350,890 | 339,242 |
| C Smith | **247,204** | **336,054** | 231,680 | 239,394 |
| A Brown | **15,524** | **115,170** | - | - |
| E B Cunningham | **547,608** | **-** | 493,275 | - |
| J K Brown | **38,810** | **-** | - | - |
| J H Delmar-Morgan | **50,000** | **-** | - | - |

No notification of any other change in the above interests has been received in the period from 31 March 2013 to the date of this report.

**Business Review and Future Developments**

Accompanying this Directors' Report are the Chairman's Statement, Chief Executive Officer's Report, Chief Financial 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 page 2, the Chief Executive Officer's Report on page 3, the Chief Financial Officer's Report on pages 4 to 5 and the Chief Investment Officer's Report on page 6, all of which form part of this Directors' Report by reference.

**Key Performance Indicators (KPI's)**

The KPI's we use to monitor business performance, which given the nature of our business are primarily financial measures, are:

| | **2013** | **2012** |
|---|---|---|
| Net assets ('£000) | **4,519** | 4,190 |
| Cash balance (£'000) | **39** | 424 |
| Profit/(Loss) after tax attributable to equity holders (£'000) | **68** | (1,713) |
| Investments made by Group (£'000) | **46** | 101 |
| Investments made by Group (number of companies) | **1** | 3 |
| Realised gain on sale of Group investments (£'000) | **-** | 39 |
| Net unrealised movement on revaluation of Group investments (£'000) | **254** | (740) |
| Returns achieved on client exit portfolio (% to date) | **28.1** | 28.6 |
| Funds under management | **£121m** | £110m |

Commentary on these KPI's can be found in the Chief Financial Officer's Report on pages 4 to 5 and the Chief Investment Officer's Report on page 6.

**Principal Risks and Uncertainties, and Financial Instruments**

Through its operations the Group is exposed to a number of risks. The Group's risk management objectives and policies are described in the Corporate Governance Statement on pages 12 to 14.

The Group's financial instruments comprise investments designated at fair value through profit or loss, cash and various items such as trade and other receivables, and trade payables, all of which arise directly from its normal operations. The main purposes of these financial instruments are to provide returns from investment and finance for the Group's operations.

Further information regarding the Group's financial risk management objectives and policies, including those in relation to credit risk, liquidity risk and market risk, is provided in note 25 to the financial statements.

**Share Capital**

Details of the structure of the Company's share capital and the rights attaching to the shares are set out in note 20 to the financial statements.

At 31 March 2013 the Company had 23,261,712 allotted, called up and fully paid ordinary shares of 2 pence each.

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

There are no specific restrictions on the size of a holding or 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 to be a director, either to fill a vacancy or as an 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.

**Significant Shareholdings**

As at 31 March 2013, the following beneficial owners each held 3% or more of the Company's issued share capital:

| Name | Number | Percentage |
|---|---|---|
| G C B Thomson | 2,350,890 | 10.11 |
| D C Thomson Ltd | 2,258,490 | 9.71 |
| BBHISL Nominees Limited [1] | 6,599,225 | 28.37 |
| A T G Burton | 925,161 | 3.98 |
| Chase Nominees Limited [2] | 1,055,440 | 4.54 |

[1] Beneficial owner being A Norris

[2] Beneficial owner being W Rehman

**Directors' Responsibilities**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company and group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records which are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Financial statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the Directors.

**Creditor Payment Policy**

The Group's policy is to:

- agree payment terms with each supplier when placing orders and
- adhere to the agreed terms.

The Group's and Company's average creditor payment period at 31 March 2013 was 43 days (2012: 42 days) and 62 days (2012: 40 days) respectively.

**Political and Charitable Donations**

It is the Board's policy not to make any political donations nor charitable donations which exceed £200. The Group did not make any such donations in the year (2012: £nil).

**Disclosure of Information to Auditors**

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

**Auditors**

In accordance with section 489 of the Companies Act 2006, a resolution proposing the reappointment of Grant Thornton UK LLP will be put to the shareholders at the forthcoming Annual General Meeting.

On behalf of the Board

**Aileen Brown**

Company Secretary

2 September 2013

**Jeremy H Delmar-Morgan MA MSI**

*Chairman (from 1 April 2013)*

Jeremy is a Director of the London Symphony Orchestra Endowment Trust and Daylight Ltd. Previously 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, and was previously Chairman of Allenby Capital and The Brendoncare Foundation. Jeremy joined the Board in 2008.

**Garry S Watson OBE CA**

*Chairman (until 31 March 2013)*

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 former Macaulay Land Use Research Institute in Aberdeen. He is currently senior non-executive Director and Chairman of the Nominations and Governance Committee of Places for People Group, one of the largest UK providers of mixed tenure housing and a non-executive Director of Wey Education plc, a provider of services to the education sector. Garry has been associated with the Group since 1997 and joined the plc Board on the Company's inception in 2003.

**Geoffrey C B Thomson** *(m)*

*Chief Executive Officer*

One of the founders of Braveheart, Geoffrey is a highly experienced fund manager and deal maker. He is a recognised authority on SME investment, having written columns for various national broadsheets and is a regular speaker at business events. Other than Braveheart, Geoffrey is on the board of the UK government's £100m Angel CoFund and was, until recently, a director of NESTech (the challenge fund of the universities of St Andrews, Dundee, and Aberdeen). Geoffrey's contribution to Scottish businesses was recognised by the receipt of a special Ernst & Young Entrepreneur of the Year (Scotland) award in 2008. Geoffrey joined the plc Board on the Company's inception in 2003.

**Carolyn Smith BA Hons ACIS** *(m)*

*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 with LINC Scotland, the national association for business angels in Scotland, she joined Braveheart as Chief Investment Officer in 2000 and was appointed to the Board in 2006.

**Aileen Brown BA CA** *(m)*

*Chief Financial Officer and Company Secretary*

Aileen joined the Board as Chief Financial Officer in January 2012 having been the CFO (UK, Ireland & Middle East) for Hudson Global Resources, a NASDAQ company, from 2007 to 2011. She is a member of the Institute of Chartered Accountants, has worked in corporate finance, and held Board level positions for over 10 years. Aileen has worked in a variety of sectors including manufacturing, healthcare, telecoms and international education, including 5 years with Ernst & Young.

**Edward B Cunningham CBE FRSE**

*Senior non-executive Director*

Edward 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 and Conference Centre. He has also been a Director of TSB Bank Scotland and Watson & Philip. He is currently chairman of two companies, and on the board of one other. Edward has been associated with the Group since 1999 and joined the plc Board on the Company's inception in 2003.

**J Kenneth Brown BA CA**

*Non-executive Director*

Ken is a non-executive director of several private and public companies, a member of the Court of the University of Glasgow, and provides advisory services to clients in several sectors including real estate and renewable energy. He has extensive experience as finance director of listed and private groups in real estate, consumer goods, manufacturing and construction. Ken is a chartered accountant and joined the Board in 2007.

*(m)* Member of the management board

**Andrew T G Burton BSc**

Andrew is Managing Director of Viking Fund Managers Ltd (VFM). Andrew has been involved in early stage technology investing since 1986. Before setting up VFM in 2002 he ran the Yorkshire Association of Business Angels (which he now chairs) and previously worked for UniVentures International at Leeds Metropolitan University where he was responsible for high growth programmes and incubators.

**Vivian D Hallam MBA BSc CEng**

Viv is Consultancy Director of VFM. Viv is a Chartered Mechanical Engineer and has an MBA from Aston Business School. He joined VFM in 2003 following twenty years of senior management in international advanced engineering companies, including Sarna, GKN and GEC where he was responsible for design, development and marketing of new products for the plastics, automotive and power industries.

**Oliver E Woolley MBA BA (Hons)**

Oliver has been working in early-stage venture capital since selling his business in 1997. After university and travelling, Oliver decided not to become an accountant, but instead raised private equity and bank debt to start his own venture in the food industry. Oliver is an Executive Director of the British Business Angels Association (BBAA) and has an MBA from Imperial College Management School.

**Robert N K Taylor MBA BA (Hons)**

Bob is a founder of Envestors and an active private investor. He has been involved in early-stage venture capital since 2004. Bob's background spans several industry sectors. He worked extensively in the oil industry initially, in Africa as a seismologist, followed by oil trading and broking roles in London. This led to a move into energy finance, joining an investment bank in Singapore to work on project finance deals throughout South East Asia. After Singapore, Bob moved back to the UK to complete an MBA and co-founded Envestors. Bob has a degree in Geology from Durham University.

**W Scott M Haughton MBA BA (Hons)**

Scott is a founder of Envestors and has been advising and supporting SMEs in fundraising since 2004. After 16 years working in senior sales and marketing roles for multi-national blue chip FMCG corporations, including Mars Confectionery, Rank Hovis McDougall and GlaxoSmithKline, Scott left the corporate consumer product world to successfully raise venture capital backing for a family orientated leisure business. Scott has a degree in Economics and Business and an MBA.

The directors recognise the importance of sound corporate governance. As a company whose shares are traded on the London Stock Exchange (Alternative Investment Market) (AIM), the Company is not obliged to comply with the corporate governance regime as set out in the UK Corporate Governance Code, but it does support the principles of the Code. It intends to comply with the Quoted Companies Alliance's Corporate Governance Guidelines for Smaller Quoted 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**

The Board currently comprises the Chairman, Jeremy Delmar-Morgan, two other non-executive directors, Edward Cunningham, the senior non-executive director, and Ken Brown, and three executive directors, the Chief Executive Officer, Geoffrey Thomson, the Chief Investment Officer, Carolyn Smith and the Chief Financial Officer, Aileen Brown.

Biographical details of the current directors are set out on page 10. 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.

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

All members of the Board and its committees served throughout the year.

Certain executive and non-executive directors are clients of Strathtay Ventures Ltd, the Company's principal investment management subsidiary. Further information regarding related party transactions during the year is detailed in note 24 to the financial statements.

**Non-executive Directors**

The non-executive directors have a broad range of experience, as evidenced by their biographical details 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 believing it to be in the best interests of the Company, be appointed for subsequent terms. 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 Group'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 Group'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 Ken Brown (its Chairman), Edward Cunningham and Jeremy Delmar-Morgan and 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 auditors.

**Remuneration Committee**

The Remuneration Committee comprises Edward Cunningham (its Chairman), Ken Brown and Jeremy Delmar-Morgan. 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 pursuant to the share option plan.

**Nominations Committee**

The Nominations Committee comprises Edward Cunningham (its Chairman) and Jeremy Delmar-Morgan and is responsible for the identification and nomination of candidates for the roles of Chairman, Chief Executive Officer, other executive directors and non-executive directors, the nomination of all directors of subsidiary companies and 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 | | Nominations | |
|---|---|---|---|---|---|---|---|---|
| | Attended | Eligible to attend | Attended | Eligible to attend | Attended | Eligible to attend | Attended | Eligible to attend |
| G S Watson | 9 | 9 | - | - | 2 | 2 | 1 | 1 |
| G C B Thomson | 9 | 9 | - | - | - | - | - | - |
| C Smith | 8 | 9 | - | - | - | - | - | - |
| A Brown | 9 | 9 | - | - | - | - | - | - |
| E B Cunningham | 9 | 9 | 3 | 3 | 2 | 2 | 1 | 1 |
| J K Brown | 8 | 9 | 3 | 3 | 2 | 2 | - | - |
| J H Delmar-Morgan | 8 | 9 | 3 | 3 | - | - | - | - |

**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 which 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 own resources in any one portfolio investment. 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, which comprises the three executive directors. 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 Group. A risk assessment matrix sets out those risks, and identifies their ownership and the controls that are in place. The Risk Management Group updates this matrix as changes arise in the nature of risks or the controls that are implemented to mitigate them. The Audit and Risk Management Committee reviews the risk matrix and the effectiveness of scenario testing by the Risk Management Group on a regular basis.

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

| Activity | Risk | Impact | Control(s) |
|---|---|---|---|
| **Management** | Recruitment and retention of key staff | Reduction in operating capability | Stimulating and safe working environment.<br>Balancing salary with longer term incentive plans. |
| **Regulatory adherence** | Breach of rules | Censure or withdrawal of authorisation | Strong compliance regime. |
| **Strategic** | Damage to reputation<br>Inadequate disaster recovery procedures | Inability to secure new capital or clients<br>Loss of key operational and financial data. | Effective communications with shareholders and road shows.<br>Robust compliance.<br>Secure off-site storage of data.<br>Two networks. |
| **Financial** | Liquidity, market and credit risk<br>Inappropriate controls and accounting policies | Inability to continue as going concern.<br>Reduction in asset values.<br>Incorrect reporting of assets | Robust capital management policies and procedures.<br>Appropriate authority and investment levels as set by Treasury and Investment Policies.<br>Audit and Risk Management Committee. |

Further details of the financial risks, including quantitative considerations of their potential impacts, are set out in note 25 to the financial statements.

