Braveheart Investment Group plc

Annual Report and Accounts

2018

Highlights

- Record profit after tax £1.493m (£0.78m)
- Basic earnings per share of 5.51 pence (2.88 pence)
- Group prospects continue to brighten

I am pleased to report to shareholders for the 12 months ended 31 March 2018

Overview

In the interim report, the Company reported an unaudited profit after tax of £191,000 and earnings per share of 0.71 pence for the six months ended 30 September 2017. I am pleased to report that Group performance continued strongly to the year-end resulting in a full-year profit after tax of £1,493,000 (2017 £780,000) and earnings per share of 5.51 pence (2017 2.88 pence).

Throughout the course of the year the board has continued to be closely involved at the operational level with our three strategic investments which have made strong progress in each of the years since we first became significant investors. Our ongoing fund management businesses continues to meet its targets and prospects for the launch of a new funds are improving as discussions with potential partners, continue.

As at 31 March 2018, the Group held cash of £1.1 million, equivalent to approximately 4.2p per ordinary share. The board has been exploring options for getting the Company in a position where it can consider declaring a dividend to shareholders if it is considered to be appropriate at the time. Although at 31 March 2018 the Company has revenue reserves of approximately £30,000, this includes non-distributable reserves of approximately £270,000 and contingent liabilities of approximately £148,000 which precludes the payment of a dividend. However, the Company does have a balance of approximately £1.56 million on its share premium account which, with shareholder and Court permission could be cancelled to create distributable reserves. Accordingly, the Company will be sending a circular today containing notice of a General Meeting to consider and, if thought appropriate, to approve a capital reduction by the cancellation of the share premium account. If shareholders' consent is obtained then the Company will seek approval by the court to the capital reduction. Subject to such approval being obtained then the Company would be able to pay dividends (should circumstances in the future make it desirable to do so) to the extent of the distributable reserves created but subject to the financial position of the Company and its prospects at the relevant time and any undertakings given to the Court for the protection of the Company's creditors at the date that the capital reduction becomes effective. Further details of the proposal by the board and the process that needs to take place are included in the separate shareholder circular which will be available on the Company's website www.braveheartgroup.co.uk.

Portfolio

In addition to our three strategic investments we have investments in a further 12 companies that were made by Braveheart from 2002 until the summer of 2015 (the 'Portfolio'). As at 31 March 2018 the Portfolio, which includes the strategic investments, has a valuation of £2,220,000 (2017: £862,000). The major part of the increase in valuation since 31 March 2017 is derived from the revaluation of the strategic investments which have hitherto been shown at the cost of our investment two years ago. In every case there has been considerable operational progress since our original investment and this progress is now reflected in the revised valuations in which we were assisted by an independent adviser to determine the appropriate values. We will continue to manage the Portfolio with a view to seeking exits wherever possible and encourage further development of business where appropriate.

Viking Fund Managers

The fund management business, Viking Fund Managers Limited ("Viking"), had another successful year managing the existing fund management contracts that are already in place, and revenues and profits earned by this part of the Group were in line with management's expectations. The key fund management contracts for Viking at the year end continue to be for the Finance Yorkshire Equity, Lachesis and the Viking funds. The Viking team remain focussed on sourcing and winning new fund management contracts to grow the business. Discussions with potential partners continue and the Directors are hopeful that this will lead to the launch of new funds.

Paraytec Limited operational update

In 2017 Paraytec took action to focus its business activities and reduce its fixed cost base. Its objective was to ensure the business was profitable based on the royalty income stream from its two main licensees – Malvern Panalytical Ltd and Pion Inc. Concurrently, the company commenced two, key grant funded, R&D projects to develop new product lines for the future. This strategy worked well and the business is now profitable and cash positive.

The first R&D project is in Paraytec's traditional market of research instrumentation for the biopharmaceutical sector. In this project, Paraytec is a key member of a consortium including Malvern Panalytical, GSK, Medimmune, Fujifilm Diosynth Biotechnologies and others. Protein-based pharmaceuticals are often susceptible to instability that can cause drug molecules to aggregate, which may result in a reduction of their therapeutic effectiveness and possibly in unwanted side-effects in the patient. Protein aggregation is therefore a high-risk issue in biopharmaceutical development. With the new analytical technology that will result from this collaborative project, the consortium aims to attenuate the risks associated with aggregation to ensure the delivery of safe and cost-effective drugs in the future.

The second R&D project is aimed at developing a new point of care diagnostic device for cancer detection and monitoring. Initially this is focussed on bladder cancer, but the technology should be applicable to detecting other cancers. Bladder cancer is the fifth most common cancer in the Western world with approximately 430,000 new cases per year worldwide. It also has a high risk of recurrence, so significant levels of patient monitoring are required. Because of long term survival and the need for lifelong routine monitoring and treatment, the cost per patient of bladder cancer from diagnosis to death is the highest of all cancers in the US. Direct medical costs of bladder cancer care in the US forecast to reach $4.65bn by 2020. Paraytec hopes to develop technology which will surpass the currently available tests and thus offer considerable cost savings to the healthcare systems worldwide as well as improving the patient experience and outcomes. Preliminary results have been highly promising.

Kirkstall Limited operational update

Kirkstall sells products for *in vitro* cell culture and operates in a worldwide market sector that is projected to grow by 38% annually.

In 2017 Kirkstall reached a major inflexion point in its business. Until then the company had relied on selling, mainly in the UK, using its own technical staff. Even with this limitation it had grown product sales by 35% over the previous 12 months. In 2017 the signing of a marketing agreement with Lonza, one of the world's leading bioscience companies, was concluded. This agreement not only provides technical validation of the Kirkstall product, enhancing the company's credibility, but also gives it much greater access to worldwide markets. Lonza has 600 sales staff operating in USA, which is the world's major market for *in vitro* cell culture and as a result Kirkstall anticipates accelerated growth in its product sales in 2018. Recent successes in the USA have been sales to MIT (Massachusetts Institute of Technology) in Boston which is the centre appointed by US National Institute of Health to validate the emerging 'organ on a chip' technologies. The MIT scientists using Kirkstall products are recognised as key opinion leaders in the field.

A further indication of growing worldwide interest in the 'organ on a chip' field has been the large number of registrations for the Advanced Cell & Tissue Culture Conference, which is sponsored and organised by Kirkstall. This annual event is a vehicle to promote applications for Kirkstall products. Advance registrations for 2018's conference were double those in 2017.

Kirkstall works with universities to develop applications for its products and its user base has grown from 70 to over 90 in the last 12 months. This will increase in 2018 with the award of €4.7million EU Grant to a consortium which includes the Universities of Wageningen (NL), Edinburgh (UK), Dusseldorf (D), and ETH Zurich (CH).

In September 2017 Kirkstall announced that it had commenced an investor marketing exercise seeking to raise up to £2.5m in a private placing. Although a number of offers were made by prospective investors, it was not possible to conclude matters on acceptable terms, and the exercise was deferred until later in the current year.

Gyrometric Systems Limited operational update

This company has developed a patent protected system of hardware and software to accurately monitor the vibrations in rotating shafts. Warnings generated by this system help prevent expensive and untimely breakdowns in industry and transport. The company is a spin out from Nottingham Trent University and is based in Nottingham, UK. Its equipment is used to measure the performance of both high-speed and low-speed shafts in a wide variety of applications such as marine engines, wind turbines and industrial machine tools. Sales of marine drive monitoring systems continued to expand during the year. The order for the 60th system was taken and commitments for 2018 indicate a continuing acceleration. Feedback from sales agents has confirmed a market opportunity for monitoring additional engine and drive parameters that will broaden the marine market for Gyrometric.

A contract was signed during the year for the installation of a comprehensive monitoring system on a 7 Megawatt wind turbine nacelle at the ORE Catapult test facility in Blyth, Northumberland. The new system, the first for Gyrometric in wind turbines, incorporates world-leading technology for monitoring bearing run out. This technology has particular advantages in wind turbines because of its inherent effectiveness at low turning speeds.

The trials will enable Gyrometric to build a comprehensive picture of turbine behaviour from its offices in Nottingham. The wind turbine monitoring market is the next major sales objective of the company.

A development program has commenced with the objective of building the next generation of robust monitoring hardware which will have increased numbers of input channels and enhanced communications facilities at lower unit cost.

Software development during the year was assisted by an increase in the programming establishment, with an emphasis placed on security of the system. Improvements were also made to the set-up functions to make installation easier, and work was carried out on the output graphics in order to enhance clarity and ease of use for end users.

Gyrometric continues to enhance its intellectual property portfolio by preparing a number of patent applications to enhance the current rotating shaft monitoring capabilities, including a new method for high accuracy axial displacement monitoring.

Post the period end, Gyrometric has raised funds from a new investor which will be used to accelerate the marketing and commercialisation of its software.

Outlook and Strategy

For the next year, our attention and resources will continue to be focussed upon developing our three strategic investments where we now have significant commercial exposure, together with the pursuit by Viking of the new fund management opportunities arising out of established relationships with existing partners and clients. Where further capital is required to develop the strategic investments, we will seek to engage with third party investors where it enhances shareholder value, as well as providing further funds ourselves if appropriate. In everything that we do, improving shareholder value will remain paramount.

Financial Review

During the year we continued the comprehensive review of our cost base and continued to reduce the central costs.

Income Statement

Fee-based revenue was generated by both Strathtay Ventures Limited ('SVL') and Viking Fund Managers Limited ('VFM'). During the year under review the income earned by SVL was transferred across to Viking in order that the final steps for the orderly closure of this company can take place. The principal revenue from the Group's operations principally comprises investment management fees, with total revenue during the year being £820,000 (2017: £1,154,000).

Finance income was £6,000 (2017: £5,000), this being interest on outstanding loan notes within the directly held portfolio.

As at 31 March 2018, the fair value of the Group's directly held portfolio of 15 companies (2017: 20) was £2,220,000 (2017: £862,000). During the year the Group made investments of £178,000 into three portfolio companies.

Total income for the year ended 31 March 2018, including realised gains and unrealised revaluation gains and losses, was £1,979,000 (2017: £1,608,000).

The average number of employees decreased by 3 during the period under review. Employee benefits expense was £322,000 (2017: £441,000). Other operating and finance costs reduced to £164,000 (2017: £388,000).

The total profit after tax increased to £1,493,000 (2017: profit of £780,000), equivalent to a basic profit per share of 5.51 pence (2017: profit per share of 2.88 pence).

Financial Position

Net assets at 31 March 2018 were £3,984,000 (2017: £2,486,000), equivalent to 14.71 pence per share (2017: 9.19 pence).

The Group's net assets include goodwill of £380,000 (2017: £380,000). The carrying value of goodwill was reviewed during the year and in light of current projections of future performance the Directors did not impair goodwill.

At the year end the Group had cash balances of £1,134,000 (2017: £1,421,000). There were no material borrowings.

A summary analysis of the Group's performance is as follows:

	2018 **£'000**	2017 £'000
Investment management revenue	**820**	1,154
Finance income	**6**	5
Income before portfolio movements	**826**	1,159
Change in fair value of investments, gain on disposal of investments and movement in contingent liability	**1,153**	450
Total income	**1,979**	1,609
Employee benefits expense (including share based payments)	**(322)**	(441)
Other operating and finance costs	**(164)**	(388)
Total costs	**(486)**	(829)
Profit before tax	**1,493**	780
Total profit and total comprehensive income for the year	**1,493**	780

Opening cash balance	**1,421**	1,263
Increase in portfolio investments	**(178)**	(472)
Proceeds from sale of equity investments	**-**	514
Other activities	**(109)**	116
Closing cash balance	**1,134**	1,421
Net assets	**3,984**	2,486
Net assets per share	**14.71 pence**	9.19 pence

Key Performance Indicators (KPIs)

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

	2018	2017
Net assets ('£000)	**3,984**	2,486
Cash balance (£'000)	**1,134**	1,421
Profit after tax attributable to equity holders (£'000)	**1,493**	780
Investments made by Group (£'000)	**178**	472
Investments made by Group (number of companies)	**3**	3
Realised gain on sale of Group investments (£'000)	**-**	253
Net unrealised movement on revaluation of Group investments (£'000)	**1,153**	183

Principal Risks and Uncertainties

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 behalf of the Board
Trevor E Brown
Chief Executive Officer

15 June 2018

The directors present their report together with the audited financial statements for the year ended 31 March 2018.

Principal Activities

The Group provides debt/equity and advisory services to SMEs and also invests as principals in technology businesses where prospects appear to be exceptional.

Results and Dividends

The financial statements of the Group and the Company for the year to 31 March 2018 are set out on pages 21 to 52.

The Group's consolidated profit for the year was £1,493,000 (2017: profit £780,000).

The directors do not recommend payment of a dividend for the year (2017: £nil).

Corporate Governance Statement

Information regarding the corporate governance statement can be found in the Corporate Governance statement on pages 9 to 16.

Directors and their Interests

The names of the directors who held office during the financial year are listed on page 56.

Biographical details of the directors who held office at the end of the financial year are shown on page 11 and 12.

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 2018 and their interests in the share capital in the Company are as follows:

	At 31 March 2018		At 31 March 2017 or date of appointment	
Directors	**Ordinary shares**	**Options over ordinary shares**	Ordinary shares	Options over ordinary shares
T E Brown	**8,075,934**	**-**	8,075,934	-
J D Freeman	**-**	**-**	-	-
A T G Burton – resigned 1 September 2017	**n/a**	**n/a**	929,460	178,379
V D Hallam – appointed 7 June 2017	**602,169**	**140,544**	575,095	140,544

No notification of any other change in the above interests has been received in the period from 31 March 2018 to the date of this report.

Share Capital

Details of the structure of the Company's share capital and the rights attaching to the shares are set out in note 18 to the financial statements.

At 31 March 2018 the Company had 27,082,565 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.

Financial Instruments

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 23 to the financial statements.

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 2018, the following beneficial owners each held 3% or more of the Company's issued share capital:

Name	Number	Percentage
Hargreave Hale Nominees Limited [1]	4,248,176	15.68
Vidacos Nominees Limited [2]	4,201,840	15.51
Lynchwood Nominees Limited [1]	3,493,855	12.90
D C Thomson Limited	2,258,490	8.34
Mr A G Simpson	1,239,794	4.58
Chase Nominees Limited [3]	1,105,440	4.08
Hargreaves Lansdown Asset Mgt	1,087,866	4.02
WavePower Technologies Limited [2]	972,385	3.59
Mr A T G Burton	929,460	3.43

[1] Beneficial owner being T E Brown. T E Brown owns a further 68,202 shares personally and a further 265,701 through Free Association Books Limited.
[2] Beneficial owner being A Norris
[3] Beneficial owner being W Rehman

Directors' Indemnity and Liability Insurance

During the year, the Company has maintained liability insurance in respect of its Directors. Subject to the provisions of the Companies Act 2006, the Articles provide that to the extent that the proceeds of any liability insurance are insufficient to meet any liability in full, every Director is entitled to be indemnified out of the funds of the Company against any liabilities incurred in the execution or discharge of his or her powers or duties. A copy of the indemnity is available for inspection as required by the Companies Act 2006.

Disclosure in Strategic Report

As permitted by Paragraph 1A of Schedule 7 to the Large and Medium-sized Companies and Group's (Accounts and Reports) Regulations 2008 certain matters which are required to be disclosed in the Directors' Report have been omitted as they are included in the Strategic Report on pages 2 to 5. These matters relate to business review, outlook and strategy.

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 Financial Reporting Standards (IFRS) as adopted by the European Union and applicable law. 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 IFRS, as adopted by the European Union, have been followed, subject to any material departures disclosed and explained in the financial statements;
- provide additional disclosures when compliance with specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; 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.

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 (2017: £nil).

Going Concern

The directors having reviewed the Group's and Company's budgets and plans, taking account of reasonably possible changes in trading performance, have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future and that it is therefore appropriate to continue to adopt the going concern basis in preparing the financial statements.

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.

Auditor

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

On behalf of the Board

Trevor E Brown

CEO

15 June 2018

Corporate Governance Statement

The directors recognise the importance of sound corporate governance. As a company whose shares are traded on AIM, the Board has concluded that it will seek to comply with the Quoted Companies Alliance's Corporate Governance Code ("the QCA Code"). In addition, the directors have adopted a code of conduct for dealings in the shares of the Company by directors and employees and are committed to maintaining the highest standards of corporate governance. Jonathan Freeman, in his capacity as non-executive director, has assumed responsibility for ensuring that the Group has appropriate corporate governance standards in place and that these requirements are followed and applied within the Group as a whole. The corporate governance arrangements that the Board has adopted are designed to ensure that the Group delivers long term value to its shareholders and that shareholders have the opportunity to express their views and expectations for the Group in a manner that encourages open dialogue with the Board. The Board recognises that their decisions regarding strategy and risk will impact the corporate culture of the Group as a whole and that this will impact the performance of the Group. The Board is very aware that the tone and culture set by the Board will greatly impact all aspects of the Group as a whole and the way that employees behave. A large part of the Group's activities is centred upon what needs to be an open and respectful dialogue with investee companies, whether they be directly held investments or a part of a third party portfolio of investments managed by the Group. Therefore, the importance of sound ethical values and behaviours is crucial to the ability of the Group to successfully achieve its corporate objectives. The Board places great import on this aspect of corporate life and seeks to ensure that this flows through all that the Group does.

The Board currently consists of three directors, of which 2 are executive and 1 is non-executive. The Board continues to consider whether it would be appropriate to seek to appoint additional non-executive and/or executive directors but at this time believes that appropriate oversight of the Group is provided by the currently constituted Board. This view will continue to be reviewed by the Board. In order to ensure that there is appropriate separation of tasks the Board has not appointed a Chairman but instead appoints a chair for each Board Meeting, with the CEO being excluded from taking on this role. In addition, there is currently only one non-executive director on the Board and so the Board believes that it would not be appropriate to appoint that director as the named senior independent director as it is often the case that the non-executive director chairs the board meetings and the roles of Chairman and senior independent director are meant to be separate.

The key governance related matter that occurred during the financial year was the retirement of Andrew Burton as a director of the Group and from all his positions within the Group. The Board has taken the view that as there are currently only three directors on the Group board it would not be appropriate to create a Nominations Committee to address the issues arising from ensuring a managed and successful succession planning process. Therefore, the Board as a whole was involved in the creation of the hand over plan, and ensuring its successful implementation, relating to Andrew Burton's retirement.

Yours faithfully
Jonathan Freeman

Corporate Governance Report
The QCA Code sets out 10 principles which should be applied. These are listed below together with a short explanation of how the Group applies each of the principles:

Principle One
Business Model and Strategy
The Board has concluded that the highest medium and long term value can be delivered to its shareholders by the adoption of an individual strategy for each part of the Group. For the fund management division of the Group the Boards strategy is to close the unprofitable parts of the business in a structured and responsible manner and to develop further the profitable parts of the fund management business by seeking new business of a similar nature. The Board believes that over time this will generate a sustainable and profitable fund management business for the long term. The key challenge to this strategy that the Board has encountered is that the development of new fund management business is, by its nature, a process that takes some time to achieve and so it is difficult to provide shareholders with meaningful updates to progress being made whilst new contracts have not been finalised. With regards to the directly held investments the Board has developed a strategy which splits the portfolio into those investments that are passive in nature, (usually because the company in question has now developed its own board of directors and corporate governance structures that mean that our active participation as a shareholder is no longer required) and those investments where our involvement is much more active. These active investments are labelled as our strategic investments and are those companies where we continue to hold a significant percentage of the shares in the company, where we remain actively involved with the development of the company with, usually, the Group being represented on the board of the investee company, and where we believe that the returns that are possible are material. The key challenge to the successful development of this part of the strategy is the mis-match between the on-going short term costs to the Group of working with these strategic investments and the financial reward to the Group for this effort being of a longer term nature.

Principle Two

Understanding Shareholder Needs and Expectations

The Board is committed to maintaining good communication and having constructive dialogue with its shareholders. The Company has close ongoing relationships with its private shareholders. Institutional shareholders and analysts have the opportunity to discuss issues and provide feedback at meetings with 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 Trevor Brown, CEO who is available to answer investor relations enquiries.

Principle Three

Stakeholder Responsibilities

The Board recognises that the long term success of the Group is reliant upon the efforts of the employees of the Group and its contractors, suppliers and regulators. The Board has put in place a range of processes and systems to ensure that there is close Board oversight and contact with its key resources and relationships. For example, all employees of the Group participate in a structured Group-wide annual assessment process which is designed to ensure that there is an open and confidential dialogue with each person in the Group to help ensure successful two way communication with agreement on goals, targets and aspirations of the employee and the Group. These feedback processes help to ensure that the Group can respond to new issues and opportunities that arise to further the success of employees and the Group. In addition the Board ensures that all key relationships with, for example, customers, or regulator, the UK Financial Conduct Authority, and suppliers are the responsibility of, or are closely supervised by, one of the directors or the financial controller. These relationships are addressed at the regular board meetings with the financial controller also attending these.

Principle Four

Risk Management

In addition to its other roles and responsibilities the Audit and Compliance Committee 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. The risk assessment matrix below sets out those risks, and identifies their ownership and the controls that are in place. This matrix is updated as changes arise in the nature of risks or the controls that are implemented to mitigate them. The Audit and Compliance Committee reviews the risk matrix and the effectiveness of scenario testing on a regular basis. The following principal 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 Balancing salary with longer term incentive plans
Regulatory adherence	Breach of rules	Censure or withdrawal of authorisation	Strong compliance regime
Strategic	Damage to reputation Inadequate disaster recovery procedures	Inability to secure new capital or clients Loss of key operational and financial data	Effective communications with shareholders Robust compliance Secure off-site storage of data
Financial	Liquidity, market and credit risk Inappropriate controls and accounting policies	Inability to continue as going concern Reduction in asset values Incorrect reporting of assets	Robust capital management policies and procedures Appropriate authority and investment levels as set by Treasury and Investment Policies Audit and Compliance Committee

The directors have established procedures, as represented by this statement, for the purpose of providing a system of internal control. In addition there are a range of Group policies that are reviewed at least annually by the Board and a programme of training and then confirmation of understanding that all employees of the Group are required to undertake each year. These group policies cover matters such as share dealing and insider legislation, conflicts of interest, social media, expenses, treasury, remuneration, risk and compliance. These areas are also included as permanent agenda items for report and review at each regular board meeting. The Board currently takes the view that 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.