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 Group 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.

**Going Concern**

The basis for going concern is set out in detail in the accounting policies in note 2(a) in the notes to the accounts on page 25.

**Communication with Shareholders**

The Board is committed to maintaining good communication and having constructive dialogue with its shareholders. The Company has close ongoing relationships with its investment clients, many of whom are also private shareholders. Institutional shareholders, private client brokers and analysts have the opportunity to discuss issues and provide feedback at meetings with and presentations by the Company. In addition, all shareholders are encouraged to attend the Company's Annual General Meeting.

Investors also have access to current information on the Company though its website, www.braveheartgroup.co.uk, and via Aileen Brown, Company Secretary who is available to answer investor relations enquiries.

**Remuneration Committee**

The Remuneration Committee is comprised entirely of non-executive directors. It is chaired by Edward Cunningham and its other members are Jeremy Delmar-Morgan, with effect from 1 April 2013, and Ken Brown. The Chief Executive Officer, Geoffrey Thomson, attends by invitation and assists the Committee. The Committee met twice during the year.

**Remuneration Policy**

The Remuneration Committee recognises and has accepted the FCA's Remuneration Code. The Committee is responsible for implementing and maintaining a remuneration policy which ensures that Executive Directors, other Group company directors, senior management and other employees are remunerated in such a manner as to ensure that (i) they are fairly rewarded in a manner which secures and retains the skilled and experienced individuals the Group requires to ensure its corporate objectives, including an increase in shareholder value; (ii) conflicts of interest are minimised and that the interests of staff are aligned with the long term interests of the Group; and (iii) remuneration is consistent with and promotes sound and effective risk management and does not encourage risk taking that exceeds the level of tolerated risk set by the Board and is in line with the business strategy, objectives, values and long-term interests of the Group. The Committee is committed to ensuring compliance with the FCA's Remuneration Code.

**Determination of Directors' and Senior Management's Salaries**

The Remuneration Committee believes that the interests of the Executive Directors, other Group company directors, senior management and staff and those of the shareholders and other stakeholders are best aligned by a remuneration policy that provides a base salary together with awards under the Group's Share Option Scheme (the "Scheme"). The Remuneration Committee reviews and determines annually directors' and senior management's 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. In its final determination of salaries, the Committee's conclusions are set within what is affordable. During the year contribution continued in respect of pension arrangements for certain Viking Fund Manager and Neon Capital Partner 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 cases of Carolyn Smith and Aileen Brown. 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 Committee, taking into account market rates, following which it submits recommendations to the Board for approval. The Company increased non-executive directors' contractual fees with effect from 1 April 2013 to £25,000 (2012: £17,000) for the Chairman and £17,500 for the non-executive directors (2012: £12,500).

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

**Directors' Remuneration**

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

| | Total 2013 £ | Total 2012 £ |
|---|---|---|
| **Executive directors:** | | |
| G C B Thomson | **137,750** | 155,946 |
| C Smith | **104,500** | 117,417 |
| A Brown | **104,500** | 23,692 |
| **Non-executive directors:** | | |
| G S Watson | **13,388** | 16,144 |
| E B Cunningham | **8,925** | 10,762 |
| J K Brown | **8,925** | 10,762 |
| J H Delmar-Morgan | **8,925** | 10,762 |
| | **386,913** | 345,485 |

The Company did not contribute to any director's pension scheme nor pay any bonuses to directors during the year (2012: £nil). During the year the Company paid private medical insurance premiums of £1,450, £605 and £530 (2012: £1,740, £608 and £nil) in respect of Geoffrey Thomson, Carolyn Smith and Aileen Brown.

**Share Option Scheme**

The Company operates the Braveheart Investment Group plc Executive Share Option Scheme 2006 (the Scheme), which comprises Part A, a share option scheme approved by HMRC (the Approved Scheme) and Part B, an unapproved share option scheme (the Unapproved Scheme).

Historically, the Scheme was open to all directors and employees of the Group, although non-executive directors could only participate in Part B. The Scheme is now open only to all executive directors and employees.

Options are granted by the Board taking into account the need to motivate, retain and recruit high calibre employees and with regard to the contribution that such employees are expected to make in achieving the Company's objectives.

Options granted under the Scheme are categorised as Employment Options, Performance Options or Other Options. Employment Options may be granted under either Part A or Part B. All Performance Options and Other Options are granted under Part B.

Employment Options vest and become exercisable on the third anniversary of date of grant, and generally lapse on the earlier of cessation of employment (or 6 months thereafter if options have vested at cessation date) or the 10th anniversary of date of grant.

Performance Options have to date had vesting conditions linked to the growth in the Company's market capitalisation from the date of grant (Performance Conditions). If a Performance Condition is not met, the related Performance Option lapses at the end of the relevant measurement period.

Otherwise Performance Options vest on attainment of the Performance Condition and become exercisable on the 1st anniversary of the date of the Performance Condition being met, and lapse on the 10th anniversary of date of grant.

Options were granted during the year ended 31 March 2013 as follows:-

**Share Options**

The interests of the directors in share options were as follows:

| | Date of Grant | At 1 April 2012 | No of Options granted in year | No of Options exercised in year | No of Options lapsed in year | At 31 March 2013 | Exercise Price | Date first exercisable | Expiry date |
|---|---|---|---|---|---|---|---|---|---|
| **Employment Options granted under Part A** | | | | | | | | | |
| G Thomson | 25 May 2012 | - | 74,852 | - | - | 74,852 | £0.1200 | 25 May 2015 | 24 May 2022 |
| | 3 September 2012 | | 10,346 | - | - | 10,346 | £0.1600 | 3 September 2015 | 2 September 2022 |
| | | - | 85,198 | - | - | 85,198 | | | |
| C Smith | 25 May 2012 | - | 54,823 | - | - | 54,823 | £0.1200 | 25 May 2015 | 24 May 2022 |
| | 3 September 2012 | - | 7,849 | - | - | 7,849 | £0.1600 | 3 September 2015 | 2 September 2022 |
| | | - | 62,672 | - | - | 62,672 | | | |
| A Brown | 25 May 2012 | - | 54,823 | - | - | 54,823 | £0.1200 | 25 May 2015 | 24 May 2022 |
| | 3 September 2012 | - | 7,849 | - | - | 7,849 | £0.1600 | 3 September 2015 | 2 September 2022 |
| | | - | 62,672 | - | - | 62,672 | | | |
| **Employment Options granted under Part B** | | | | | | | | | |
| G Thomson | 18 June 2009 | 42,753 | - | - | - | 42,753 | £0.295 | 18 June 2012 | 17 June 2019 |
| | 5 July 2010 | 49,155 | - | - | - | 49,155 | £0.255 | 5 July 2013 | 4 July 2020 |
| | | 91,908 | - | - | - | 91,908 | | | |
| C Smith | 18 June 2009 | 31,669 | - | - | - | 31,669 | £0.295 | 18 June 2012 | 17 June 2019 |
| | 5 July 2010 | 36,411 | - | - | - | 36,411 | £0.255 | 5 July 2013 | 4 July 2020 |
| | | 68,080 | - | - | - | 68,080 | | | |

| | Date of Grant | At 1 April 2012 | No of Options granted in year | No of Options exercised in year | No of Options lapsed in year | At 31 March 2013 | Exercise Price | Date first exercisable | Expiry date |
|---|---|---|---|---|---|---|---|---|---|
| **Performance Options granted under Part B** | | | | | | | | | |
| G Thomson | 5 July 2010 | 76,923 | - | - | - | 76,923 | £0.255 | 5 October 2011 | 4 July 2020 |
| | 25 May 2012 | - | 62,500 | - | - | 62,500 | £0.1200 | 25 August 2013 | 24 May 2022 |
| | 3 September 2012 | - | 73,117 | - | - | 73,117 | £0.1600 | 3 December 2013 | 2 September 2022 |
| | | 76,923 | 135,617 | - | - | 212,540 | | | |
| C Smith | 5 July 2010 | 46,154 | - | - | - | 46,154 | £0.255 | 5 October 2011 | 4 July 2020 |
| | 25 May 2012 | - | 37,500 | - | - | 37,500 | £0.1200 | 25 August 2013 | 24 May 2022 |
| | 3 September 2012 | - | 43,870 | - | - | 43,870 | £0.1600 | 3 December 2013 | 2 September 2022 |
| | | 46,154 | 81,370 | - | - | 127,524 | | | |
| A Brown | 25 May 2012 | - | 37,500 | - | - | 37,500 | £0.1200 | 25 August 2013 | 24 May 2022 |
| | 3 September 2012 | - | 43,870 | - | - | 43,870 | £0.1600 | 3 December 2013 | 2 September 2022 |
| | | - | 81,370 | - | - | 81,370 | | | |

| | Date of Grant | At 1 April 2012 | No of Options granted in year | No of Options exercised in year | No of Options lapsed in year | At 31 March 2013 | Exercise Price | Date first exercisable | Expiry date |
|---|---|---|---|---|---|---|---|---|---|
| **Performance Options granted under Part B** | | | | | | | | | |
| G Thomson | 5 July 2010 | 105,000 | - | - | - | 105,000 | £0.255 | 5 July 2010 | 4 July 2020 |
| C Smith | 5 July 2010 | 77,778 | - | - | - | 77,778 | £0.255 | 5 July 2010 | 4 July 2020 |

The Performance Conditions attached to the Performance Options are as follows:

| Date of Grant | Performance Condition | Percentage of the Grant to which the Performance Condition applies to |
|---|---|---|
| 5 July 2010 | The Company's market capitalisation exceeds the benchmark price by 25% for 5 consecutive business days at any time before the 5 October 2011. | 100.00% |
| 25 May 2012 | The Company's market capitalisation exceeds the benchmark price by 25% for 5 consecutive business days at any time before the 25 August 2013. | 100.00% |
| 3 September 2012 | The Company's market capitalisation exceeds the benchmark price by 25% for 5 consecutive business days at any time before the 3 December 2013. | 100.00% |

The benchmark price is the option exercise price multiplied by the number of ordinary shares of 2 pence each in the issued share capital of the Company on the date of grant of the related option.

The charge made in respect of the fair value of options granted to directors was:

| | **2013** | 2012 |
|---|---|---|
| | **£** | £ |
| Expense arising from equity-settled share-based payments transactions | - | - |

Additional information on share options is provided at note 21.

We have audited the financial statements of Braveheart Investment Group plc for the year ended 31 March 2013 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statement of Financial Position, the Consolidated and Company Statement of Cash Flows, the Consolidated and Company Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditors' 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 auditors**

As explained more fully in the Directors' Responsibilities Statement on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

**Opinion on financial statements**

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 March 2013 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**Robert Hannah**
Senior Statutory Auditor
For and on behalf of Grant Thornton UK LLP
Statutory Auditor
Chartered Accountants
EDINBURGH

2 September 2013

| | Notes | **2013** £ | 2012 £ |
|---|---|---|---|
| Revenue | 3 | **3,020,460** | 1,265,139 |
| Change in fair value of investments | 12 | **254,063** | (742,143) |
| Movement on contingent consideration | 19 | **51,459** | 541,882 |
| Fair value uplift on disposal of investment | | **-** | 39,326 |
| Finance revenue | 5 | **12,598** | 18,811 |
| **Total income** | | **3,338,580** | 1,123,015 |
| Employee benefits expense | 4 | **(1,971,315)** | (1,762,114) |
| Other operating costs | | **(1,284,347)** | (1,045,206) |
| **Total operating costs** | | **(3,255,662)** | (2,807,320) |
| Finance costs | 6 | **(15,348)** | (28,691) |
| **Total costs** | | **(3,271,010)** | (2,836,011) |
| **Profit/(loss) before tax** | | **67,570** | (1,712,996) |
| Tax | 8 | **-** | - |
| **Total profit/(loss) and total comprehensive profit/(loss) for the year** | | **67,570** | (1,712,996) |
| **Profit/(loss) attributable to** | | | |
| Equity holders of the parent | | **66,607** | (1,724,083) |
| Non-controlling interest | | **963** | 11,087 |
| | | **67,570** | (1,712,996) |
| Profit/(loss) per share | | **Pence** | Pence |
| - basic and diluted | 10 | **0.30** | (9.46) |

All revenues and losses arise from continuing operations.