Principle Five

A Well Functioning Board of Directors

As at 31 March 2018 the Board comprised, the CEO Trevor Brown, one executive director, Vivian Hallam and one non-executive director, Jonathan Freeman. During the year under review the previous executive director, Andrew Burton resigned from the Board on 1 September 2017.

Jonathan Freeman is considered to be an independent director. The time commitment formally required by the Group is an overriding principal that each director will devote as much time as is required to carry out the roles and responsibilities that the director has agreed to take on. This generally means that Vivian Hallam is full time and Trevor Brown and Jonathan Freeman are part time. Biographical details of the current directors are set out within Principle Six below. 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. During the period under review Vivian Hallam was appointed to the Board as an Executive Director.

The Board meets at least eight times per annum. It has established an Audit and Compliance Committee and a Remuneration Committee, particulars of which appear hereafter. The Board agreed that appointments to the Board are made by the Board as a whole and so has not created a Nominations Committee.

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 Compliance**		**Remuneration**	
	Attended	**Eligible to attend**	**Attended**	**Eligible to attend**	**Attended**	**Eligible to attend**
T E Brown	9	9	0	0	1	1
J D Freeman	9	9	3	3	1	1
A T G Burton	4	4	1	1	0	0
V D Hallam	7	7	1	2	0	0

Principle Six

Appropriate Skills and Experience of the Directors

The Board currently consists of three directors and, in addition, the Group has employed the outsource services of GBAC Limited to provide financial control and book keeping services and also to act as the Group Company Secretary. The Board recognises that it currently has a limited diversity and this will form a part of any future recruitment consideration if the Board concludes that replacement or additional directors are required.

Trevor E Brown MBA

Chief Executive Officer

Trevor has acted as a CEO, executive director and non-executive director for a wide range of companies in a range of sectors over 40 years. This has provided him with a vast amount of experience through the many long term economic and corporate life cycles that mean he is highly qualified to assess the opportunities and risks for both the Group and its portfolio of investee companies. This wide ranging experience is kept up to date through his continued participation in a variety of businesses where the Group has a holding and in other companies that are unconnected to the Group. Trevor is also a member of the Group's Remuneration Committee.

Trevor is also currently a director of Flying Brands plc and a Non-executive Director of Strat Aero plc. Trevor joined the Board of Braveheart as a Non-executive Director with effect from 1 April 2014 and became the Chief Executive Officer on 21 August 2015.

Vivian D Hallam MBA BSc CEng

Executive Director (appointment 7 June 2017)

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. There he was responsible for design, development and marketing of new products for the plastics, automotive and power industries. Viv became a director of Viking Fund Managers Limited in 2004, managing the investment portfolios for both Viking Fund and Lachesis Fund. In 2015, he became CEO of Strathtay Ventures Limited, responsible for FCA compliance and managing the Braveheart investment portfolio. Viv is a member of the Group's Audit and Compliance Committee.

Jonathan D Freeman BA Hons MBA

Non-executive Director

Jonathan is an experienced corporate financier and company director. He has extensive experience of quoted companies, financial services and of FCA regulated entities. This experience is important to the Group as it is both quoted on AIM and its subsidiary companies Viking Fund Managers Limited and Strathtay Ventures Limited are regulated by the Financial Conduct Authority in the UK. Jonathan also chairs the Audit and Compliance Committee and the Remuneration Committee.

Jonathan is also the senior independent Non-executive Director of Futura Medical plc and chairs their Audit Committee and Remuneration Committee. He is also the non-executive Chairman of PhotonStar LED Group plc. Jonathan joined the Group's Board as an Executive Director with effect from 21 August 2015 and became a Non-executive Director on 3 March 2016.

Principle Seven

Evaluation of Board Performance

Internal evaluation of the Board, the Committees and individual directors is undertaken on an annual basis in the form of peer appraisal, questionnaires and discussions to determine the effectiveness and performance. In addition Jonathan Freeman's continued independence is assessed annually.

The results and recommendations that came out of the January 2018 appraisals for the directors identified the key corporate and financial targets that were relevant to each director and their personal targets in terms of career development and training. Progress against previous targets were also assessed with many having been achieved, in particular with regards to the financial targets that had been identified in the appraisals that was carried out in the months of January and February 2017.

Principle Eight

Corporate Culture

The Board recognises that their decisions regarding strategy and risk will impact the corporate culture of the Group as a whole and that this will impact the performance of the Group. The Board is very aware that the tone and culture set by the Board will greatly impact all aspects of the Group as a whole and the way that employees behave. A large part of the Group's activities is centred upon what needs to be an open and respectful dialogue with investee companies, whether they be directly held investments or a part of a third party portfolio of investments managed by the Group. Therefore, the importance of sound ethical values and behaviours is crucial to the ability of the Group to successfully achieve its corporate objectives. The Board places great importance on this aspect of corporate life and seeks to ensure that this flows through all that the Group does. The Board assessment of the culture within the Group at the present time is one where there is respect for all individuals, there is open dialogue within the Group and there is a commitment to provide the best service possible to all the Group's customers, clients and investee companies.

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.

Principle Nine

Maintenance of Governance Structures and Processes

Ultimate authority for all aspects of the Group's activities rests with the Board, with the respective responsibilities of the Independent Director 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 Independent Director (unless a Chairman is formally appointed in which case it would be the Chairman) and the Chief Executive Officer. The Independent Director is responsible for the effectiveness of the Board, while management of the Group's business and primary contact with shareholders has been delegated by the Board to the Chief Executive Officer.

Audit and Compliance Committee

For the period under review the Audit and Compliance Committee comprised Jonathan Freeman (Chairman) and Andrew Burton until his resignation from the Board. After which point Vivian Hallam joined the committee. This committee has primary responsibility for monitoring the quality of internal controls and ensuring that the financial performance of the Group is properly measured and reported. It receives reports from the executive management and auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Group. The Audit and Compliance Committee meets not less than twice in each financial year and has unrestricted access to the Group's auditors.

Remuneration Committee

For the period under review the Remuneration Committee comprised Jonathan Freeman, (Chairman), and Trevor Brown. 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 and the award of shares in lieu of bonuses pursuant to the Group's Remuneration Policy.

Non-executive Directors

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 (if one is in place) and non-executive directors insofar as both the 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 Board complies 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.

Principle Ten

Shareholder Communication

The Board is committed to maintaining good communication and having constructive dialogue with its shareholders. The Company has close ongoing relationships with its private shareholders. Institutional shareholders and analysts have the opportunity to discuss issues and provide feedback at meetings with 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 Trevor Brown, CEO who is available to answer investor relations enquiries.

Audit Committee

During the period under review the Audit Committee was chaired by Jonathan Freeman. It met to review the Interim Report, the Annual Report, to consider the suitability and monitor the internal control processes and to review the valuations for the portfolio of directly held investments. There were three Audit Committee meetings during the year. The Audit Committee reviews the findings of the external auditors and reviews accounting policies and material accounting judgements.

The independence and effectiveness of the external auditor is reviewed annually and the Audit Committee meets at least once per financial year with the auditors to discuss their independence and objectivity, the Annual Report, any audit issues arising, internal control processes, auditor appointment and fee levels and other appropriate matters.

Remuneration Committee

During the year under review, the Remuneration Committee met once 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') and/or the award of bonuses paid for through the issue of shares. 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 contributions continued in respect of pension arrangements for one Director of Viking.

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. Payments on termination are restricted to the value of the salary for the notice period.

Non-executive Directors

The fees payable to 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 non-executive director has agreed a letter of appointment which sets out his duties, responsibilities and fees.

Directors' Remuneration

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

	Total 2018 £	Total 2017 £
Executive directors:		
T E Brown	**65,000**	37,417
A T G Burton – resigned 1 September 2017	**22,885**	50,302
V D Hallam – appointed 7 June 2017	**71,423**	-
Non-executive directors:		
J H Delmar-Morgan *(resigned 31 July 2016)*	**-**	7,724
J D Freeman	**36,400**	18,000
	195,708	113,443

The Company contributed £3,473 (2017: £2,103) to the defined contribution pension scheme of one director, and paid a bonus of £7,002 (2017: Nil) to one director.

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.

Share Options

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

	Date of Grant	At 1 April 2017	No of Options granted in year	No of Options exercised in year	No of Options lapsed in year	At 31 March 2018	Exercise Price	Date first exercisable	Expiry date
Employment Options granted under Part A									
A Burton	18 Jun 2009	24,128	-	-	(24,128)	-	£0.295	18 Jun 2012	17 June 2019
	5 Jul 2010	27,742	-	-	(27,742)	-	£0.255	5 Jul 2013	4 July 2020
	25 May 2012	20,761	-	-	(20,761)	-	£0.120	25 May 2016	24 May 2022
	3 Sept 2012	7,135	-	-	(7,135)	-	£0.160	3 Sept 2015	2 September 2022
	19 Aug 2014	11,977	-	-	(11,977)	-	£0.105	5 Nov 2015	18 August 2024
		91,743	-	-	(91,743)	-			

	Date of Grant	At 1 April 2017	No of Options granted in year	No of Options exercised in year	No of Options lapsed in year	At 31 March 2018	Exercise Price	Date first exercisable	Expiry date
Performance Options granted under Part B									
A Burton	5 Jul 2010	26,923	-	-	(26,923)	-	£0.255	5 Oct 2011	4 Jul 2020
	25 May 2012	21,875	-	-	(21,875)	-	£0.120	25 Aug 2013	24 May 2022
	19 Aug 2014	37,838	-	-	(37,838)	-	£0.105	5 Nov 2016	19 Aug 2024
		86,636	-	-	(86,636)	-			

	Date of Grant	At 1 April 2017	No of Options granted in year	No of Options exercised in year	No of Options lapsed in year	At 31 March 2018	Exercise Price	Date first exercisable	Expiry date
Employment Options granted under Part A									
V Hallam	18 Jun 2009	18,096	-	-	-	18,096	£0.295	18 Jun 2012	17 June 2019
	5 Jul 2010	20,806	-	-	-	20,806	£0.255	5 Jul 2013	4 July 2020
	25 May 2012	15,571	-	-	-	15,571	£0.120	25 May 2016	24 May 2022
	3 Sept 2012	4,410	-	-	-	4,410	£0.160	3 Sept 2015	2 September 2022
	19 Aug 2014	7,402	-	-	-	7,402	£0.105	5 Nov 2015	18 August 2024
		66,285	-	-	-	66,285			

	Date of Grant	At 1 April 2017	No of Options granted in year	No of Options exercised in year	No of Options lapsed in year	At 31 March 2018	Exercise Price	Date first exercisable	Expiry date
Performance Options granted under Part B									
V Hallam	5 Jul 2010	23,077	-	-	-	23,077	£0.255	5 Oct 2011	4 Jul 2020
	25 May 2012	18,750	-	-	-	18,750	£0.120	25 Aug 2013	24 May 2022
	19 Aug 2014	32,432	-	-	-	32,432	£0.105	5 Nov 2016	19 Aug 2024
		74,259	-	-	-	74,259			

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%
19 August 2014	The Company's market capitalisation exceeds the benchmark price by 25% for 5 consecutive business days at any time before the 5 November 2015.	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:

	2018	2017
	£	£
Expense arising from equity-settled share-based payments transactions	**49**	127

Going Concern

The directors having reviewed the Group's and Company's budgets and plans, taking account of reasonably possible changes in trading performance, have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future and that it is therefore appropriate to continue to adopt the going concern basis in preparing the financial statements.

Opinion

We have audited the financial statements of Braveheart Investment Group plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2018 which comprise the Consolidated Statement of Comprehensive Income, Consolidated and Company Statement of Financial Position, Consolidated and Company Statement of Cash Flows, Consolidated and Company Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) 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.

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 2018 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, as applied to SME listed entities and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Use of the audit report

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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Area of focus	How our audit addressed the area of focus
Financial Investment Assets	
Investments, at fair value through profit or loss, account for a significant portion of the total assets of the group and parent company. The total investments held at fair value through profit or loss at 31 March 2018 were valued at £2,220,213 (group) and £2,220,131 (parent company) (see Note 11 of the financial statements) - therefore the valuation of	Our procedures included but were not limited to the following: • obtained an understanding of management's processes for determining the fair valuation of unquoted investments. This included discussing with management their oversight of the valuation process. • compared management's valuation methodology to recognised valuation standards and guidelines, such as, International Private Equity and Venture Capital Valuation

investments at fair value through profit and loss was a key audit area. Determining the fair value of unquoted investments involves significant management judgement. The risk of material errors in valuation is greatest for those investments which do not have readily available quoted prices.	Guidelines ('IPEV Guidelines') and considered the appropriateness of valuation methods used. • assessed appropriateness of management's assumptions and sought explanations from management where there were significant judgements applied in determining the investment valuations. • checked the mathematical accuracy of the valuation models for a sample of investments. • agreed financial data inputs into valuation models to historical accounting records and forecasts • performed sensitivity analysis on the key assumptions used in the valuation models • reviewed the adequacy of the disclosures in the financial statements, including the valuation methodology, assumptions and fair value hierarchy used.
Impairment of Acquired Goodwill (group)	
The carrying value of goodwill at 31 March 2018 was £380,000 (see Note 13 of the financial statements) - therefore the valuation of goodwill was a key audit area. Goodwill requires to be reviewed for impairment at least annually. The methodology requires a calculation of the value in use of the cash-generating unit attached to the goodwill. The value in use calculation requires estimation of future cash flows from the cash generating unit, as well as growth factors and discount rates to apply to the cash flows.	Our procedures included but were not limited to the following: • assessed management's impairment review methodology and processes. • reviewed management's cash flow forecasts, the process by which they were compiled and assessed the reasonableness of the key assumptions applied. • tested the mathematical integrity of impairment model. • performed sensitivity analysis on the key assumptions applied in the cash flow models. • reviewed the adequacy of the disclosures in the financial statements.

Our application of materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we consider that the net assets of the business remains the most relevant measure for users of the financial statements and, as such, we based our group materiality level around this benchmark. We set a materiality threshold at 3% of total net assets for the group.

For the parent company, as a holding company, we considered total assets to be the most appropriate benchmark; we used 1.5% of total assets.

Financial statement materiality applied for the group and parent company for the year ended 31 March 2018 was £124,000 and £64,000 respectively. Performance materiality was set at 80% of the respective financial statement materiality levels.

The range of financial statement materiality across components, all audited to local statutory audit materiality, was between £16,000 and £40,000, being all below group performance materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £3,700 (group audit) and £1,900 (parent company audit) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

An overview of the scope of our audit

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole, taking into account the group's accounting processes and controls, and the industry in which it operates. We used the outputs of a risk assessment, our understanding of the group, and we also considered qualitative factors in order to ensure that we obtained sufficient coverage across all financial statement line items.

Our audit involved obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are discussed under "Key audit matters" within this report.

We audited the group by performing full scope audit procedures on all significant components (subsidiaries) where the extent of our audit work was based on our assessment of the risk of material misstatement and of the materiality of that component. For those components that were not significant we performed audit procedures over any balances that were material to the group.

The components within the scope of our audit work therefore covered: 100% of group revenue, 100% of group profit before tax, 97% of group net assets and 99% of group total assets.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report and accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which 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 specific by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Richard Metcalfe (Senior Statutory Auditor) for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor

100 Queen Street
Glasgow
G1 3DN

Date 15 June 2018

	Notes	2018 £	2017 £
Revenue	3	820,062	1,153,645
Change in fair value of investments	11	1,152,597	183,475
Movement on contingent liability		-	13,580
Gain on disposal of investments	7	-	252,747
Finance income	4	6,050	5,182
Total income		**1,978,709**	**1,608,629**
Employee benefits expense	5	(322,475)	(440,594)
Other operating costs		(159,681)	(384,143)
Total operating costs		**(482,156)**	**(824,737)**
Finance costs	6	(3,897)	(4,364)
Total costs		**(486,053)**	**(829,101)**
Profit before tax	7	**1,492,656**	**779,528**
Tax	8	-	-
Total profit and total comprehensive income for the year		**1,492,656**	**779,528**
Profit attributable to:			
Equity holders of the parent		1,492,662	767,900
Non-controlling interest		(6)	11,628
		1,492,656	779,528
Earnings per share		**Pence**	**Pence**
- basic	10	5.51	2.88
- diluted		5.50	2.85

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 31 March 2018

	Notes	2018 £	2017 £
ASSETS			
Non-current assets			
Goodwill	13	380,000	380,000
Investments at fair value through profit or loss	11	2,220,213	862,129
Other receivables	14	174,939	150,193
		2,775,152	1,392,322
Current assets			
Trade and other receivables	14	326,599	516,446
Cash and cash equivalents	15	1,133,759	1,420,850
		1,460,358	1,937,296
Total assets		**4,235,510**	**3,329,618**
LIABILITIES			
Current liabilities			
Trade and other payables	16	(187,939)	(768,528)
Deferred income	17	(20,688)	(31,532)
		(208,627)	(800,060)
Non-current liabilities			
Borrowings	21	(43,369)	(43,392)
		(43,369)	(43,392)
Total liabilities		**(251,996)**	**(843,452)**
Net assets		**3,983,514**	**2,486,166**
EQUITY			
Called up share capital	18	541,650	541,109
Share premium reserve		1,567,615	1,564,095
Merger reserve		523,367	523,367
Retained earnings/ (deficit)		1,375,275	(118,018)
Equity attributable to owners of the Parent		**4,007,907**	**2,510,553**
Non-controlling interest		(24,393)	(24,387)
Total equity		**3,983,514**	**2,486,166**

Registered number: SC247376

Approved for issue by the Board of Directors 15 June 2018 and signed on its behalf by:

Trevor E Brown

CEO

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

	Notes	2018 £	2017 £
ASSETS			
Non-current assets			
Investments at fair value through profit or loss	11	2,220,131	830,674
Investment in subsidiaries	12	940,392	939,761
Other receivables	14	-	58,885
		3,160,523	1,829,320
Current assets			
Trade and other receivables	14	156,695	100,488
Cash and cash equivalents	15	783,089	727,388
		939,784	827,876
Total assets		**4,100,307**	**2,657,196**
LIABILITIES			
Current liabilities			
Trade and other payables	16	(1,434,382)	(2,493,096)
Total liabilities		**(1,434,382)**	**(2,493,096)**
Net assets		**2,665,925**	**164,100**
EQUITY			
Called up share capital	18	541,650	541,109
Share premium reserve		1,567,615	1,564,095
Merger reserve		523,367	523,367
Retained earnings/ (deficit)		33,293	(2,464,471)
Total Equity		**2,665,925**	**164,100**

The Company reported a profit for the financial year ended 31 March 2018 of £2,497,133 (2017: profit £130,063)

Registered number: SC247376

Approved for issue by the Board of Directors on 15 June 2018 and signed on its behalf by:

Trevor E Brown

CEO

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

	2018	2017
	£	£
Operating activities		
Profit before tax	1,492,656	779,528
Adjustments to reconcile profit before tax to net cash flows from operating activities		
Share-based payments expense	631	1,634
(Increase) in the fair value movements of investments	(1,152,597)	(183,475)
Transfer of accrued dividend	(27,101)	-
Gain on disposal of equity investments	-	(252,747)
Interest income	(6,050)	(5,182)
Decrease/ (Increase) in trade and other receivables	165,101	(161,589)
(Decrease) in trade and other payables	(591,456)	(66,989)
Cash flow from operating activities	**(118,816)**	**111,180**
Investing activities		
Proceeds from sale of investments	-	513,857
Purchase of investments	(178,386)	(472,155)
Interest received	6,050	5,182
Net cash flow from investing activities	**(172,336)**	**46,884**
Financing activities		
Proceeds from issue of new shares	4,061	-
Net cash flow from financing activities	**4,061**	**-**
Net (decrease)/ increase in cash and cash equivalents	(287,091)	158,064
Cash and cash equivalents at the beginning of the year	1,420,850	1,262,786
Cash and cash equivalents at the end of the year	**1,133,759**	**1,420,850**

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

	2018	2017
	£	£
Operating activities		
Profit before tax	2,497,133	130,063
Adjustments to reconcile profit before tax to net cash flows from operating activities		
Increase in the fair value movements of investments	(1,152,597)	(152,213)
Transfer of accrued dividend	(27,101)	-
Gain on disposal of equity investments	-	(76,582)
Interest income	(5,955)	(4,985)
Decrease in trade and other receivables	2,678	110,297
(Decrease)/Increase in trade and other payables	(1,058,714)	138,597
Net cash flow from operating activities	**255,444**	**145,177**
Investing activities		
Proceeds from sale of equity investment	-	100,819
Purchase of investments	(209,759)	(472,155)
Interest received	5,955	4,985
Net cash flow from investing activities	**(203,804)**	**(366,351)**
Financing activities		
Proceeds from issue of new shares	4,061	-
Net cash flow from financing activities	**4,061**	**-**
Net increase/ (decrease) in cash and cash equivalents	55,701	(221,174)
Cash and cash equivalents at the beginning of the year	727,388	948,562
Cash and cash equivalents at the end of the year	**783,089**	**727,388**

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

	Called up Share Capital	Share Premium Reserve	Merger Reserve	Retained Earnings/ (Deficit)	Total	Non-controlling interest	Total Equity
	£	£	£	£	£	£	£
GROUP							
At 1 April 2016	**541,109**	**1,564,095**	**523,367**	**(887,552)**	**1,741,019**	**(36,015)**	**1,705,004**
Share-based payments	-	-	-	1,634	1,634	-	1,634
Transactions with owners	-	-	-	1,634	1,634	-	1,634
Profit and total comprehensive income for the year	-	-	-	767,900	767,900	11,628	779,528
At 1 April 2017	**541,109**	**1,564,095**	**523,367**	**(118,018)**	**2,510,553**	**(24,387)**	**2,486,166**
Issues of new share capital	541	3,520	-	-	4,061	-	4,061
Share-based payments	-	-	-	631	631	-	631
Transactions with owners	-	-	-	631	631	-	631
Profit and total comprehensive income for the year	-	-	-	1,492,662	1,492,662	(6)	1,492,656
At 31 March 2018	**541,650**	**1,567,615**	**523,367**	**1,375,275**	**4,007,907**	**(24,393)**	**3,983,514**

	Called up Share Capital	Share Premium Reserve	Merger Reserve	Retained Earnings/ (Deficit)	Total
	£	£	£	£	£
COMPANY					
At 1 April 2016	**541,109**	**1,564,095**	**523,367**	**(2,596,168)**	**32,403**
Share-based payments	-	-	-	1,634	1,634
Transactions with owners	-	-	-	1,634	1,634
Profit and total comprehensive income for the year	-	-	-	130,063	130,063
At 1 April 2017	**541,109**	**1,564,095**	**523,367**	**(2,464,471)**	**164,100**
Issues of new share capital	541	3,520	-	-	4,061
Share-based payments	-	-	-	631	631
Transactions with owners	-	-	-	631	631
Profit and total comprehensive income for the year	-	-	-	2,497,133	2,497,133
At 31 March 2018	**541,650**	**1,567,615**	**523,367**	**33,293**	**2,665,925**

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 2018 were authorised for issue by the Board of Directors on 15 June 2018 and the statements of financial position were signed on the Board's behalf by Trevor Brown.