The accompanying accounting policies and notes form part of these financial statements.

| | Notes | 2013 £ | 2012 £ |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Goodwill | 14 | **1,367,105** | 1,352,915 |
| Other intangibles | 15 | **96,278** | 109,115 |
| Property, plant and equipment | 11 | **10,332** | 21,158 |
| Investments at fair value through profit or loss | 12 | **3,560,417** | 3,275,655 |
| Investment in limited liability partnership | 13 | **5,000** | - |
| Other receivables | 16 | **154,000** | - |
| | | **5,193,132** | 4,758,843 |
| **Current assets** | | | |
| Trade and other receivables | 16 | **461,814** | 299,452 |
| Cash held for new share subscription | 17 | **-** | 336,000 |
| Cash and cash equivalents | 17 | **39,084** | 87,974 |
| | | **500,898** | 723,426 |
| **Total assets** | | **5,694,030** | 5,482,269 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 18 | **(636,302)** | (438,049) |
| Consideration re Neon Capital Partners Ltd | 19 | **-** | (294,244) |
| Contingent consideration | 19 | **(373,694)** | (360,599) |
| Deferred income | | **(121,263)** | (15,642) |
| | | **(1,131,259)** | (1,108,534) |
| **Non-current liabilities** | | | |
| Contingent consideration | 19 | **-** | (140,616) |
| Borrowings | 23 | **(43,392)** | (43,392) |
| | | **(43,392)** | (184,008) |
| **Total liabilities** | | **(1,174,651)** | (1,292,542) |
| **Net assets** | | **4,519,379** | 4,189,727 |
| **EQUITY** | | | |
| Called up share capital | 20 | **465,233** | 385,620 |
| Shares to be issued | | **-** | 336,000 |
| Share premium | | **1,252,885** | 819,551 |
| Merger reserve | | **494,936** | 431,821 |
| Retained earnings | | **2,303,561** | 2,214,934 |
| Equity attributable to owners of the Parent | | **4,516,615** | 4,187,926 |
| Non-controlling interest | | **2,764** | 1,801 |
| **Total equity** | | **4,519,379** | 4,189,727 |

Registered number: SC247376

Approved for issue by the Board of Directors on 2 September 2013 and signed on its behalf by:

**Jeremy Delmar-Morgan**
Chairman

The accompanying accounting policies and notes form part of these financial statements.

| | Notes | 2013 £ | 2012 £ |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Investments at fair value through profit or loss | 12 | **2,482,341** | 2,123,002 |
| Investment in subsidiaries | 13 | **2,921,783** | 2,673,968 |
| Investment in limited liability partnership | | **5,000** | - |
| | | **5,409,124** | 4,796,970 |
| **Current assets** | | | |
| Trade and other receivables | 16 | **1,768,822** | 721,921 |
| Cash held for new share subscription | 17 | **-** | 336,000 |
| Cash and cash equivalents | | **-** | 12,688 |
| | | **1,768,822** | 1,070,609 |
| **Total assets** | | **7,177,946** | 5,867,579 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 18 | **(1,813,180)** | (682,968) |
| Consideration re Neon Capital Partners Ltd | 19 | **-** | (294,244) |
| Contingent consideration | 19 | **(373,694)** | (360,599) |
| Bank overdraft | 17 | **(322,998)** | - |
| | | **(2,509,872)** | (1,337,811) |
| **Non-current liabilities** | | | |
| Contingent consideration | 19 | **-** | (140,616) |
| | | **-** | (140,616) |
| **Total liabilities** | | **(2,509,872)** | (1,478,427) |
| **Net assets** | | **4,668,074** | 4,389,152 |
| **EQUITY** | | | |
| Called up share capital | 20 | **465,233** | 385,620 |
| Shares to be issued | | **-** | 336,000 |
| Share premium | | **1,252,885** | 819,551 |
| Merger reserve | | **494,936** | 431,821 |
| Share-based payments | | **306,882** | 284,862 |
| Retained earnings | | **2,148,138** | 2,131,298 |
| **Equity attributable to owners of the Parent** | | **4,668,074** | 4,389,152 |

Registered number: SC247376

Approved for issue by the Board of Directors on 2 September 2013 and signed on its behalf by:

**Jeremy Delmar-Morgan**
Chairman

The accompanying accounting policies and notes form part of these financial statements.

| | 2013<br>£ | 2012<br>£ |
|---|---|---|
| **Operating activities** | | |
| Profit/(loss) before tax | 67,570 | (1,712,996) |
| **Adjustments to reconcile profit/(loss) before tax to net cash flows from operating activities** | | |
| Depreciation of property, plant and equipment | 5,684 | 7,880 |
| Amortisation of intangibles | 12,837 | 12,836 |
| Share-based payments expense | 22,020 | 19,091 |
| (Increase)/decrease on the fair value movements of investments | (254,063) | 742,143 |
| Gain on disposal of equity investments | - | (39,326) |
| Acquisition of subsidiaries | (294,244) | (71,415) |
| Loss/(gain) on disposal of property, plant and equipment | 7,168 | (86) |
| Interest income | (12,598) | (18,811) |
| Increase in trade and other receivables | (307,521) | (371,320) |
| Increase/(decrease) in trade and other payables | 229,384 | (38,379) |
| **Net cash flow from operating activities** | (523,763) | (1,470,383) |
| | | |
| **Investing activities** | | |
| Proceeds from sale of equity investments | - | 91,956 |
| Increase in investments | (45,689) | (100,554) |
| Repayment of borrowings | 14,990 | 8,747 |
| Investment in limited liability partnership | (5,000) | - |
| Purchase cost of property, plant and equipment | (2,026) | - |
| Proceeds from sale of property, plant and equipment | - | 446 |
| Interest received | 12,598 | 18,811 |
| **Net cash flow from investing activities** | (25,127) | 19,406 |
| | | |
| **Financing activities** | | |
| Proceeds from issue of new shares | 164,000 | 949,703 |
| Transaction cost of new shares | - | (47,500) |
| New share subscription | - | 336,000 |
| Capital element of hire purchase contract | - | (6,455) |
| **Net cash flow from financing activities** | 164,000 | 1,231,748 |
| | | |
| Net decrease in cash and cash equivalents | (384,890) | (219,229) |
| Cash and cash equivalents at the beginning of the year | 423,974 | 643,203 |
| **Cash and cash equivalents at the end of the year** | 39,084 | 423,974 |

The accompanying accounting policies and notes form part of these financial statements.

| | 2013<br>£ | 2012<br>£ |
|---|---|---|
| **Operating activities** | | |
| Profit/(loss) before tax | 16,840 | (1,371,151) |
| **Adjustments to reconcile profit/(loss) before tax to net cash flows from operating activities** | | |
| (Increase)/decrease on the fair value movements of investments | (328,640) | 400,318 |
| Decrease on the fair value of subsidiaries | 37,702 | 473,282 |
| Gain on disposal of equity investments | - | (39,326) |
| Acquisition of subsidiaries | (294,244) | (380,000) |
| Interest income | (4,295) | (18,724) |
| Increase in trade and other receivables | (1,046,902) | (162,400) |
| Increase/(decrease) in trade and other payables | 1,119,447 | (9,352) |
| **Net cash flow from operating activities** | (500,092) | (1,107,353) |
| | | |
| **Investing activities** | | |
| Investment in subsidiaries | (304,190) | (400,000) |
| Proceeds from sale of equity investments | - | 91,956 |
| Increase in investments | (45,689) | (75,554) |
| Repayment of borrowings | 14,990 | 8,747 |
| Investment in limited liability partnership | (5,000) | - |
| Interest received | 4,295 | 18,724 |
| **Net cash flow from investing activities** | (335,594) | (356,127) |
| | | |
| **Financing activities** | | |
| Proceeds from issue of new shares | 164,000 | 949,703 |
| Transaction cost of new shares | - | (47,500) |
| New share subscription | - | 336,000 |
| **Net cash flow from financing activities** | 164,000 | 1,238,203 |
| | | |
| Net decrease in cash and cash equivalents | (671,686) | (225,277) |
| Cash and cash equivalents at the beginning of the year | 348,688 | 573,965 |
| **Bank overdraft, cash and cash equivalents at the end of the year** | (322,998) | 348,688 |

The accompanying accounting policies and notes form part of these financial statements.

| | Attributable to owners of the Parent | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Share Capital | Shares to be issued | Share Premium | Merger Reserve | Retained Earnings | Total | Non-controlling interest | Total Equity |
| | £ | £ | £ | £ | £ | £ | £ | £ |
| **Group** | | | | | | | | |
| **At 1 April 2011** | **294,988** | **-** | **-** | **316,101** | **3,919,926** | **4,531,015** | **(9,286)** | **4,521,729** |
| Issue of new share capital | 90,632 | - | 819,551 | 115,720 | - | 1,025,903 | - | 1,025,903 |
| Shares to be issued | - | 336,000 | - | - | - | 336,000 | - | 336,000 |
| Share-based payments | - | - | - | - | 19,091 | 19,091 | - | 19,091 |
| Transactions with owners | 90,632 | 336,000 | 819,551 | 115,720 | 19,091 | 1,380,994 | - | 1,380,994 |
| Loss and total comprehensive loss for the year | - | - | - | - | (1,724,083) | (1,724,083) | 11,087 | (1,712,996) |
| **At 1 April 2012** | **385,620** | **336,000** | **819,551** | **431,821** | **2,214,934** | **4,187,926** | **1,801** | **4,189,727** |
| Issue of new share capital | 79,613 | (336,000) | 433,334 | 63,115 | - | 240,062 | - | 240,062 |
| Share-based payments | - | - | - | - | 22,020 | 22,020 | - | 22,020 |
| Transactions with owners | 79,613 | (336,000) | 433,334 | 63,115 | 22,020 | 262,082 | - | 262,082 |
| Profit and total comprehensive profit for the year | - | - | - | - | 66,607 | 66,607 | 963 | 67,570 |
| **At 31 March 2013** | **465,233** | **-** | **1,252,885** | **494,936** | **2,303,561** | **4,516,615** | **2,764** | **4,519,379** |

| | Share Capital | Shares to be issued | Share Premium | Merger Reserve | Retained Earnings | Total |
|---|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ | £ |
| **Company** | | | | | | |
| **At 1 April 2011** | **294,988** | **-** | **-** | **316,101** | **3,768,220** | **4,379,309** |
| Issue of new share capital | 90,632 | - | 819,551 | 115,720 | - | 1,025,903 |
| Share-based payments | - | - | - | - | 19,091 | 19,091 |
| Shares to be issued | - | 336,000 | - | - | - | 336,000 |
| Transactions with owners | 90,632 | 336,000 | 819,551 | 115,720 | 19,091 | 1,380,994 |
| Loss and total comprehensive loss for the year | - | - | - | - | (1,371,151) | (1,371,151) |
| **At 1 April 2012** | **385,620** | **336,000** | **819,551** | **431,821** | **2,416,160** | **4,389,152** |
| Issue of new share capital | 79,613 | (336,000) | 433,334 | 63,115 | - | 240,062 |
| Share-based payments | - | - | - | - | 22,020 | 22,020 |
| Transactions with owners | 79,613 | (336,000) | 433,334 | 63,115 | 22,020 | 262,082 |
| Profit and total comprehensive profit for the year | - | - | - | - | 16,840 | 16,840 |
| **At 31 March 2013** | **465,233** | **-** | **1,252,885** | **494,936** | **2,455,020** | **4,668,074** |

The accompanying accounting policies and notes form part of these financial statements.

## 1 Corporate information

The Group and Company financial statements of Braveheart Investment Group plc (the Company) for the year ended 31 March 2013 were authorised for issue by the Board of Directors on 2 September 2013 and the statements of financial position were signed on the Board's behalf by Jeremy Delmar-Morgan.

Braveheart Investment Group plc is a company incorporated in the United Kingdom under the Companies Act 2006. 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 (AIM).