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 Strategic Report and Directors' Report. The Company is registered in Scotland. The Company's ordinary shares are traded on the AIM market of the London Stock Exchange.

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 2018 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 financial statements.

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 is set out in the Chief Executive Officer's Report. The Group's risk management objectives and policies are described in the Corporate Governance Statement. 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 23 to the financial statements. The Group's capital management objectives are stated on page 32, note (o).

The directors have reviewed the Group's and the Company's budgets and plans, taking account of reasonably possible changes in trading performance and have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future and that it is therefore appropriate to continue to adopt the going concern basis in preparing the financial statements. Whilst the company is currently showing a net liabilities position, the balance is significantly better than it was in the previous year.

(b) Changes in accounting policy and disclosures

There are no new additional standards, interpretations and amendments that had a material impact on the Group's financial statements during the year.

(c) New standards and interpretations not yet effective

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

IFRS 15 was issued on 28 May 2014 and provides a single global standard on revenue recognition which aligns the IFRS and US GAAP guidance. It replaces existing revenue recognition guidance, including IAS 18 revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. The Group has assessed the potential impact on its consolidated financial statements resulting from the application of IFRS 15 and does not foresee any material effect when the Standard is applied. While early adoption is permitted, IFRS 15 has an effective date of 1 January 2018 with the year ending 31 March 2019 being the first annual financial statements to which the standard applies. The Directors do not intend to adopt the standard early.

IFRS 9 will eventually replace IAS 39 in its entirety. The process has been divided into three main components, being classification and measurement; impairment; and hedge accounting. The Group provisionally assesses the potential effect to be immaterial given the majority of its financial assets are currently held at fair value through profit or loss. The effective date is 1 January 2018. The Directors do not intend to adopt the standard early.

None of the other new standards, interpretations and amendments not yet effective is expected to have a material effect on the Group's future financial statements.

(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 Company is classified as an investment entity as it meets the definition of an investment entity within Para 27 IFRS 10.

- **Subsidiaries**

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. As per IFRS 10 an entity is classed as under the control of the Group when all three of the following elements are present: power over the entity, exposure to variable returns from the entity and the ability of the Group to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets, liabilities, non-controlling interest and any other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

The Group is made up of several different types of subsidiaries. The Group assesses the function performed by each type of subsidiary to determine its treatment under the IFRS 10 exception from consolidation. The types of subsidiaries and their treatment under IFRS 10 are as follows:

- Investment managers – Consolidated

  These entities provide investment related services through the provision of investment management or advice. They do not hold any direct investments in portfolio assets. These entities are not investment entities.

- General Partners (GPs) – Consolidated

  General Partners provide investment management services and do not hold any direct investments in portfolio assets. These entities are not investment entities.

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.

(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 estimation 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:

- ***Assessment as an investment entity***

Entities that meet the definition of an investment entity within IFRS 10 are required to account for most investments in controlled entities, as well as investments in associates and joint ventures, at fair value through profit and loss. The Board has concluded that the Company continues to meet the definition of an investment entity as its strategic objective of investing in portfolio investments and providing investment management services to investors for the purpose of generating returns in the form of investment income and capital appreciation remains unchanged.

The Group is required to determine the degree of control or influence the Group exercises and the form of any control to ensure that the financial treatment is accurate.

- ***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 as endorsed by the European Venture Capital Association (EVCA). 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 of the Group at 31 March 2018 was £2,220,213 (2017: £862,129) and of the Parent Company was £2,220,131 (2017: £830,674). Further information regarding the Group's and Parent Company's fair value of unquoted investments is provided in note 11.

- ***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 19.

- ***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 higher of value-in-use and fair value less costs of disposal 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 and monitoring fees from investee companies. 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 arrangement 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. Monitoring fees are recognised as that service is provided.

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. The Chief Executive, who is considered to be the chief operating decision maker, manages the Group based on the context of information presented to him. All operations are conducted in the United Kingdom.

(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) 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.

(i) Impairment of intangible 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.

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

(j) 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, updated and effective December 2015, as recommended by the European Venture Capital Association. The fair value of unlisted equity investments is determined using the most appropriate 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 preferred by the Group is 'price of most recent investment'. Where 'price of most recent investment' is no longer considered to be appropriate, the Group has used valuations based on discounted cash flow method using business forecasts provided by the investee company and prepared by an independent accounting firm.

Price of recent investment

The Group considers that fair value estimates, which are based entirely on observable market data, will be of greater reliability than those based on assumptions and, accordingly, where there has been any recent investment by third parties, the price of that investment will generally provide a basis of the valuation. The length of period for which it remains appropriate to use the price of recent investment depends on the specific circumstances of the investment and the stability of the external environment. Given the nature of the Group's investments in early-stage companies, where there are often no current and no short-term future earnings or positive cash flows, it can be difficult to gauge the probability and financial impact of the success or failure of development or research activities and to make reliable cash flow forecasts. Consequently, the most appropriate approach to determine fair value is a methodology that is based on market data, that being the price of a recent investment. Where the Group considers that the price of recent investment, unadjusted, is no longer relevant and there are limited or no comparable companies or transactions from which to infer value, the Group carries out an enhanced assessment based on milestone analysis and/or industry and sector analysis. In applying the milestone analysis approach to investments in companies in early or development stages the Group seeks to determine whether there is an indication of change in fair value based on a consideration of performance against any milestones that were set at the time of the original investment decision, as well as taking into consideration the key market drivers of the investee company and the overall economic environment.

Where the Group considers that there is an indication that the fair value has changed, an estimation is made of the required amount of any adjustment from the last price of recent investment. Wherever possible, this adjustment is based on objective data from the investee company and the experience and judgement of the Group. However, any adjustment is, by its very nature, subjective. Where a deterioration in value has occurred, the Group reduces the carrying value of the investment to reflect the estimated decrease. If there is evidence of value creation the Group may consider increasing the carrying value of the investment; however, in the absence of additional financing rounds or profit generation it can be difficult to determine the value that a purchaser may place on positive developments given the potential outcome and the costs and risks to achieving that outcome and accordingly caution is applied. Factors that the Group considers include, inter alia, technical measures such as product development phases and patent approvals, financial measures such as cash burn rate and profitability expectations, and market and sales measures such as testing phases, product launches and market introduction.

Other valuation techniques

If there is no readily ascertainable value from following the 'price of recent investment' methodology, or there is objective evidence that a deterioration or significant improvement in fair value has occurred since a relevant transaction, the Group considers alternative methodologies such as discounted cash flows ("DCF"). DCF involves estimating the fair value of a business by calculating the present value of expected future cash flows, based on the most recent forecasts in respect of the underlying business. Given the difficulty of producing reliable cash flow forecasts for early-stage companies as described earlier, this methodology is used only where it is considered there is reasonable evidence of current and ongoing income streams.

In the current year, where 'price of recent investment' methodology was not considered to reflect the progress a business had made, two investments have been valued using DCF and EBIT by an independent accounting firm. This firm used DCF and earnings before interest and tax ("EBIT") to establish the fair value of the enterprise and applied a discount to the result to reflect the non-marketability associated with Braveheart's limited control of the business. Management took these valuations and made appropriate adjustments.

No reliable estimate

Where a fair value cannot be estimated reliably, the investment is reported at the carrying value at the previous reporting date unless there is objective evidence that the investment has since been impaired.

Debt instruments

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 reflected 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, whereby these are classified as non-current assets.

- ***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 and short term bank deposits.

(k) Financial liabilities

Financial liabilities, being trade and other payables, are initially recognised at fair value and are subsequently carried at amortised cost.

(l) The Company's investment in its subsidiaries

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

(m) Contingent consideration

Contingent consideration is recognised at fair value. 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.

(n) 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.

(o) 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, share premium, merger reserve and retained earnings.

- Share premium — amount subscribed for share capital in excess of nominal value, net of directly attributable issue costs;
- Merger reserve — amount subscribed for share capital in excess of nominal value in relation to the qualifying acquisition of subsidiary undertakings;
- Retained earnings — cumulative net gains and losses recognised in the consolidated statement of comprehensive income net of associated share-based payments credits;
- Non-controlling interest — share of profits/(losses) attributable to the Limited Partners of Strathclyde Innovation Fund LP.

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. The group considers that it has appropriately managed its capital requirements during the year.

Strathtay Ventures Limited, a Group investment management subsidiary and Viking Fund Managers Limited, 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.

(p) 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.

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.

(q) Pensions

The Group makes defined pension contributions to certain employees of Viking Fund Managers Limited, a subsidiary undertaking. 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.

(r) 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 and equity instruments issued and liabilities incurred or assumed at the date of exchange. Costs directly attributable to the acquisition are immediately expensed. 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.

(s) Contingent liability

Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date. Subsequently, contingent liabilities are measured at the higher of the amount that would be recognised in accordance with IAS 37 and the amount initially recognised less cumulative amortisation recognised in accordance with IAS 18 Revenue.

(t) Foreign currency

Foreign currency exchange gains and losses resulting from the remeasurement of monetary items denominated in foreign currency at the year-end exchange rates are recognised in the statement of comprehensive income.

3 Revenue

Revenue is attributable to the principal activities of the Group. In 2018 and 2017, all revenue arose within the United Kingdom.

	Group 2018 £	Group 2017 £
Investment management	715,523	956,625
Consultancy	104,539	197,020
	820,062	1,153,645

The business is regarded as one segment due to the nature of services provided and the methods used to provide these services. The business is managed and financial performance is reported to the Board on this basis.

Of the revenue stated above, £611,084 (2017: £624,690) related to Finance Yorkshire Equity LP and £104,539 (2017: £197,020) related to The Lachesis Seed Fund Limited Partnership.