## 2 Accounting policies

### (a) Basis of preparation

The Group and Company 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 2013 and as applied in accordance with the provisions of the Companies Act 2006. 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 408 of the Companies Act 2006 not to publish its own Statement of Comprehensive Income. The amount of profit 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 have been prepared on a historical cost basis, except where otherwise indicated. The financial statements are presented in sterling and all values are rounded to the nearest pound (£) except where otherwise indicated.

The Group's business activities (together with the factors likely to affect its future development, performance and position) and its financial position are set out in the Chairman's Statement on page 2, the Chief Executive Officer's Report on page 3, the Chief Financial Officer's Report on pages 4 to 5 and the Chief Investment Officer's Report on page 6. The Group's risk management objectives and policies are described in the Corporate Governance Statement on pages 12 to 14. Further information regarding the Group's financial risk management objectives and policies, including those in relation to credit risk, liquidity risk and market risk, is provided in note 25 to the financial statements. The Group's capital management objectives are stated below on page 29.

The financial statements have been prepared on the assumption that the company is a going concern. The Directors have prepared cash flow projections which show they can operate within their agreed overdraft facility of £500,000, which has recently been renewed through to July 2014 in the normal course of the bank's annual review of bank facilities. Some of the revenue streams of the business are inherently volatile, such as the success related fees in Envestors Ltd, and it is therefore difficult to accurately project the timing of cash receipts from these sources. The projections show modest headroom but under certain sensitivity analyses, the facilities would be breached. However, as noted in the Chief Executive Officers report, the company have two potential realisations that are likely to complete within the next few months which would provide the company with additional cash flow of around £1m. In the event that these did not complete or were delayed beyond the expected timeframe and the company required some short term funding, the Directors have received indicative support from some shareholders of bridging facilities. In addition, the Directors have the option to raise finance from the market and, in discussion with their brokers, they are confident that sufficient additional finance could be secured to provide the business with headroom for the foreseeable future. Consequently, after making enquiries and considering the uncertainties described above, the directors have formed a judgement that, at the time of approval of the financial statements, the company has sufficient resources to continue operating for the foreseeable future. For these reasons, they continue to adopt the going concern basis to prepare the financial statements.

### (b) Changes in accounting policy and disclosures

No new standards, interpretations and amendments effective from 1 April 2012 have had a material effect on the Group's financial statements.

### (c) New standards and interpretations not yet applied

The International Accounting Standards Board has issued the following standards and interpretations with an effective date after the date of these financial statements

| International Accounting Standards (IAS/IFRS) | | Effective for accounting periods commencing on or after |
|---|---|---|
| IFRS 9 | Financial Instruments | 1 January 2015 |
| IFRS 10 | Consolidated Financial Statements | 1 January 2014 |
| IFRS 11 | Joint Arrangements | 1 January 2014 |
| IFRS 12 | Disclosure of Interests in Other Entities | 1 January 2014 |
| IFRS 13 | Fair Value Measurement | 1 January 2014 |

IFRS 9 will eventually replace IAS 39 in its entirety and is intended to simplify the classification and measurement requirements for financial instruments. The process has been divided into three main phases, classification and measurement; impairment; and hedge accounting.

IFRS 13 establishes a single framework for all fair value measurements when fair value is required or permitted by IFRS. It does not change when an entity is required to use fair value but rather describes how to measure fair value under IFRS when it is required or permitted.

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

## 2 Accounting policies (continued)

### (d) 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.

Group companies manage, and have an 89.29% equity interest in, Strathclyde Innovation Fund LP, which is included in the consolidated financial statements.

Non-controlling interests represent the portion of profit or loss and net assets that is not held by the Group and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position separately from parent shareholders' equity.

The Group has a 33.3% interest in the total capital commitments of WhiteRock Capital Partners LLP.

### (e) 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.

The key assumptions concerning the future and other key sources of estimating uncertainty at the reporting 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. The use of such valuation techniques requires the directors to make certain judgements including making assessments of future revenue and earnings of portfolio companies, appropriate multiples to apply, and marketability and other risk discounts and provisions, and hence they are subject to uncertainty. The fair value of unquoted investments at 31 March 2013 was £3.560 million (2012: £3.276 million).

***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 certain assumptions 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 models used are fully disclosed in note 21.

***Contingent consideration***

Under IFRS 3: Business combinations contingent consideration is included in the cost of a business combination to the extent that it is deemed probable and can be measured reliably. This requires management to assess the probability and to estimate the financial impact of events on which consideration is contingent. Under IFRS 3 Revised an assessment of probability is no longer required but initial fair value has to be assessed at acquisition date, and post acquisition changes in fair value are charged to the statement of comprehensive income.

***Intangible assets***

Intangible assets that are acquired as a result of a business combination are separately recognised on acquisition at their fair value, and amortised over their expected useful life. This requires management to make an assessment of an asset's separability, revenue stream and life, and apply suitable valuation methodologies thereto.

***Impairment of goodwill***

Goodwill is subject to an impairment test on an annual basis or earlier where any event or change in circumstance is identified that indicates that the carrying value may not be recoverable. Testing for impairment requires a comparison of the carrying value amount of goodwill against the recoverable amount, which is the value-in-use of the cash-generating unit to which the goodwill is allocated. Value-in-use requires estimation of future cash flows expected from the cash-generating unit as well as an appropriate growth factor and discount rate to calculate the present value of the cash flows.

**(f) 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, excluding rebates. Fees earned for the provision of an ongoing service are recognised as that service is provided. Deal fees and facilitation fees are earned on individual transactions and related revenue is recognised on completion of the underlying transaction.

The Group receives compensation for its role as fund manager; these fund management fees include fixed fees and performance fees and are recognised as the related services are provided.

Dividend income is recognised when the Group's right to receive payment is established.

Interest income is recognised using the effective interest method. Interest income is interest earned on bank deposit accounts and loan notes and is included within the statement of comprehensive income.

Revenue is deferred when it does not meet the revenue recognition policy and is presented as deferred income in the statement of financial position.

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 and Channel Islands.

**(g) 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 statement of comprehensive income 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 or substantively enacted by the reporting 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 liability method.

A deferred tax asset or liability shall be recognised for all taxable temporary differences, except to the extent that the deferred tax asset or liability arises from (a) the initial recognition of goodwill, (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/(loss) nor taxable profit/(loss) or (c) relates to an investment in subsidiary, except to the extent that (i) the parent is able to control timing of reversal and (ii) it is probable that temporary differences will not reverse in the foreseeable future. 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 reporting date.

**(h) 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 | 20.0% 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 statement of comprehensive income in the period in which it arises.

**(i) Intangible assets**

***Goodwill***

Goodwill represents the excess of the cost of an acquisition over the fair value of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

***Other intangible assets***

Intangible assets that are acquired as a result of a business combination are separately recognised on acquisition at their fair value. Brands are valued using the 'relief from royalty' method and databases are valued using the 'cost to recreate' method. Amortisation is charged on a 10% straight-line basis to the statement of comprehensive income over their expected useful economic lives, and is included within other operating costs.

## 2 Accounting policies (continued)

### (j) Impairment of intangibles assets

Goodwill is subject to an impairment test on an annual basis or earlier where any event or change in circumstance is identified that indicates that the carrying value may not be recoverable. Testing for impairment requires a comparison of the carrying value amount of goodwill against the recoverable amount, which is the value-in-use of the cash-generating unit to which the goodwill is allocated. Value-in-use requires estimation of future cash flows expected from the cash-generating unit as well as an appropriate growth factor and discount rate to calculate the present value of the cash flows.

Assets that are subject to amortisation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

Impairment losses are recognised immediately in the statement of comprehensive income.

### (k) Financial assets

Financial assets are recognised when the Group becomes party to the contracts that give rise to them and are classified at initial recognition as either financial assets at fair value through profit or loss or loans and receivables. Financial assets are derecognised when the rights to receive cash flows from the asset have expired or the Group has transferred substantially all the risks and rewards of the asset.

***Investments at fair value through profit or loss***

Investments, which include equity and debt investments, are designated on initial recognition as financial assets at fair value through profit or loss. This measurement basis is consistent with the fact that the Group's performance in respect of its portfolio investments is evaluated on a fair value basis in accordance with an established investment strategy. When investments are recognised initially, they are measured at fair value.

After initial recognition the fair value of listed investments is determined by reference to bid prices at the close of business on the reporting date.

Unlisted equity investments are measured at fair value by the directors in compliance with the principles of the International Private Equity and Venture Capital Guidelines, as recommended by the European Venture Capital Association (EVCA). The fair value of unlisted equity investments 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; discounted cash flow analysis and pricing models.

Wherever possible the Group uses valuation techniques which make maximum use of observable market based inputs and accordingly the basis of the valuation methodology used most commonly by the Group is 'price of most recent investment'.

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.

Debt investments are generally unquoted debt instruments which are convertible to equity at a future point in time. Such instruments are considered to be hybrid instruments containing a fixed rate debt host contract with an embedded equity derivative. The Group designates the entire hybrid contract at fair value through profit or loss on initial recognition and accordingly, the embedded derivative is not separated from the host contract and accounted for separately. Given their short term nature, the fair value of debt investments is deemed to be cost less any impairment provision.

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

***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, and comprise trade and other receivables, other financial assets and cash and cash equivalents, all of which are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest rate method. They are included in current assets, except for maturity greater than 12 months after the end of the reporting period. These are classified as non-current assets. The group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position.

***Trade receivables***

Trade receivables are initially recognised at fair value which is normally the invoice value in short term receivables. Thereafter the receivables are carried at amortised cost. Provision is made where there is objective evidence that a balance will not be recovered in full in accordance with the instruments original terms. An impairment calculation is based on a comparison between the carrying amount and the net present value of expected future cash flows, discounted by the original effective rate.

***Cash and cash equivalents***

Cash and cash equivalents in the consolidated cashflow comprise cash in hand, short term bank deposits and bank overdrafts. In the consolidated statement of financial position the bank overdraft is offset.

**(l) Financial liabilities**

Financial liabilities, which comprise bank overdraft and trade and other payables, are initially recognised at fair value and are subsequently carried at amortised cost. The bank overdraft is repayable on demand and forms an integral part of the Group's cash management.

**(m) The Company's investment in its subsidiaries and limited liability partnership**

In the Company's accounts, investment in its subsidiary undertakings and limited liability partnership are stated at cost less any provision for impairment.

**(n) Contingent consideration**

Contingent consideration is recognised at fair value. Under IFRS 3 contingent consideration was recognised when it was probable and was capable of being measured reliably, and changes after initial recognition were recognised as movements in goodwill. Under IFRS 3 Revised, contingent consideration is fair valued at initial recognition even if it is not probable, with subsequent changes recognised in the statement of comprehensive income.

**(o) 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.

**(p) Share capital**

Financial instruments issued by the Group are treated as equity if the holders have only a residual interest in the Group's assets after deducting all liabilities. The Group considers its capital to comprise its share capital, merger reserve and retained earnings.

The Group's capital management objectives are:

- to ensure the Group's ability to continue as a going concern;
- to ensure a sufficient cash balance is maintained; and
- to maximise returns to shareholders

The Group continuously monitors rolling cash flow forecasts to ensure sufficient cash is available for anticipated cash requirements. The Group may issue new shares or realise investments to meet such requirements. To date the Group has negligible borrowings and does not pay a dividend. Investments made by the Group are subject to detailed selection criteria and are monitored carefully by the Board.

Strathtay Ventures Limited, a Group investment management subsidiary, and Envestors Ltd, a Group corporate finance subsidiary and Neon Capital Partners Ltd, a Group fund management subsidiary, are subject to external capital requirements imposed by the Financial Conduct Authority and as such must ensure that they have sufficient capital to satisfy these requirements. The Group ensures it remains compliant with these requirements as described in the financial statements of each company.

There has been no change in capital management objectives, policies and procedures from the previous year

**(q) Share-based payments**

The cost of equity-settled transactions with employees is measured by reference to the fair value of the instruments issued 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 reporting 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 reporting date is recognised in the statement of comprehensive income, 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.

## 2 Accounting policies (continued)

### (q) Share-based payments (continued)

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 statement of comprehensive income 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 statement of comprehensive income.

### (r) Pensions

The Group makes defined pension contributions to certain employees of Viking Fund Managers Ltd and Neon Capital Partners Ltd, its subsidiary undertakings. The assets of the scheme are held separately from those of the Group in independently administered funds. The Group has no further obligations once the contributions have been paid. The contributions are recognised as employee benefits expenses when they are due.

### (s) 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, under IFRS 3 but no longer under IFRS 3 Revised, 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 non-controlling 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 statement of comprehensive income.

## 3 Revenue

Revenue is attributable to the principal activities of the Group. 86% (2012: 98%) arose within the United Kingdom and 14% (2012: 2%) within the Channel Islands.

| | Group 2013 £ | Group 2012 £ |
|---|---|---|
| Investment management and fund management | **2,592,452** | 932,003 |
| Consultancy | **428,008** | 333,136 |
| | **3,020,460** | 1,265,139 |

During the year, one client accounted for £167,483 of the Group's combined investment management and consultancy revenue (2012: one customer £157,258). The business is regarded as, and financial performance is reported to the Board in respect of, one segment due to the nature of services provided and the methods used to provide these services.

### 4 Employee benefits expense

| | Group 2013 £ | Group 2012 £ |
|---|---|---|
| Salaries | 1,683,727 | 1,516,778 |
| Social security costs | 221,755 | 215,321 |
| Pension costs | 43,813 | 10,924 |
| Share-based payments | 22,020 | 19,091 |
| | 1,971,315 | 1,762,114 |

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

| | No. | No. |
|---|---|---|
| | 28 | 25 |

The average number of persons (including directors) employed by the Group during the year was 28 (2012: 25), all of whom were involved in management and administrative activities. The Company had no employees in the year ended 31 March 2013 (2012: £nil), all salaries being paid by subsidiary companies.

During the year Strathtay Ventures Limited (previously Braveheart Ventures Ltd) recharged £315,519 (2012: £450,743) and Neon Capital Partners Limited recharged £248,963 (2012: £nil) to the Company in respect of employee benefits expense.

The remuneration of the directors, is set out below in aggregate:

| | 2013 £ | 2012 £ |
|---|---|---|
| Short-term employee benefits | 391,501 | 440,182 |
| Share-based payments | 6,154 | 2,483 |
| | 397,655 | 442,665 |

Further information about the remuneration of individual directors is provided in the Directors' Remuneration Report on pages 15 to 17.

The remuneration of the management board detailed on page 11, who are considered to be key management personnel of the Group, is set out below in aggregate in accordance with IAS 24 'Related Party Disclosures':

| | 2013 £ | 2012 £ |
|---|---|---|
| Short-term employee benefits | 900,369 | 921,424 |
| Share-based payments | 13,770 | 10,675 |
| | 914,139 | 932,099 |

### 5 Finance revenue

| | Group 2013 £ | Group 2012 £ |
|---|---|---|
| Bank interest receivable | 1,254 | 1,327 |
| Interest on loan notes | 11,344 | 17,484 |
| | 12,598 | 18,811 |

### 6 Finance cost

| | Group 2013 £ | Group 2012 £ |
|---|---|---|
| Finance charges payable under hire purchase contract | - | 237 |
| Bank charges | 15,348 | 28,454 |
| | 15,348 | 28,691 |

### 7 Profit/(loss) before tax

| | Group 2013 £ | Group 2012 £ |
|---|---|---|
| Profit/(loss) for the year has been arrived at after charging: | | |
| Depreciation of property, plant and equipment | 5,684 | 7,880 |
| Amortisation of intangibles | 12,837 | 12,836 |
| Lease payments recognised as an operating lease (office rent) | 87,894 | 96,360 |
| Loss on the disposal of property, plant, and equipment | 7,168 | - |
| Auditors remuneration: | | |
| - audit of parent company | 25,000 | 23,000 |
| - audit of subsidiary companies | 23,000 | 21,000 |
| - audit related regulatory reporting | 5,000 | 3,500 |
| - taxation compliance | 13,000 | 11,500 |

### 8 Tax on profit/(loss) on ordinary activities

No liability to UK corporation tax arose on ordinary activities for the year ended 31 March 2013 or for the year ended 31 March 2012.

| Reconciliation of total tax: | Group 2013 £ | Group 2012 £ |
|---|---|---|
| Profit/(loss) before tax | 67,570 | (1,712,996) |
| Tax at the statutory rate of 20% (2012: 20%) | 13,514 | (342,599) |
| Disallowed expenses | (3,734) | 25,593 |
| Unrealised (gain)/loss on the fair value movement of investments | (50,813) | 128,848 |
| Increase in unutilised tax losses | 39,897 | 186,583 |
| Other adjustments | 1,136 | 1,575 |
| Total tax reported in the statement of comprehensive income | - | - |

The Group has potential deferred tax assets in respect of:

- excess management expenses of £3,105,555 (2012: £2,209,907) arising from Braveheart Investment Group plc;
- excess management expenses of £928,216 (2012: £929,877) arising from Caledonia Portfolio Realisations Ltd;
- unutilised trading losses of £1,805,631 (2012: £1,795,925) in Strathtay Ventures Limited;
- unutilised trading losses of £271,731 (2012: £266,894) in Viking Fund Managers Ltd; and
- unutilised trading losses of £315,312 (2012: £205,890) in Envestors 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.

### 9 Profit/(loss) of the Parent Company

| | 2013 £ | 2012 £ |
|---|---|---|
| Profit/(loss) of the Parent Company only | 16,840 | (1,371,151) |

### 10 Profit/(loss) per share

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

| The calculations of loss per share are based on the following loss and numbers of shares in issue: | 2013 £ | 2012 £ |
|---|---|---|
| Profit/(loss) for the year attributable to equity holders of the parent | 66,607 | (1,724,083) |

| Weighted average number of ordinary shares in issue: | No. | No. |
|---|---|---|
| For basic profit/(loss) per ordinary share | 22,463,876 | 18,225,817 |
| Potentially dilutive ordinary shares | - | - |
| For diluted profit/(loss) per ordinary share | 22,463,876 | 18,225,817 |

There were no potentially dilutive ordinary shares which would decrease the profit per share at the year end.

### 11 Property, plant and equipment

| Group | Fixtures & fittings £ | Computer equipment £ | Total £ |
|---|---|---|---|
| **Cost** | | | |
| **At 1 April 2011** | **34,762** | **49,500** | **84,262** |
| Acquired | - | 753 | 753 |
| Disposals | - | (764) | (764) |
| **At 31 March 2012** | **34,762** | **49,489** | **84,251** |
| Acquired | 729 | 1,297 | 2,026 |
| Disposals | (26,266) | (22,767) | (49,033) |
| **At 31 March 2013** | **9,225** | **28,019** | **37,244** |
| **Accumulated depreciation** | | | |
| **At 1 April 2011** | **21,913** | **33,703** | **55,616** |
| Charge for year | 2,636 | 5,244 | 7,880 |
| Disposals | - | (403) | (403) |
| **At 31 March 2012** | **24,549** | **38,544** | **63,093** |
| Charge for year | 2,067 | 3,617 | 5,684 |
| Disposals | (21,833) | (20,032) | (41,865) |
| **At 31 March 2013** | **4,783** | **22,129** | **26,912** |
| **Net Book Value** | | | |
| **At 31 March 2013** | **4,442** | **5,890** | **10,332** |
| At 31 March 2012 | 10,213 | 10,945 | 21,158 |

Included within the net book value of computer equipment is £3,782 (2012: £5,672) relating to an asset which was held under a hire purchase agreement. The depreciation of computer equipment charged to the financial statements in the year in respect of this asset amounted to £1,890 (2012: £2,836).

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

| | Level 1 | Level 2 | | Level 3 | | |
|---|---|---|---|---|---|---|
| Group | Equity investments in quoted companies £ | Equity investments in unquoted companies £ | Debt investments in unquoted companies £ | Equity investments in unquoted companies £ | Debt investments in unquoted companies £ | Total £ |
| **At 1 April 2011** | **52,630** | **-** | **-** | **3,795,991** | **130,000** | **3,978,621** |
| Additions at Cost | - | - | - | 65,554 | 35,000 | 100,554 |
| Disposals | (52,630) | - | - | - | (8,747) | (61,377) |
| Conversions | - | - | - | 105,000 | (105,000) | - |
| Change in Fair Value | - | - | - | (742,143) | - | (742,143) |
| **At 31 March 2012** | **-** | **-** | **-** | **3,224,402** | **51,253** | **3,275,655** |
| Additions at Cost | - | - | - | 13,831 | 31,858 | 45,689 |
| Disposals | - | - | - | - | (14,990) | (14,990) |
| Change in Fair Value | - | - | - | 254,063 | - | 254,063 |
| **At 31 March 2013** | **-** | **-** | **-** | **3,492,296** | **68,121** | **3,560,417** |

### 12 Investments at fair value through profit or loss (continued)

| | Level 1 | Level 2 | | Level 3 | | |
|---|---|---|---|---|---|---|
| Company | Equity investments in quoted companies £ | Equity investments in unquoted companies £ | Debt investments in unquoted companies £ | Equity investments in unquoted companies £ | Debt investments in unquoted companies £ | Total £ |
| **At 1 April 2011** | **52,630** | **-** | **-** | **2,326,513** | **130,000** | **2,509,143** |
| Additions at Cost | - | - | - | 40,554 | 35,000 | 75,554 |
| Disposals | (52,630) | - | - | - | (8,747) | (61,377) |
| Conversions | - | - | - | 105,000 | (105,000) | - |
| Change in Fair Value | - | - | - | (400,318) | - | (400,318) |
| **At 31 March 2012** | **-** | **-** | **-** | **2,071,749** | **51,253** | **2,123,002** |
| Additions at Cost | - | - | - | 13,831 | 31,858 | 45,689 |
| Disposals | - | - | - | - | (14,990) | (14,990) |
| Change in Fair Value | - | - | - | 328,640 | - | 328,640 |
| **At 31 March 2013** | **-** | **-** | **-** | **2,414,220** | **68,121** | **2,482,341** |

Investments, which include equity and debt investments, are designated on initial recognition as financial assets at fair value through profit or loss. This measurement basis is consistent with the fact that the Group's performance in respect of its portfolio investments is evaluated on a fair value basis in accordance with an established investment strategy. When investments are recognised initially, they are measured at fair value.

After initial recognition the fair value of listed investments is determined by reference to bid prices at the close of business on the reporting date.

Unlisted equity investments are measured at fair value by the directors in compliance with the principles of the International Private Equity and Venture Capital Guidelines, updated and effective August 2010, as recommended by the European Venture Capital Association (EVCA). The fair value of unlisted equity investments 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; discounted cash flow analysis and pricing models.

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

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

All unquoted investments have been classified within Level 3, their respective valuations having been calculated using a number of valuation techniques and assumptions, notwithstanding that the basis of the valuation methodology used most commonly by the Group is 'price of most recent investment'. The use of reasonably possible alternative assumptions has no material effect on the fair valuation of the related investments. During the year ending 2013, no portfolio companies went into either liquidation or administration. The year ending 2012, £97,903 of Group and Company Level 3 reduction in fair value related to investments no longer held at the year end.

Details of 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 class of shares held | Nature of Business |
|---|---|---|---|
| Verbalis Ltd (Verbalis) | 'A' Ordinary shares | 100% | Design and production of automated language translation systems |

The above shareholding, which is held by Caledonia Portfolio Realisations Ltd (CPR), represents a 20% aggregate shareholding in Verbalis. Neither CPR nor the Company is represented on the Board or within management of Verbalis and in the opinion of the directors, this shareholding does not entitle the Company to exert a significant or dominant influence over Verbalis. The carrying value of Verbalis is nil.

## 13 Investment in subsidiaries and limited liability partnership

**(i) Investment in subsidiaries**

The Company has the following interests in subsidiary undertakings:

| Name | Country of Incorporation | Nature of Business | % Interest |
|---|---|---|---|
| Strathtay Ventures Limited (SVL) | Scotland | Investment management | 100% |
| Braveheart Ventures Ltd (BVL) | Scotland | Dormant | 100% |
| Caledonia Portfolio Realisations Ltd (CPR) | Scotland | Investment management | 100% |
| Caledonia LP Ltd | Scotland | Investment management | 100% |
| Strathclyde Innovation Fund GP Ltd | Scotland | Investment management | 100% |
| Caledonia Specialist Finance Ltd | Scotland | Dormant | 100% |
| Envestors Ltd | England | Investment management & business advisory services | 100% |
| Viking Fund Managers Ltd (VFM) | England | Investment management & business advisory services | 100% |
| Braveheart Academic Seed Funding GP Ltd | England | Investment management | 100% |
| Neon Capital Partners Ltd | England | Investment management | 100% |

| Company | £ |
|---|---|
| Cost | |
| **At 1 April 2011** | **2,238,097** |
| Increase in investment value arising from share-based payments | 19,091 |
| Additions: SVL (note 24) | 350,000 |
| Impairment in investment value: SVL (note 13) | (473,282) |
| Additions: ENV (note 24) | 50,000 |
| Additions: Neon (note 24) | 674,244 |
| Decrease in investment value: CPR | (184,182) |
| **At 31 March 2012** | **2,673,968** |
| Increase in investment value arising from share-based payments | 22,020 |
| Additions: SVL (note 24) | 90,000 |
| Impairment in investment value: SVL (note 13) | (37,702) |
| Additions: ENV (note 24) | 200,000 |
| Additions: Neon (note 14) | 14,190 |
| Decrease in investment value: CPR | (40,693) |
| **At 31 March 2013** | **2,921,783** |

During the year the directors determined to write down the carrying value of the Company's investment in SVL by £37,702 (2012: £473,282) to SVL's net asset value. This impairment provision is charged within the Company's operating costs.