4 Finance income

	Group 2018 £	Group 2017 £
Bank interest receivable	439	580
Interest on loan notes	5,611	4,602
	6,050	5,182

5 Employee benefits expense

	Group 2018 £	Group 2017 £
Salaries	288,993	395,102
Social security costs	29,378	41,755
Pension costs	3,473	2,103
Share-based payments	631	1,634
	322,475	440,594

The average number of persons (including directors) employed by the Group during the year was 4 (2017: 7), all of whom were involved in management and administrative activities. The remuneration of the directors, is set out below in aggregate:

	2018 £	2017 £
Short-term employee benefits	192,186	113,443
	192,186	113,443
Post-employment benefit	3,473	2,103
Share-based payments	49	127
	195,708	115,673

Further information about the remuneration of individual directors is provided in the Directors' Remuneration Report.

The remuneration of the management board detailed on pages 13 to 16, 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':

	2018 £	2017 £
Short-term employee benefits	203,993	183,464
Post-employment benefit	3,473	2,103
Share-based payments	49	225
	207,515	185,792

6 Finance costs

	Group 2018 £	Group 2017 £
Bank charges	3,897	4,364

7 Profit before tax

Profit for the year has been arrived at after charging:	Group 2018 £	Group 2017 £
Lease payments recognised as an operating lease (office rent)	6,242	16,058
(Loss)/ gain on foreign exchange	(7,311)	20,000
Gain on disposal of investments	-	252,747
Auditor's remuneration:		
Audit services		
- Fees payable for the audit of the consolidation and the parent company accounts	24,475	21,600
- Fees payable for the audit of subsidiaries, pursuant to legislation	17,000	19,550
Non-audit services		
- Assurance service fees	3,500	4,650
- Tax compliance fees	7,150	6,950

8 Tax on profit on ordinary activities

No liability to UK corporation tax arose on ordinary activities for the year ended 31 March 2018 or for the year ended 31 March 2017.

Reconciliation of total tax:	Group 2018 £	Group 2017 £
Profit before tax	1,492,656	779,528
Tax at the statutory rate of 19% (2017: 20%)	283,605	155,906
Disallowed expenses	120	84,707
Unrealised gain on the fair value movement of investments	(218,993)	(127,890)
Utilisation of losses	(64,732)	(112,723)
Total tax reported in the statement of comprehensive income	-	-

The Group has potential unrecognised deferred tax assets in respect of:

- excess management expenses of £2,700,158 (2017: £2,776,663) arising from Braveheart Investment Group plc;
- excess management expenses of £558,452 (2017: £558,452) arising from Caledonia Portfolio Realisations Limited; and
- unutilised trading losses of £1,721,452 (2017: £1,824,553) in Strathtay Ventures Limited.

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

The main rate of UK corporation tax was 20% from 1 April 2016. Further reductions to 19% from 1 April 2017 and 17% from 1 April 2020 were substantively enacted on 26 October 2015 (The Finance (No. 2) Act 2015) and 6 September 2016 (The Finance Act 2016) respectively.

9 Profit of the Parent Company

	2018 £	2017 £
Profit of the Parent Company only	2,497,133	130,063

10 Profit per share

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

The calculations of profit per share are based on the following profit and numbers of shares in issue:

	2018	2017
	£	£
Profit for the year	1,492,656	779,528
Weighted average number of ordinary shares in issue:	No.	No.
For basic profit per ordinary share	27,072,997	27,055,491
Potentially dilutive ordinary shares	75,675	270,270
For diluted profit per ordinary share	27,148,672	27,325,761

Dilutive earnings per share adjusts for share options granted where the exercise price is less than the average price of the ordinary shares during the period. At the current year end there were 75,675 (2017: 270,270) potentially dilutive ordinary shares.

11 Investments at fair value through profit or loss

	Level 1	Level 2		Level 3		
	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
GROUP	**£**	**£**	**£**	**£**	**£**	**£**
At 1 April 2016	**165,554**	**-**	**-**	**302,055**	**-**	**467,609**
Additions at Cost	-	-	-	373,000	99,155	472,155
Repayments/Disposals	(165,554)	-	-	(95,556)	-	(261,110)
Change in Fair Value	-	-	-	183,475	-	183,475
At 1 April 2017	**-**	**-**	**-**	**762,974**	**99,155**	**862,129**
Additions at Cost	-	-	-	143,386	35,000	178,386
Conversion of loan notes	-	-	-	44,500	(44,500)	-
Transfer	-	-	-	27,101	-	27,101
Change in Fair Value	-	-	-	1,152,597	-	1,152,597
At 31 March 2018	**-**	**-**	**-**	**2,130,558**	**89,655**	**2,220,213**

	Level 1	Level 2		Level 3		
	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
COMPANY	£	£	£	£	£	£
At 1 April 2016	**-**	**-**	**-**	**230,543**	**-**	**230,543**
Additions at Cost	-	-	-	373,000	99,155	472,155
Repayments/Disposals	-	-	-	(24,237)	-	(24,237)
Change in Fair Value	-	-	-	152,213	-	152,213
At 1 April 2017	-	-	-	**731,519**	**99,155**	**830,674**
Additions at Cost	-	-	-	174,759	35,000	209,759
Conversion of loan notes	-	-	-	44,500	(44,500)	-
Transfer	-	-	-	27,101	-	27,101
Change in Fair Value	-	-	-	1,152,597	-	1,152,597
At 31 March 2018	-	-	-	**2,130,476**	**89,655**	**2,220,131**

As at 31 March 2018, the group total value of investments in companies was £2,220,213 (2017: £862,129). The group total change in fair value during the year was a gain of £1,152,597 (2017: gain £183,475).

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 December 2015, as recommended by the European Venture Capital Association. The fair value of unlisted equity investments is determined using the most appropriate 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.

The fair values of quoted investments are based on bid prices in an active market at the reporting date. All unquoted investments have been classified as Level 3 within the fair value hierarchy, their respective valuations having been calculated using a number of valuation techniques and assumptions, notwithstanding that the basis of the valuation methodology preferred by the Group is 'price of most recent investment'. To reflect the potential impact of alternative assumptions and a lack of liquidity in these holdings, a discount of 15% has been applied to all Level 3 valuations. When using the DCF valuation method, reasonably possible alternative assumptions could have a material effect on the fair valuation of investments. In the table below are identified unobservable inputs to which these Level 3 fair values would be materially sensitive.

Financial assets/ liabilities	Fair value as at		Fair value hierarchy	Valuation techniques(s) and key inputs	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	31/3/18	31/3/17				
Investments at fair value through profit or loss	42% equity investment in Paraytec Limited - £528,549; and 38% equity investment in Kirkstall Limited £902,382	26% equity investment in Paraytec Limited - £150,000; and 27% equity investment in Kirkstall Limited £188,000	Level 3	At 31/3/18, the discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from ownership of these investees. At 31/3/17, the price of most recent investment was used.	Forecast revenue growth rates, taking into account management's experience and knowledge of the market.	An increase in growth rates used in isolation would result in an increase in the fair value.
					Forecast pre-tax operating margin taking into account management's operating cost forecasts.	An increase in pre-tax operating margin used in isolation would result in an increase in the fair value.
					Weighted average cost of capital (WACC) ranging from 9% to 12.5%	An increase in the WACC used in isolation would result in a decrease in the fair value
					Discount for lack of marketability in unlisted investments 15%	An increase in the discount for lack of marketability used in isolation would result in a decrease in the fair value

The impact on the fair value of investments if the discount rate shifts by 1% is £21,305 (2017: £3,595). The impact on the fair value of investments valued through profit and loss if the WACC increased by 1% is £86,941 (2017: £0). The impact on the fair value of investments valued through profit and loss if the annual cash flows resulting from lower growth rate or lower pre-tax operating margin were reduced by 10% is £152,058 (2017: £0).

The methodologies used in the year are broken down as follows:

Methodology	Description	Inputs	Adjustments	% of portfolio valued on this basis
Fund Raising	Used for unquoted investments where there has been a funding round, generally within the last twelve months	The price of the most recent investment	A liquidity discount is applied, typically 15%. Where last funding round is greater than twelve months then further discounts ranging between 0% and 100% are applied.	32%
Earnings	Used for investments which we can determine a set of listed companies with similar characteristics	Earnings multiples are applied to the earnings of the company to determine the enterprise value	A liquidity discount is applied, typically 15%	0%
Debt/Loan notes	Loan investments	The fair value of debt investment is deemed to be cost less any impairment provision	Impairment provision if deemed necessary	4%
Indicative offers	Used where an investment is in a sales process, a price has been agreed but the transaction has not yet settled	Contracted proceeds or best estimate of expected proceeds	A discount between 5% - 10% is applied to reflect any uncertain adjustments to expected proceeds	0%
Discounted cash flow	Used for companies with long-term cash flows	Long term cash flows are discounted at a rate considered appropriate for the business, typically 9% - 12.5%	A liquidity discount is applied, typically 15%	64%

Change in fair value in the year:	**Group 2018 £**	**Group 2017 £**
Fair value gains	1,152,969	222,641
Fair value losses	(372)	(39,166)
	1,152,597	183,475

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:

Caledonia Portfolio Realisations Limited ('CPR') holds a 20% aggregate shareholding in Verbalis Limited ('Verbalis'), a design and production of automated language translation systems company. 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 (2017: £nil).

The Company holds a 42% aggregate holding in Paraytec Limited, which develops high performance specialist detectors for the analytical and life sciences instrumentation market. The Company is represented on the Board and in the opinion of the directors, this shareholding nor the representative does not entitle the Company to exert a significant or dominant influence over Paraytec. The carrying value of Paraytec £528,549 (2017: £150,000).

The Company holds a 38% aggregate holding in Kirkstall Limited, a biotechnology company which developed a system of interconnected chambers for cell and tissue culture in laboratories. The Company is represented on the Board and in the opinion of the directors, this shareholding nor the representative does not entitle the Company to exert a significant or dominant influence over Kirkstall. The carrying value of Kirkstall is £902,382 (2017: £188,000).

The Company holds a 37% aggregate holding on Gyrometric Limited, this company has developed a patent protected system of hardware and software to accurately monitor the vibrations in rotating shafts. The Company is represented on the Board and in the opinion of the directors, this shareholding nor the representative entitles the Company to exert a significant or dominant influence over Gyrometric. The carrying value of Gyrometric is £234,881 (2017: £34,097).

The registered addresses for these entities are as follows:

Verbalis Limited	Frostineb Cottage, Fala, Pathhead, Midlothian, EH37 5TB
Paraytec Limited	York House, Outgang Lane, Osbaldwick, York, North Yorkshire, YO19 5UP
Kirkstall Limited,	Unit 3, Aspen Court, Centurion Business Park, Rotherham, South Yorkshire, S60 1FB
Gyrometric Systems Limited	Dockholme Lock Cottage, 380 Bennett Street, Long Eaton, Nottingham, NG10 4JF

12 Investment in subsidiaries

The Company has the following interests in subsidiary undertakings:

Name	Country of Incorporation	Nature of Business	% Interest
Strathtay Ventures Limited *(i)*	Scotland	Investment management	100%
Caledonia Portfolio Realisations Limited *(i)*	Scotland	Investment management	100%
Caledonia LP Limited *(i)*	Scotland	Investment management	100%
Strathclyde Innovation Fund GP Limited *(i)*	Scotland	Investment management	100%
Caledonia Specialist Finance Limited *(i)*	Scotland	Dormant	100%
Viking Fund Managers Limited *(i)*	England	Investment management & business advisory services	100%
Braveheart Academic Seed Funding GP Limited *(i)*	England	Investment management	100%
Braveheart Nominees Limited *(ii)*	Scotland	Dormant	100%
Finance Yorkshire Equity GP Limited *(ii)*	England	General Partner	100%
Ridings Holdings Limited *(ii)*	England	Investment management	100%
The Ridings Early Growth Investment Company Limited *(ii)*	England	Investment management	100%

(i) Direct subsidiary of Braveheart Investment Group plc
(ii) Indirect subsidiary of Braveheart Investment Group plc

COMPANY	**£**
Cost	
At 1 April 2016	**938,127**
Increase in investment value arising from share-based payments	1,634
At 1 April 2017	**939,761**
Increase in investment value arising from share-based payments	631
At 31 March 2018	**940,392**

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

Name	Place of Business	% Interest
Strathclyde Innovation Fund (SIF)	Scotland	89.29%
Lachesis Seed Fund	England	0%
Finance Yorkshire Equity Fund	England	0%

The registered addresses for the subsidiary undertakings are as follows:

Strathtay Ventures Limited	1 George Square, Glasgow, Scotland, G2 1AL
Caledonia Portfolio Realisations Limited	1 George Square, Glasgow, Scotland, G2 1AL
Caledonia LP Limited	1 George Square, Glasgow, Scotland, G2 1AL
Strathclyde Innovation Fund GP Limited	1 George Square, Glasgow, Scotland, G2 1AL
Caledonia Specialist Finance Limited	1 George Square, Glasgow, Scotland, G2 1AL
Viking Fund Managers Limited	One Fleet Place, London, EC4M 7WS
Braveheart Academic Seed Funding GP Limited	One Fleet Place, London, EC4M 7WS
Braveheart Nominees Limited	1 George Square, Glasgow, Scotland, G2 1AL
Finance Yorkshire Equity GP Limited	One Fleet Place, London, EC4M 7WS
Ridings Holdings Limited	One Fleet Place, London, EC4M 7WS
The Ridings Early Growth Investment Company Limited	One Fleet Place, London, EC4M 7WS

13 Goodwill

	Viking	Neon	Total
	£	£	£
Cost - At 1 April 2016, 31 March 2017 and 31 March 2018	371,944	380,000	751,944
Impairment - At 1 April 2016, 31 March 2017 and 31 March 2018	(371,944)	-	(371,944)
Net Book Value - At 1 April 2017 and 31 March 2018	-	**380,000**	**380,000**

At the end of the current year, the Group assessed the recoverable amount of the above goodwill associated with Neon's cash-generating unit and determined that goodwill was not impaired. The recoverable amount of Neon was assessed by reference to the cash-generating unit's value in use based on internally prepared and approved 2 year cash flow projections applying the following discount factors:

Cashflow projections are mainly based on contracted revenues and associated costs, which can therefore be predicted with reasonable certainty and the directors do not consider there to be significant assumptions included within these cash flows.

Cash-generating unit	Neon	
	2018	**2017**
Discount factor (p.a.)	12.5%	12.5%

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 further impairment.

14 Trade and other receivables

	Group 2018	Group 2017	Company 2018	Company 2017
	£	£	£	£
Trade receivables	156,966	395,924	-	-
Prepayments and accrued income	169,633	120,522	108,287	52,080
Amounts due from related parties	-	-	48,408	48,408
	326,599	516,446	156,695	100,488
Non-current: Other receivables	174,939	150,193	-	58,885
	501,538	666,639	156,695	159,373

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 Group's other receivables of £174,939 (2017: £150,193) relates to a Finance Yorkshire fund performance fee of £174,939 (2017: £91,308) which is expected to be received in full during 2019. As at 31 March 2017, the retention proceeds from Biopta Limited of £58,885 was accounted for in other receivables. As at 31 March 2018, these retention proceeds are included in trade receivables as the amount is expected to be received in full during December 2018.

15 Cash and cash equivalents

	Group 2018	Group 2017	Company 2018	Company 2017
	£	£	£	£
Cash at bank and on hand	1,133,759	1,420,850	783,089	727,388

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.

16 Trade and other payables

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Trade payables	70,659	438,721	28,404	73,845
Amounts due to related parties	-	-	1,371,373	2,338,253
Other taxes and social security	7,996	31,055	2,081	3,548
Accruals	109,284	253,752	32,524	77,450
	187,939	768,528	1,434,382	2,493,096

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.

17 Deferred income

Group deferred income at the year-end of £20,688 (2017: £31,532) relates to monitoring and arrangement fees. Fees earned for the provision of this ongoing service are recognised as that service is provided and recognised at the fair value of the consideration received or receivable.

18 Share capital

	2018 £	2017 £
Authorised		
33,645,000 ordinary shares of 2 pence each		
(2017: 33,645,000 ordinary shares of 2 pence each)	672,900	672,900
Allotted, called up and fully paid		
27,082,565 ordinary shares of 2 pence each		
(2017: 27,055,491 ordinary shares of 2 pence each)	541,650	541,109

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.

Reconciliation of movements during the year

At 1 April 2017	**27,055,491**
Issue of fully paid shares	27,074
At 31 March 2018	**27,082,565**

19 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, no options were granted. 316,306 Employment Options lapsed, 403,729 Performance Options lapsed and 114,722 Other Options lapsed due to the cessation of employment.

During the year ended 31 March 2017, no options were granted. 55,137 Employment Options lapsed, 105,834 Performance Options lapsed and 6,667 Other Options lapsed due either to the cessation of employment.

19 Share-based payments (continued)

The current year movement in Share Options is summarised below:

Date of Grant	At 1 April 2017	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 2018	Exercise Price	Weighted Average Exercise Price	Date first exercisable	Expiry date
Employment Options granted under Part A										
18 June 2009	50,141		-	-	(32,045)	18,096	£0.295		18 June 2012	17 June 2019
5 July 2010	57,651		-	-	(36,845)	20,806	£0.255		5 July 2013	4 July 2020
25 May 2012	124,318		-	-	(108,747)	15,571	£0.120		25 May 15	24 May 2022
3 September 2012	27,568		-	-	(19,590)	7,978	£0.160		3 September 2015	2 September 2022
19 August 2014	47,159		-	-	(27,171)	19,988	£0.105		19 August 2017	19 August 2024
	306,837	£0.175	-	-	(224,398)	82,439		£0.193		
Employment Options granted under Part B										
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	£0.274	-	-	(91,908)	-		£0.000		
Performance Options granted under Part B										
5 July 2010	138,461		-	-	(115,384)	23,077	£0.255		5 October 2011	4 July 2020
25 May 2012	112,500		-	-	(93,750)	18,750	£0.120		25 August 2013	24 May 2022
19 August 2014	270,270		-	-	(194,595)	75,675	£0.105		5 November 2015	19 August 2024
	521,231	£0.148	-	-	(403,729)	117,502		£0.137		
Other Options granted under Part B										
5 July 2010	114,722	£0.255	-	-	(114,722)	-	£0.255	£0.000	5 July 2010	4 July 2020

19 Share-based payments (continued)

The previous year movement in Share Options is summarised below:

Date of Grant	At 1 April 2016	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 2017	Exercise Price	Weighted Average Exercise Price	Date first exercisable	Expiry date
Employment Options granted under Part A										
18 June 2009	55,570		-	-	(5,429)	50,141	£0.295		18 June 2012	17 June 2019
5 July 2010	63,893		-	-	(6,242)	57,651	£0.255		5 July 2013	4 July 2020
25 May 2012	131,411		-	-	(7,093)	124,318	£0.120		25 May 15	24 May 2022
3 September 2012	28,995		-	-	(1,427)	27,568	£0.160		3 September 2015	2 September 2022
25 September 2012	6,422		-	-	(6,422)	-	£0.157		25 September 2015	24 September 2022
19 August 2014	75,683		-	-	(28,524)	47,159	£0.105		19 August 2017	19 August 2024
	361,974	£0.171	-	-	(55,137)	306,837		£0.175		
Employment Options granted under Part B										
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	£0.274	-	-	-	91,908		£0.274		
Performance Options granted under Part B										
5 July 2010	146,153		-	-	(7,692)	138,461	£0.255		5 October 2011	4 July 2020
25 May 2012	118,750		-	-	(6,250)	112,500	£0.120		25 August 2013	24 May 2022
19 August 2014	362,162		-	-	(91,892)	270,270	£0.105		5 November 2015	19 August 2024
	627,065	£0.143	-	-	(105,834)	521,231		£0.148		
Other Options granted under Part B										
5 July 2010	121,389	£0.255	-	-	(6,667)	114,722	£0.255	£0.255	5 July 2010	4 July 2020

19 Share-based payments (continued)

119,941 shares were exercisable at 31 March 2018 (2017: 1,034,698). The weighted average exercise price of the total number of options granted and not exercised at 31 March 2018 was £0.160 (2017: £0.179) and the weighted average contractual life of the options was 1,195 days (2017: 1,560 days).

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

	2018	2017
	£	£
Expense arising from equity-settled share-based payments transactions	631	1,634

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.

20 Operating lease commitments

During the year 2015, the Company entered into a new 5-year lease (with a 30 month break clause) on premises at 2 Dundee Road, Perth. Renewals are at the option of the entity that holds the lease. There are no restrictions placed upon the lessee by entering into this lease. The lease ended in December 2017.

Future minimum rentals payable under operating leases are as follows:

	2018	2017
	£	£
Future minimum payments due:		
Not later than one year	-	5,634
In two to five years	-	-
	-	5,634

21 Borrowings

At 31 March 2018 Strathclyde Innovation Fund LP had received £43,369 (2017: £43,392) from limited partners unrelated to the Group to cover partnership obligations. Such sums are treated as long terms loans from limited partners.

22 Related party disclosures

Trade and other receivables (note 14) include the following amounts due from subsidiary undertakings:

	2018	2017
	£	£
Caledonia LP Limited	48,408	48,408
	48,408	48,408

Trade and other payables (note 16) include the following amounts due to subsidiary undertakings:

	2018	2017
	£	£
Strathtay Ventures Limited	473,837	289,287
Viking Fund Managers Limited	181,757	1,482,430
Caledonia Portfolio Realisations Limited	685,367	536,586
Ridings Holdings Limited	30,412	30,000
	1,371,373	2,338,253

All above amounts are unsecured, interest free and repayable on demand. Transactions between the Company and its subsidiaries are eliminated on consolidation.

The Directors have agreed that, while amounts due to Group companies are included in trade and other payables due within one year as they are technically payable on demand, payment of these amounts will not be required unless the company is able to do so.