Group entities act as General Partner to, and have an interest in, the following limited partnership:

| Name | Place of Business | % interest |
|---|---|---|
| Strathclyde Innovation Fund (SIF) | Scotland | 89.29% |
| Caledonia Specialist Finance (CSF) | Scotland | 100% |
| Lachesis Seed Fund (Lachesis) | England | 0% |
| Finance Yorkshire Equity Fund | England | 0% |

SIF has been included in the consolidated financial statements since 1 April 2008. CSF has been dormant since inception.

In addition, VFM holds the undernoted interest in the following business:

| Name | Country of Incorporation | Nature of Business | % Interest |
|---|---|---|---|
| Ridings Holdings Ltd (RHL) | England | Fund management | 33.33% |

This holding which VFM has no significant influence over is classified as an investment held by a venture capital, and is measured at a fair value of £nil (2012: £nil) in accordance with IAS 39 Financial Instruments: Recognition and Measurement. For the 12 months ended 31 March 2013 RHL generated a profit after tax of £93,593 (2012: profit after tax of £164,544) and at 31 March 2013 had share capital and reserves of £458,258 (2012: £364,666).

**(ii) Investment in limited liability partnership**

The Group has a 33.3% interest in the total capital commitments of WhiteRock Capital Partners LLP which is classified as an investment in limited liability partnership in the statement of financial position.

## 14 Goodwill

| | VFM | Envestors | Neon | Total |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| **At 1 April 2011** | **371,944** | **615,161** | **-** | **987,105** |
| Neon - acquired on acquisition | - | - | 365,810 | 365,810 |
| **At 31 March 2012** | **371,944** | **615,161** | **365,810** | **1,352,915** |
| Movement | - | - | 14,190 | 14,190 |
| **At 31 March 2013** | **371,944** | **615,161** | **380,000** | **1,367,105** |

The acquisition of Viking Fund Managers (VFM) has been accounted for under IFRS 3. At initial recognition, contingent consideration settled, or to be settled, in shares was fair valued by reference to the Company's share price at the acquisition date.

The acquisition of Envestors has been accounted for under IFRS 3 Revised. At initial recognition, consideration settled, or to be settled, in shares was fair valued by reference to the Company's share price at the acquisition date. Under IFRS 3 Revised, future changes to the fair value of contingent consideration are applied to the statement of comprehensive income, and accordingly goodwill will remain constant unless impaired.

The acquisition of Neon has been accounted for under IFRS 3 Revised. During the year, the consideration was settled in full. Changes which arose within the measurement period resulted in a revised net asset value for Neon.

At the end of the year, the Group assessed the recoverable amount of the above goodwill associated with each of the VFM, Neon and Envestors cash-generating units (all being part of the Group's only operating segment), and determined that goodwill was not impaired. The recoverable amount was assessed by reference to the cash-generating unit's value in use based on internally prepared and approved 3 year cash flow projections and growth based projections for a further 7 years (a reasonable measurement period in the group's line of business) assuming the following growth rates and applying the following discount factors:

| Cash-generating unit | Neon | | VFM | | Envestors | |
|---|---|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 | **2013** | 2012 |
| Growth rate (average p.a.) | **-** | - | **3 - 5%** | 3 - 5% | **3 - 5%** | 3 - 5% |
| Discount factor (p.a.) | **9-12.5%** | 9% | **9-12.5%** | 9% | **9-12.5%** | 9% |

These factors are based on past experience and future expectations which the directors consider to be appropriate. Value in use estimates arising from reasonably possible changes to these factors do not indicate impairment.

## 15 Intangible assets

| | Brand | Database | Total |
|---|---|---|---|
| **Group** | £ | £ | £ |
| **Cost** | | | |
| **At 1 April 2012 and 31 March 2013** | **66,869** | **61,500** | **128,369** |
| | | | |
| **Accumulated amortisation** | | | |
| At 1 April 2012 | 10,029 | 9,225 | 19,254 |
| Amortisation | 6,687 | 6,150 | 12,837 |
| **At 31 March 2013** | **16,716** | **15,375** | **32,091** |
| | | | |
| **Net Book Value** | | | |
| **At 31 March 2013** | **50,153** | **46,125** | **96,278** |
| At 31 March 2012 | 56,840 | 52,275 | 109,115 |

Intangible assets acquired on acquisition first arose on the acquisition by Envestors of the business of Envestors LLP, and comprise Envestors' brand and database of high-net-worth investor contacts. The brand has been valued using the 'relief from royalty' method and the database using the 'cost to recreate' method.

All intangible assets are amortised at 10% straight line over 10 years.

### 16 Trade and other receivables

| | Group 2013 £ | Group 2012 £ | Company 2013 £ | Company 2012 £ |
|---|---|---|---|---|
| Trade receivables | 227,832 | 182,065 | - | - |
| Prepayments and accrued income | 233,982 | 63,275 | 41,037 | 59,935 |
| Amounts due from related parties | - | - | 1,727,785 | 607,874 |
| Other receivables | - | 54,112 | - | 54,112 |
| | 461,814 | 299,452 | 1,768,822 | 721,921 |
| Non-current: Other receivables | 154,000 | - | - | - |
| | 615,814 | 299,452 | 1,768,822 | 721,921 |

As trade receivables are generally of short-term maturity, the directors consider the carrying amounts to approximate their fair value. All receivables are non-interest bearing and unsecured. The non-current receivable is a contractual performance fee which is due within 2 years from the end of the reporting period.

### 17 Cash and cash equivalents

| | Group 2013 £ | Group 2012 £ | Company 2013 £ | Company 2012 £ |
|---|---|---|---|---|
| Cash at bank and on hand | 39,084 | 87,974 | - | 12,688 |
| Bank overdraft used for cash management | - | - | (322,998) | - |

Cash balances are held with HSBC Bank plc and Bank of Scotland plc and earn interest at floating rates based on daily bank deposit rates. At 31 March 2012, £336,000 was held with HSBC Bank plc for the subscription of new shares which took place on 5 April 2012.

### 18 Trade and other payables

| | Group 2013 £ | Group 2012 £ | Company 2013 £ | Company 2012 £ |
|---|---|---|---|---|
| Trade payables | 222,284 | 263,946 | 48,613 | 192,895 |
| Other payables | - | 294,244 | - | 294,244 |
| Amounts due to related parties | - | - | 1,741,051 | 415,223 |
| Other taxes and social security | 121,710 | 50,411 | - | - |
| Accruals | 292,308 | 123,692 | 23,516 | 74,850 |
| | 636,302 | 732,293 | 1,813,180 | 977,212 |

Due to the short-term maturity of trade payables, the directors consider the carrying amounts to approximate their fair value. Trade payables are non-interest bearing and are normally settled on 30-day terms.

### 19 Deferred and contingent consideration

On 22 March 2012, the Company acquired 100% of the issued share capital of Neon Capital Partners Ltd. The deferred consideration regarding the acquisition was paid in full during the year ending March 2013.

Short term contingent consideration of £373,694 comprises (i) £129,849 being the fair value of the short term contingent consideration due to Envestors and will be satisfied by the issue of 1,207,903 ordinary shares of 2 pence each in the Company, and (ii) £243,845 being the sum due on future exit values of the Caledonia Portfolio Realisation portfolio.

At the year ended 31 March 2012 short term contingent consideration of £360,599 comprised (i) £76,062 being the fair value of the short term contingent consideration due to Envestors and will be satisfied by the issue of 647,334 ordinary shares of 2 pence each in the Company, and (ii) £284,537 being the sum due on future exit values of the Caledonia Portfolio Realisation portfolio. Long term contingent consideration of £140,616 represents the fair value of long term contingent consideration due in respect of the acquisition of Envestors, equivalent to 1,196,731 shares.

## 20 Share capital

| | 2013 £ | 2012 £ |
|---|---|---|
| Authorised<br>33,645,000 ordinary shares of 2 pence each<br>(2012: 33,645,000 ordinary shares of 2 pence each) | **672,900** | 672,900 |
| Allotted, called up and fully paid<br>23,261,712 ordinary shares of 2 pence each<br>(2012: 19,281,047 ordinary shares of 2 pence each) | **465,233** | 385,620 |

The Company issued 2,239,998 new ordinary shares on 5 April 2012 and 1,093,333 new ordinary shares on 11 May 2012 at a placing price of 15 pence per share. On 19 December 2012 the Company issued 647,334 ordinary shares of 2 pence each in satisfaction of consideration due on its acquisition of Envestors. The Company has one class of ordinary shares. All shares carry equal voting rights, equal rights to income and distribution of assets on liquidation or otherwise, and no right to fixed income. The merger reserve was created for the amounts subscribed for share capital in excess of nominal value in relation to the qualifying acquisition of subsidiary undertakings

## 21 Share-based payments

The Group operates the Braveheart Investment Group plc Executive Share Option Scheme 2006 (the Scheme), which comprises Part A, a share option scheme approved by HMRC (the Approved Scheme) and Part B, an unapproved share option scheme (the Unapproved Scheme).

Historically, the Scheme was open to all directors and employees of the Group, although non-executive directors could only participate in Part B. The Scheme is now only open to all executive directors and employees.

Options are granted by the Board taking into account the need to motivate, retain and recruit high calibre employees and with regard to the contribution that such employees are expected to make in achieving the Group's objectives.

Options granted under the Scheme are categorised as either Employment Options, Performance Options or Other Options. Employment Options may be granted under either Part A or Part B. All Performance Options and Other Options are granted under Part B.

Employment Options vest and become exercisable on the third anniversary of date of grant, and generally lapse on the earlier of cessation of employment (or 6 months thereafter if options have vested at cessation date) or the 10th anniversary of date of grant.

Performance Options have vesting conditions linked to the growth in the Company's market capitalisation from the date of grant (Performance Conditions). If a Performance Condition is not met, the related Performance Option lapses at the end of the relevant measurement period.

Otherwise Performance Options vest on attainment of the Performance Condition and become exercisable on the 1st anniversary of the date of the Performance Condition being met, and lapse on the 10th anniversary of date of grant.

Other Options are immediately exercisable and lapse on the 10th anniversary of date of grant.

During the current year, 507,659 Employment Options and 798,729 Performance Options were granted. 88,683 Employment Options lapsed, 23,846 Performance Options lapsed and 19,556 Other Options lapsed during the year either due to the cessation of employment or related Performance Condition not having been met.

During the year ended 31 March 2012, no Employment Options, Performance Options or Other Options were granted. 240,363 Employment Options lapsed, 46,154 Performance Options lapsed and 74,074 Other Options lapsed during the year either due to the cessation of employment or related Performance Condition not having been met.