During the current year, Viking recharged £83,288 (2017: £78,563) to Strathtay in respect of employee benefits expense. Also Braveheart recharged £100,000 (2017: £100,000) to Viking in respect of a management fee and Viking charged the Ridings Early Growth Investment Company Ltd £7,687 (2017: £113,017) in respect of a management charge.

Andrew Burton was a director of Viking Fund Managers Limited. During the year, Viking was charged rent totalling £Nil (2017: £900) in respect of business premises owned personally by Mr and Mrs Burton. As at 31 March 2018 and 2017, £nil was due to Mr and Mrs Burton. Andrew Burton resigned as a director on 1 September 2017.

During the year, Braveheart received dividends of £1,500,000 (2017: Nil) from Viking Fund Managers Limited.

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

23 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 2018 and 31 March 2017. 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				
2018				
Investments	2,220,213	-	-	2,220,213
Trade and other receivables	-	389,297	112,241	501,538
Cash and cash equivalents	-	1,133,759	-	1,133,759
	2,220,213	1,523,056	112,241	3,855,510
2017				
Investments	862,129	-	-	862,129
Trade and other receivables	-	546,117	120,522	666,639
Cash and cash equivalents	-	1,420,850	-	1,420,850
	862,129	1,966,967	120,522	2,949,618
COMPANY				
2018				
Investments	2,220,131	-	(*)940,392	3,160,523
Trade and other receivables	-	48,408	108,287	156,695
Cash and cash equivalents	-	783,089	-	783,089
	2,220,131	831,497	1,048,679	4,100,307
2017				
Investments	830,674	-	(*)939,761	1,770,435
Trade and other receivables	-	107,293	52,080	159,373
Cash and cash equivalents	-	727,388	-	727,388
	830,674	834,681	991,841	2,657,196

(*)Investments in subsidiary entities

23 Financial risk management objectives and policies (continued)

	Other financial liabilities at amortised cost	Financial liabilities at fair value	Total
	£	£	£
GROUP			
2018			
Trade and other payables	187,939	-	187,939
Borrowings	43,369	-	43,369
	231,308	-	231,308
2017			
Trade and other payables	768,528	-	768,528
Borrowings	43,392	-	43,392
	811,920	-	811,920
COMPANY			
2018			
Trade and other payables	1,434,382	-	1,434,382
	1,434,382	-	1,434,382
2017			
Trade and other payables	2,493,096	-	2,493,096
	2,493,096	-	2,493,096

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:

23 Financial risk management objectives and policies (continued)

	Neither past due nor impaired	Less than 3 months	3 to 12 months	More than 1 year	Total
	£	£	£	£	£
GROUP					
2018					
Trade receivables	60,170	27,825	57,210	11,761	156,966
Other receivables	344,572	-	-	-	344,572
	404,742	27,825	57,210	11,761	501,538
2017					
Trade receivables	97,786	43,763	254,375	-	395,924
Other receivables	268,753	-	-	-	268,753
	366,539	43,763	254,375	-	664,677
COMPANY					
2018					
Other receivables	108,287	-	-	-	108,287
Amounts due from related parties	48,408	-	-	-	48,408
	156,695	-	-	-	156,695
2017					
Other receivables	109,003	-	-	-	109,003
Amounts due from related parties	48,408	-	-	-	48,408
	157,411	-	-	-	157,411

The Group considers its exposure to credit risk is negligible. The Group's bank balance of £1,133,759 at the year-end is held in a bank with a high credit rating and the trade and other receivables of £501,538 are closely monitored as part of the credit control process.

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.

23 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					
2018					
Trade and other payables	187,934	-	-	5	187,939
Other liabilities	20,688	-	-	43,369	64,057
	208,622	-	-	43,374	251,996
2017					
Trade and other payables	768,528	-	-	-	768,528
Other liabilities	31,532	-	-	43,392	74,924
	800,060	-	-	43,392	843,452
COMPANY					
2018					
Trade and other payables	63,009	-	-	-	63,009
Amounts due to related parties	1,371,373	-	-	-	1,371,373
	1,434,382	-	-	-	1,434,382
2017					
Trade and other payables	154,813	-	-	-	154,813
Amounts due to related parties	2,338,253	-	-	-	2,338,253
	2,493,066	-	-	-	2,493,066

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.

23 Financial risk management objectives and policies (continued)

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 and Company'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 and Company's financial instruments is as follows:

	Fixed Rate	Variable Rate	Interest free	Total
GROUP	**£**	**£**	**£**	**£**
2018				
Financial assets				
Investments: equity	-	-	2,130,558	2,130,558
Investments: loans	89,655	-	-	89,655
Cash and cash equivalents	-	1,133,759	-	1,133,759
Other financial assets	-	-	501,538	501,538
	89,655	1,133,759	2,632,096	3,855,510
Financial liabilities				
Other financial liabilities	-	-	251,996	251,996
	-	-	251,996	251,996
2017				
Financial assets				
Investments: equity	-	-	762,974	762,974
Investments: loans	99,155	-	-	99,155
Cash and cash equivalents	-	1,420,850	-	1,420,850
Other financial assets	-	-	666,639	666,639
	99,155	1,420,850	1,429,613	2,949,618
Financial liabilities				
Other financial liabilities	-	-	843,452	843,452
	-	-	843,452	843,452

23 Financial risk management objectives and policies (continued)

Interest rate risk

	Fixed Rate	Variable Rate	Interest free	Total
COMPANY	**£**	**£**	**£**	**£**
2018				
Financial assets				
Investments: equity	-	-	3,070,868	3,070,868
Investments: loans	89,655	-	-	89,655
Cash and cash equivalents	-	783,089	-	783,089
Other financial assets	-	-	156,695	156,695
	89,655	783,089	3,227,563	4,100,307
Financial liabilities				
Other financial liabilities	-	-	1,434,382	1,434,382
	-	-	1,434,382	1,434,382
2017				
Financial assets				
Investments: equity	-	-	1,671,280	1,671,280
Investments: loans	99,155	-	-	99,155
Cash and cash equivalents	-	727,388	-	727,388
Other financial assets	-	-	159,373	159,373
	99,155	727,388	1,830,653	2,657,196
Financial liabilities				
Other financial liabilities	-	-	2,493,096	2,493,096
	-	-	2,493,096	2,493,096

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 decrease in profit before tax for the twelve months to 31 March 2018 of £11,338 (2017: £14,208).

Foreign currency risk

The Group has no material exposure to foreign currency risk.

24 Ultimate controlling party

There is no ultimate controlling party.

25 Subsidiaries exempt from audit

The following subsidiaries are exempt from the requirements of the UK Companies Act 2006 relating to the audit of the individual accounts by virtue of S479A of the Act:

Caledonia Portfolio Realisations Limited

Caledonia LP Limited

Strathclyde Innovation Fund GP Limited

Caledonia Specialist Finance Limited

Braveheart Academic Seed Funding GP Limited

Braveheart Nominees Limited

Finance Yorkshire Equity GP Limited

Ridings Holdings Limited

The liabilities of these subsidiaries that have been guaranteed stands at £148,000. £106,000 of this balance relates to amounts owed to group undertakings and the directors consider the possibility of these becoming payable by the group to be remote.

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 the offices of Edwin Coe LLP, Stone Buildings, Lincoln's Inn, London WC2A 3TH on 19 July 2018 at 11.00 am 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 2018 and the reports of the directors and auditors thereon be received.

Resolution 2

THAT Mazars 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 Jonathan David Freeman 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 the directors be generally and unconditionally authorised for the purposes of Section 551 of the Companies Act 2006 (the CA 2006) to allot or grant rights to subscribe for shares in the Company up to an aggregate nominal amount of £216,660 provided that this authority shall, unless reviewed varied or revoked by the Company, expire on the expiry 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 shares to be allotted and the directors may allot shares in the Company in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired.

This resolution revokes and replaces all unexercised authorities previously granted to the directors to allot shares pursuant to section 551 of the CA 2006 but without prejudice to any allotment of shares or grants of rights already made, offered or agreed to be made pursuant to such authorities.

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, subject to the passing resolution 6 above, the directors, pursuant to the general authority conferred on them, be empowered pursuant to section 570 of the CA 2006 to allot for cash equity securities (as defined in section 560 of the CA 2006) as if section 561 of the CA 2006 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 £216,660 being 40% of the issued share capital of the Company and shall expire on the expiry 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:
c/o Dentons
1 George Square
Glasgow G2

15 June 2018

BY ORDER OF THE BOARD

Trevor E Brown
CEO

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 2018 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: Jonathan Freeman, 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.

Explanation of Resolution 5: It is being proposed to replace the existing authority of the directors of the Company to allot shares in the Company (or rights in respect thereof) in connection with section 551 of the CA 2006. The directors are seeking authority to issue up to 10,833,026 shares having an aggregate nominal value of £216,660, representing 40% of the issued share capital of the Company, such authority to expire on the expiry of the next Annual General Meeting of the Company.

The limitations to the directors' authority do not extend to:

- The allotment of shares, or the grant of a right to subscribe for, or convert any security into, shares in the Company pursuant to an employee's share scheme (as defined by section 1166 of CA 2006); or
- The allotment of shares pursuant to a right to subscribe for, or convert securities into, shares in the Company previously granted in accordance with directors authority.

Explanation of Resolution 6: This resolution, will be proposed as a special resolution, supplements the directors' general authority to allot shares as conferred on them pursuant to Resolution 6. Section 561 of the CA 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 allotment of shares for cash up to a nominal value of £216,660 being 40% of the issued share capital of the Company. 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 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, Link Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU by 11.00 am on 17 July 2018, or not less than 48 hours before the time appointed for holding any adjourned meeting.
3. Pursuant to Regulation 41 of the Uncertificated Securities Regulation 2001, the Company has specified that only those shareholders registered in the register of members of the Company as at close of business on 17 July 2018 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 close of business on 17 July 2018 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 they 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 11.00am on 17 July 2018. 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. 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 excepted).
10. 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.

Directors, Secretary, Registered Office and Advisers

Directors	Trevor E Brown, *Chief Executive Officer (r)* Jonathan D Freeman BA Hons MBA, *Non-executive Director (a) (r)* Andrew T G Burton BSc, *Executive Director (a) (resigned 1 September 2017)* Vivian D Hallam*, Executive Director (appointed 7 June 2017)* *(a) Member of Audit and Compliance Committee* *(r) Member of Remuneration Committee*
Secretary	GBAC Limited
Registration Number	SC247376
Registered Office	1 George Square Glasgow G2 1AL Telephone +44 (0) 1738 587555
Website	www.braveheartgroup.co.uk

Advisers

Registrar Link Asset Services Limited The Registry 34 Beckenham Road Beckenham Kent BR3 4TU	**Auditor** Mazars LLP 100 Queen Street Glasgow G1 3DN
Solicitors Maclay Murray & Spens LLP Quartermile One 15 Lauriston Place Edinburgh EH3 6EP	**Nominated Adviser and Broker** Allenby Capital Limited 5 St Helen's Place London EC3A 6AB
Principal Bankers HSBC Bank plc 76 Hanover Street Edinburgh EH2 1HQ	**Bankers** Bank of Scotland plc Pentland House 8 Lochside Avenue Edinburgh EH12 9DJ

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INVESTMENT GROUP

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