The current year movement in Share Options is summarised below:

| Date of Grant | At 1 April 2012 | Weighted Average Exercise Price | No of Options granted in year | No of Options exercised in year | No of Options lapsed in year | At 31 March 2013 | Exercise Price | Weighted Average Exercise Price | Date first exercisable | Expiry date |
|---|---|---|---|---|---|---|---|---|---|---|
| **Employment Options granted under Part A** | | | | | | | | | | |
| 8 December 2008 | 45,087 | | - | - | (28,902) | 16,185 | £0.35 | | 8 December 2011 | 7 December 2018 |
| 18 June 2009 | 143,510 | | - | - | (22,745) | 120,765 | £0.295 | | 18 June 2012 | 17 June 2019 |
| 5 July 2010 | 189,648 | | - | - | (37,036) | 152,612 | £0.255 | | 5 July 2013 | 4 July 2020 |
| 5 October 2010 | 96,154 | | - | - | - | 96,154 | £0.235 | | 5 October 2013 | 4 October 2020 |
| 25 May 2012 | - | | 392,440 | - | - | 392,440 | £0.1200 | | 25 May 2015 | 24 May 2022 |
| 3 September 2012 | - | | 102,018 | - | - | 102,018 | £0.1600 | | 3 September 2015 | 2 September 2022 |
| 25 September 2012 | - | | 13,201 | - | - | 13,201 | £0.1575 | | 25 September 2012 | 24 September 2022 |
| | 474,399 | £0.200 | 507,659 | - | (88,683) | 893,375 | | £0.188 | | |
| **Employment Options granted under Part B** | | | | | | | | | | |
| 18 June 2009 | 74,422 | | - | - | - | 74,422 | £0.295 | | 18 June 2012 | 17 June 2019 |
| 5 July 2010 | 89,609 | | - | - | - | 89,609 | £0.255 | | 5 July 2013 | 4 July 2020 |
| | 164,031 | £0.273 | - | - | - | 164,031 | | £0.273 | | |
| **Performance Options granted under Part B** | | | | | | | | | | |
| 5 July 2010 | 284,612 | | - | - | (23,846) | 260,766 | £0.255 | | 5 October 2011 | 4 July 2020 |
| 5 October 2010 | 95,237 | | - | - | - | 95,237 | £0.235 | | 5 January 2012 | 4 October 2020 |
| 25 May 2012 | - | | 312,500 | - | - | 312,500 | £0.1200 | | 25 August 2013 | 24 May 2022 |
| 3 September 2012 | - | | 446,015 | - | - | 446,015 | £0.1600 | | 3 December 2013 | 2 September 2022 |
| 25 September 2012 | - | | 40,214 | - | - | 40,214 | £0.1575 | | 25 December 2013 | 24 September 2022 |
| | 379,849 | £0.188 | 798,729 | - | (23,846) | 1,154,732 | | £0.177 | | |
| **Other Options granted under Part B** | | | | | | | | | | |
| 5 July 2010 | 270,575 | £0.255 | - | - | (19,556) | 251,019 | £0.255 | 0.255 | 5 July 2010 | 4 July 2020 |

### 21 Share-based payments (continued)

The previous year movement in Share Options is summarised below:

| Date of Grant | At 1 April 2011 | Weighted Average Exercise Price | No of Options granted in year | No of Options exercised in year | No of Options lapsed in year | At 31 March 2012 | Exercise Price | Weighted Average Exercise Price | Date first exercisable | Expiry date |
|---|---|---|---|---|---|---|---|---|---|---|
| **Employment Options granted under Part A** | | | | | | | | | | |
| 18 June 2007 | 38,195 | | - | - | (38,195) | - | £1.645 | | 18 June 2010 | 17 June 2017 |
| 25 June 2008 | 68,861 | | - | - | (68,861) | - | £1.15 | | 25 June 2011 | 24 June 2018 |
| 8 December 2008 | 45,087 | | - | - | - | 45,087 | £0.35 | | 8 December 2011 | 7 December 2018 |
| 18 June 2009 | 173,670 | | - | - | (30,160) | 143,510 | £0.295 | | 18 June 2012 | 17 June 2019 |
| 5 July 2010 | 224,325 | | - | - | (34,677) | 189,648 | £0.255 | | 5 July 2013 | 4 July 2020 |
| 5 October 2010 | 96,154 | | - | - | - | 96,154 | £0.235 | | 5 October 2013 | 4 October 2020 |
| | 646,292 | £0.447 | - | - | (171,893) | 474,399 | | £0.200 | | |
| **Employment Options granted under Part B** | | | | | | | | | | |
| 18 June 2007 | 25,191 | | - | - | (25,191) | - | £1.645 | | 18 June 2010 | 17 June 2017 |
| 25 June 2008 | 43,279 | | - | - | (43,279) | - | £1.15 | | 25 June 2011 | 24 June 2018 |
| 18 June 2009 | 74,422 | | - | - | - | 74,422 | £0.295 | | 18 June 2012 | 17 June 2019 |
| 5 July 2010 | 89,609 | | - | - | - | 89,609 | £0.255 | | 5 July 2013 | 4 July 2020 |
| | 232,501 | £0.585 | - | - | (68,470) | 164,031 | | £0.273 | | |
| **Performance Options granted under Part B** | | | | | | | | | | |
| 5 July 2010 | 330,766 | | - | - | (46,154) | 284,612 | £0.255 | | 5 October 2011 | 4 July 2020 |
| 5 October 2010 | 95,237 | | - | - | - | 95,237 | £0.235 | | 5 January 2012 | 4 October 2020 |
| | 426,003 | £0.251 | - | - | (46,154) | 379,849 | | £0.188 | | |
| **Other Options granted under Part B** | | | | | | | | | | |
| 5 July 2010 | 344,649 | £0.255 | - | - | (74,074) | 270,575 | £0.255 | 0.255 | 5 July 2010 | 4 July 2020 |

291,826 shares were exercisable at 31 March 2013 (2012: 896,028). The weighted average exercise price of the total number of options granted and not exercised at 31 March 2013 was £0.195 (2012: £0.209) and the weighted average contractual life of the options was 2,804 days (2012: 2,926 days).

The charge made in respect of the fair value of options granted was:

| | **2013** | 2012 |
|---|---|---|
| | **£** | £ |
| Expense arising from equity-settled share-based payments transactions | **22,020** | 19,091 |

The fair value of Performance and Other Options are estimated at the date of grant using a Trinomial option pricing model. The fair value of Employment Options is estimated at the date of grant using a Black-Scholes option pricing model.

The following assumptions have been used in calculating the fair value of share options:

| | **2013** | | **2012** | |
|---|---|---|---|---|
| | **Employment Options** | **Performance Options** | **Employment Options** | **Performance Options** |
| Valuation method | Black-Scholes | Trinomial | Black-Scholes | Trinomial |
| Risk free interest rate | 1.5% | 1.5% | 1.5% | 1.5% |
| Expected life (average years) | 3 | 2 | 3 | 2 |
| Expected volatility | 42% | 42% | 42% | 42% |
| Dividend yield | 0% | 0% | 0% | 0% |

The expected life of the options is the expected average point at which an option becomes exercisable. The expected volatility is based on historical volatility of the share price of the Company and of quoted comparable companies over the most recent period at the date of grant that is commensurate with the average expected life of the option. The weighted average share price used in each calculation was equal to the option exercise price.

## 22 Operating lease commitments

The Group entered into a commercial lease on its office premises in Perth in June 2005 for a 5-year period, and the lease has been extended for a further five years. Viking Fund Managers entered into a one year commercial lease on its office premises in November 2012. Envestors entered into a five year commercial lease on its office premises commencing July 2010. Renewals are at the option of the lessor. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum rentals payable under operating leases are as follows:

| | **2013** | 2012 |
|---|---|---|
| | **£** | £ |
| Future minimum payments due: | | |
| Not later than one year | **68,712** | 77,980 |
| In two to five years | **79,333** | 145,133 |
| | **148,045** | 223,113 |

## 23 Borrowings

At 31 March 2013 Strathclyde Innovation Fund LP had received £43,392 (2012: £43,392) from limited partners unrelated to the Group to cover partnership obligations. Such sums are treated as long terms loans from limited partners.

## 24 Related party disclosures

Trade and other receivables (note 16) include the following amounts due from subsidiary undertakings:

| | 2013 | 2012 |
|---|---|---|
| | £ | £ |
| Caledonia Portfolio Realisations Ltd | 1,030 | 5,211 |
| Caledonia LP Ltd | 316,293 | 316,293 |
| Neon Capital Partners Ltd | 613,770 | 254,070 |
| Envestors Ltd | 8,621 | 4,621 |
| Strathclyde Innovation Fund LP | 27,679 | 27,679 |
| Strathtay Ventures Ltd | 760,392 | - |
| | 1,727,785 | 607,874 |

Trade and other payables (note 18) include the following amounts due to subsidiary undertakings:

| | 2013 | 2012 |
|---|---|---|
| | £ | £ |
| Strathtay Ventures Limited | 563,861 | 415,223 |
| Neon Capital Partners Ltd | 1,017,190 | - |
| Strathclyde Innovation Fund LP | 25,000 | - |
| Envestors Ltd | 135,000 | - |
| | 1,741,051 | 415,223 |

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

During the year ending 2013, the Company subscribed for 900,000 (2012: 3,500,000) ordinary shares of 10p each in SVL with an aggregate nominal value of £90,000 (2012: £350,000). The Company also subscribed for 200,000 redeemable preference shares (2012: 50,000) of £1 each in Envestors at an aggregate cost of £200,000 (2012: £50,000).

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

Group entities have a limited partnership interest in and act as General Partner to, Strathclyde Innovation Fund LP and Caledonia Specialist Finance LP.

Certain executive and non-executive directors are clients of SVL. Investment transactions executed on their behalf are carried out on the same commercial terms as all other clients of SVL.  Fees arising during the year from such transactions were as follows: Edward Cunningham £260 (2012: £ nil).

Andrew Burton is a director of VFM. During the year Mr Burton was a 33% shareholder in Yorkshire Association of Business Angels Ltd which VFM invoiced £167,483 (2012: £157,258) for services during the year of which £13,059 (2012: £15,767) was outstanding at 31 March 2013. During the year, VFM was charged rent totalling £11,060 (2012: £20,880) in respect of business premises owned personally by Mr and Mrs Burton. As at 31 March 2013, £3,020 (2012: £2,166) was due to Mr and Mrs Burton.

### 25 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 and other receivables, and trade and other payables, all of which arise directly from its normal operations.

The carrying values of all of the Group and Company's financial instruments approximate their fair values at 31 March 2013 and 31 March 2012. The Accounting Policies described in note 2 outlines how the financial instruments are measured.

An analysis of the statement of financial position, relevant to an analysis of risk management, is as follows:

| | Financial instruments | | | |
|---|---|---|---|---|
| | Designated at fair value though profit or loss | Loans and receivables | Non-financial assets & financial assets outwith the scope of IAS 39 | Total |
| | £ | £ | £ | £ |
| **Group** | | | | |
| **2013** | | | | |
| Investments | 3,560,417 | - | - | 3,560,417 |
| Trade and other receivables | - | 381,832 | 233,982 | 615,814 |
| Cash and cash equivalents | - | 39,084 | - | 39,084 |
| | 3,560,417 | 420,916 | 233,982 | 4,215,315 |
| **2012** | | | | |
| Investments | 3,275,655 | - | - | 3,275,655 |
| Trade and other receivables | - | 236,177 | 63,275 | 299,452 |
| Cash and cash equivalents | - | 87,974 | - | 87,974 |
| Cash held for new shares | - | 336,000 | - | 336,000 |
| | 3,275,655 | 660,151 | 63,275 | 3,999,081 |
| **Company** | | | | |
| **2013** | | | | |
| Investments | 2,482,341 | - | 2,926,783 | 5,409,124 |
| Trade and other receivables | - | 1,727,785 | 41,037 | 1,768,822 |
| | 2,482,341 | 1,727,785 | 2,967,820 | 7,177,946 |
| **2012** | | | | |
| Investments | 2,123,002 | - | 2,673,968 | 4,796,970 |
| Trade and other receivables | - | 661,986 | 59,935 | 721,921 |
| Cash and cash equivalents | - | 12,688 | - | 12,688 |
| Cash held for new shares | - | 336,000 | - | 336,000 |
| | 2,123,002 | 1,010,674 | 2,733,903 | 5,867,579 |

### 25 Financial risk management objectives and policies (Group and Company) (continued)

| | Other financial liabilities at amortised cost £ | Liabilities not within the scope of IAS 39 £ | Total £ |
|---|---|---|---|
| **Group** | | | |
| **2013** | | | |
| Trade and other payables | 636,302 | - | 636,302 |
| Contingent consideration | 129,849 | 243,845 | 373,694 |
| Borrowings | 43,392 | - | 43,392 |
| | 809,543 | 243,845 | 1,053,388 |
| **2012** | | | |
| Trade and other payables | 732,293 | - | 732,293 |
| Contingent consideration | 216,678 | 284,537 | 501,215 |
| Borrowings | 43,392 | - | 43,392 |
| | 992,363 | 284,537 | 1,276,900 |
| **Company** | | | |
| **2013** | | | |
| Trade and other payables | 1,813,180 | - | 1,813,180 |
| Contingent consideration | 129,849 | 243,845 | 373,694 |
| Bank overdraft | 322,998 | - | 322,998 |
| | 2,266,027 | 243,845 | 2,509,872 |
| **2012** | | | |
| Trade and other payables | 977,212 | - | 977,212 |
| Contingent consideration | 216,678 | 284,537 | 501,215 |
| | 1,193,890 | 284,537 | 1,478,427 |

One of the Group's principal objectives and policies is to achieve income and capital gains through investment in equity shares in a portfolio of UK companies, the majority of which are unlisted.

Through its normal operations the Group is exposed to a number of financial risks, namely credit risk, liquidity risk and market risk. The Board reviews and agrees policies for managing each of these risks as summarised below.

**Credit risk**

Credit risk arises from the exposure to the risk of loss if the counterparty fails to perform its financial obligations to the Group. The Group's financial assets predominantly comprise investments designated at fair value through profit or loss, and cash. In accordance with its Investment Policy the Group seeks to manage credit risk related to its investments through detailed investment selection criteria and diversification and by placing limits on individual investments. In accordance with its Treasury Policy, the Group seeks to mitigate this risk on cash by placing funds only with banks with high credit-ratings assigned by international credit-rating agencies.

The Group has no significant concentration of credit risk within any of its other financial assets. Included within such other financial assets are balances which are past due at the reporting date for which the Group has not provided as there has not been a significant change in their credit quality and which the Group believes are fully recoverable. The age profile of the Group and Company's other financial assets is as follows:

| | Neither past due nor impaired £ | Less than 3 months £ | 3 to 12 months £ | More than 1 year £ | Total £ |
|---|---|---|---|---|---|
| **Group** | | | | | |
| **2013** | | | | | |
| Trade receivables | 324,899 | 33,914 | 11,400 | 11,619 | 381,832 |
| Other receivables | 192,757 | - | - | - | 192,757 |
| | 517,656 | 33,914 | 11,400 | 11,619 | 574,589 |
| **2012** | | | | | |
| Trade receivables | 109,394 | 50,444 | 22,227 | - | 182,065 |
| Other receivables | 77,945 | - | - | - | 77,945 |
| | 187,339 | 50,444 | 22,227 | - | 260,010 |
| **Company** | | | | | |
| **2013** | | | | | |
| Amounts due from related parties | 1,727,785 | - | - | - | 1,727,785 |
| Other receivables | 39,516 | - | - | - | 39,516 |
| | 1,767,301 | - | - | - | 1,767,301 |
| **2012** | | | | | |
| Amounts due from related parties | 607,874 | - | - | - | 607,874 |
| Other receivables | 114,047 | - | - | - | 114,047 |
| | 721,921 | - | - | - | 721,921 |

The Group considers its exposure to credit risk is negligible.

**Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group seeks to manage its liquidity risk by holding sufficient cash reserves to meet foreseeable needs, and by investing cash assets safely. The Group continuously monitors rolling cash flow forecasts to ensure sufficient cash is available for anticipated cash requirements and, in accordance with its Treasury Policy, the Group only invests cash assets with reputable counterparties.

### 25 Financial risk management objectives and policies (continued)

The maturity profile of the Group and Company's financial liabilities is as follows:

| | On demand | Less than 3 months | 3 to 12 months | More than 1 year | Total |
|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ |
| **Group** | | | | | |
| **2013** | | | | | |
| Trade and other payables | 591,375 | 38,351 | 6,464 | 112 | 636,302 |
| Other liabilities | 121,263 | - | - | 43,392 | 164,655 |
| | 712,638 | 38,351 | 6,464 | 43,504 | 800,957 |
| **2012** | | | | | |
| Trade and other payables | 547,588 | 184,705 | - | - | 732,293 |
| Other liabilities | 15,642 | - | - | 43,392 | 59,034 |
| | 563,230 | 184,705 | - | 43,392 | 791,327 |
| **Company** | | | | | |
| **2013** | | | | | |
| Trade and other payables | 54,998 | 15,171 | 1,942 | 18 | 72,129 |
| Amounts due to related parties | 1,741,051 | - | - | - | 1,741,051 |
| Bank overdraft | 322,998 | - | - | - | 322,998 |
| | 2,119,047 | 15,171 | 1,942 | 18 | 2,136,178 |
| **2012** | | | | | |
| Trade and other payables | 383,107 | 178,882 | - | - | 561,989 |
| Amounts due to related parties | 415,223 | - | - | - | 415,223 |
| | 798,330 | 178,882 | - | - | 977,212 |

**Market Risk**

Market risk is the risk that changes in market conditions such as equity prices, interest rates and foreign exchange rates will have an adverse impact on the Group's financial position or results.

**Equity price risk**

The Group is exposed to equity price risk due to uncertainties about future values of its portfolio of listed and unlisted equity investments. The Group manages such equity price risk in a similar way to credit risk through detailed investment selection criteria and diversification and by placing limits on individual investments. Investments are monitored carefully and the Board reviews the portfolio on a regular basis.

It is estimated that the maximum effect of a 10% fall in market prices to which the Group is exposed would be an increase in the loss before tax for the twelve months to 31 March 2013 of £356,041 (2012: £327,565).

**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, with the exception of loan notes which attract fixed rate interest, and cash balances which attract variable interest rates determined with reference to the bank interest rate.

The interest rate profile of the Group's financial instruments is as follows:

| | Fixed Rate £ | Variable Rate £ | Interest free £ | Total £ |
|---|---|---|---|---|
| **2013** | | | | |
| **Financial assets** | | | | |
| Investments: equity | - | - | 3,492,296 | 3,492,296 |
| Investments: loan notes | 68,121 | - | - | 68,121 |
| Cash and cash equivalents | - | 39,084 | - | 39,084 |
| Other financial assets | - | - | 615,814 | 615,814 |
| | 68,121 | 39,084 | 4,108,110 | 4,215,315 |
| **Financial liabilities** | | | | |
| Contingent consideration | - | - | 373,694 | 373,694 |
| Other financial liabilities | - | - | 800,957 | 800,957 |
| | - | - | 1,174,651 | 1,174,651 |
| **2012** | | | | |
| **Financial assets** | | | | |
| Investments: equity | - | - | 3,224,402 | 3,224,402 |
| Investments: loan notes | 51,253 | - | - | 51,253 |
| Cash and cash equivalents | - | 87,974 | - | 87,974 |
| Cash held for new shares | - | 336,000 | - | 336,000 |
| Other financial assets | - | - | 299,452 | 299,452 |
| | 51,253 | 423,974 | 3,523,854 | 3,999,081 |
| **Financial liabilities** | | | | |
| Contingent consideration | - | - | 501,215 | 501,215 |
| Other financial liabilities | - | - | 791,327 | 791,327 |
| | - | - | 1,292,542 | 1,292,542 |

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 an increase in loss before tax for the twelve months to 31 March 2013 of £381 (2012: £880).

**Foreign currency risk**

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

## 25 Ultimate controlling party

There is no ultimate controlling party.

## 26 Post-reporting date events

There are no events to report.

**BRAVEHEART INVESTMENT GROUP PLC**
**(“The Company”)**
**NOTICE OF ANNUAL GENERAL MEETING**
(registered in Scotland with company number SC247376)

NOTICE IS HEREBY GIVEN that an Annual General Meeting of the Company will be held at Merlin House, Necessity Brae, Perth, PH2 0PF on Thursday 26 September 2013 at 1pm 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 2013 and the reports of the directors and auditors thereon be received.

### Resolution 2

THAT Grant Thornton UK LLP be re-appointed as auditors of the company to hold office until the conclusion of the next general meeting of the Company before which audited accounts are laid.

### Resolution 3

THAT the directors be authorised to determine the remuneration of the auditors.

### Resolution 4

THAT Geoffrey Charles Byars Thomson who retires by rotation under article 109.1 of the Company’s existing Articles of Association, be re-elected as a director of the Company.

### Resolution 5

THAT John Kenneth Brown who retires by rotation under article 109.1 of the Company’s existing Articles of Association, be re-elected as a director of the Company.

### Special Business

To consider and, if thought fit, pass the following resolution which will be proposed as a Special Resolution of the Company:

### Resolution 6

THAT the directors, pursuant to the general authority conferred on them, be empowered pursuant to section 570 of the Companies Act 2006 (the “Act”) to allot for cash equity securities (as defined in section 560 of the Act) as if section 561 of the Act did not apply to such allotment provided that this power shall be limited to the allotment of equity securities wholly for cash up to an aggregate nominal value of £139,570 (being 30% of the issued share capital of the Company as at 14 August 2013) and shall expire on 26 September 2014 or, if earlier, the date of the next annual general meeting of the Company, save that the Company may, before such expiry, make offers or agreements which would or might require equity securities to be allotted and the directors may allot equity securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired.

Registered office:
Merlin House
Necessity Brae
Perth
PH2 0PF

Dated 2 September 2013

BY ORDER OF THE BOARD

**Aileen Brown**
**Company Secretary**

**Explanations of the Resolutions proposed.**

**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 2013 and the reports of the directors and auditors thereon. The report of the directors and the audited accounts have been approved by the directors and the report of the auditors has been approved by the auditors. A copy of each of these documents may be found in the annual report of the Company.

**Explanation of Resolution 2:** The auditors are 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 the financial position. It is a requirement of law that the Company appoint auditors at each meeting at which accounts are presented to shareholders, such appointment to continue until the next audited accounts of the Company.

**Explanation of Resolution 3:** The resolution gives the directors of the Company the authority to determine the remuneration paid to the auditors 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.

**Explanation of Resolution 4:** Geoffrey Charles Byars Thomson, 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 Thomson are shown on page 10 of the annual report.

**Explanation of Resolution 5:** John Kenneth Brown, 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 Brown are shown on page 10 of the annual report.

**Explanation of Resolution 6:** This resolution, which will be proposed as a special resolution, supplements the directors' general authority to allot shares as previously conferred on them. Section 561 of the Companies Act 2006 requires a Company proposing to allot equity securities to offer them first to existing shareholders in proportion to their existing shareholdings. If passed, this requirement will not apply to allotments of shares for cash up to a total nominal value of £139,570 being 30% of the issued share capital of the Company at 14 August 2013. This authority enables the directors to raise additional equity capital through an issue of shares for cash. This authority will expire after one year or at the date of the next annual general meeting, whichever is the earlier.

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, PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU by 1.00 pm on 24 September 2013, 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 6.00 pm on 24 September 2013 or, in the event that this meeting is adjourned, in the register of members 48 hours 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 6.00 pm on 24 September 2013 or, in the event that this meeting is adjourned, in the register of members 48 hours 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 1.00 pm on 24 September 2013. 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 Articles of Association of the Company will be available for inspection at the Company's registered office from 2 September 2013 to (and including) the date of the Meeting during normal business hours on any day (Saturdays, Sundays and public holidays excepted).

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

| | |
|---|---|
| **Directors** | Jeremy H Delmar-Morgan MA MSI, *Non-executive Director (a) (appointed Chairman 1 April 2013)*<br>Garry S Watson OBE CA, *Chairman (n) (r) (resigned 31 March 2013)*<br>Geoffrey C B Thomson, *Chief Executive Officer*<br>Carolyn Smith BA Hons ACIS, *Chief Investment Officer*<br>Aileen Brown CA, *Chief Financial Officer*<br>Edward B Cunningham CBE FRSE, *Non-executive Director (a) (n) (r)*<br>J Kenneth Brown BA CA, *Non-executive Director (a) (r)*<br><br>*(a) Member of Audit and Risk Management Committee*<br>*(n) Member of Nominations Committee*<br>*(r) Member of Remuneration Committee* |
| **Secretary** | Aileen Brown CA |
| **Registration Number** | SC247376 |
| **Registered Office** | Merlin House<br>Necessity Brae<br>Perth<br>PH2 0PF<br>Telephone +44 (0) 1738 587555 |
| **Website** | www.braveheartgroup.co.uk |

**Advisers**

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

**Auditors**
Grant Thornton UK LLP
7 Exchange Crescent
Conference Square
Edinburgh
EH3 8AN

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

**Nominated Adviser and Broker**
Sanlam Securities UK Limited
10 King William Street
London
EC4N 7TW

**Principal Bankers**
HSBC Bank plc
76 Hanover Street
Edinburgh
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**Bankers**
Bank of Scotland plc
Pentland House
8 Lochside Avenue
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