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Application has been made for all the Ordinary Shares of Braveheart Investment Group plc, in issue and to be issued pursuant to the Placing, to be admitted to trading on AIM, a market operated by the London Stock Exchange. It is expected that Admission will become effective and that dealings in the issued and to be issued Ordinary Shares will commence on AIM on 30 March 2007. The Ordinary Shares are not dealt in on any other recognised investment exchange and no application has been or is being made for the Ordinary Shares to be admitted to any such exchange.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority and the AIM Rules are less demanding than those of the Official List of the UK Listing Authority. Neither the UK Listing Authority nor the London Stock Exchange has examined or approved the contents of this document.

A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent adviser. The whole of the text of this document should be read, including the section entitled "Risk Factors" in Part II of this document.

Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers.

A copy of this document, which is drawn up as an Admission Document in accordance with the AIM Rules, has been issued in connection with the application for admission to trading of the issued and to be issued Ordinary Shares on AIM. The Placing and Admission will not constitute an offer to the public requiring an approved prospectus under section 85 of FSMA and, accordingly, this document does not constitute a prospectus for the purposes of the Prospectus Regulations 2005 and has not been pre-approved by the FSA pursuant to section 85 of FSMA.

The Directors, whose names appear on page 4, and the Company accept responsibility for the information contained in this document, including individual and collective responsibility for compliance with the AIM Rules. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and this document makes no omission likely to affect the import of such information. In connection with this document and/or the Placing, no person is authorised to give any information or make any representations other than as contained in this document and, if given or made, such information or representations must not be relied upon as having been so authorised.

Braveheart Investment Group plc

(Incorporated and registered in Scotland under the Companies Act 1985 with registered number SC247376)

Placing of

4,151,745 Ordinary Shares of 2p each at a price of 160p per share
and Admission to trading on AIM

NOMINATED ADVISER AND BROKER TO THE COMPANY

PANMURE GORDON & CO

Share Capital Immediately Following Admission

<i>Authorised</i>		<i>Issued and fully paid</i>	
<i>Number</i>	<i>Amount</i>	<i>Number</i>	<i>Amount</i>
33,645,000	£672,900	13,403,895	£268,078

Panmure Gordon Broking Limited ("Panmure Gordon"), which is authorised and regulated by the FSA, is the Company's nominated adviser and broker and, in each case, is acting exclusively for the Company in connection with the Placing and Admission. Panmure Gordon is not acting for, nor will it be responsible to, any person other than the Company for providing the protections afforded to its own customers or for advising any other person on the contents of this document or any transaction or arrangement referred to in this document. No representation or warranty, express or implied, is made by Panmure Gordon as to any of the contents of this document (without limiting the statutory rights of any person to whom this document is issued).

This document does not constitute an offer to sell, an invitation to subscribe for, or the solicitation of an offer to subscribe for or buy, Ordinary Shares in any jurisdiction outside the United Kingdom where such offer or solicitation may lead to a breach of any legal or regulatory requirement. This document should not be distributed directly or indirectly to any persons with addresses in the United States, Canada, Japan, Australia, South Africa or the Republic of Ireland, or to any corporation, partnership or other entity created or organised under the laws thereof. The Ordinary Shares have not been and will not be registered under the applicable securities laws of the United States, Canada, Japan, Australia, South Africa or the Republic of Ireland.

All statements, other than statements of historical fact, contained in this document constitute "forward-looking statements". In some cases, forward-looking statements can be identified by terms such as "may", "intend", "might", "will", "should", "could", "would", "believe", "anticipate", "expect", "estimate", "predict", "project", "potential" or the negative of these terms and similar expressions. Such forward-looking statements are based on assumptions and estimates and involve risks, uncertainties and other factors which may cause the actual results, financial condition, performance or achievements of the Group, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Factors that might cause such a difference include, but are not limited to, those "Risk Factors" discussed in Part II of this document. New factors may emerge from time to time that could cause the Group's business not to develop as it expects, and it is not possible for the Company to predict all such factors. Given these uncertainties, prospective investors are cautioned not to place any undue reliance on such forward-looking statements.

Other than in accordance with the Company's obligations under the AIM Rules or as otherwise required by law, the Company undertakes no obligation to update or revise publicly any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to the Company, to its directors or to persons acting on its behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this document. Information or other statements presented in this document regarding market growth, market size, development of the market and other industry data pertaining to the Group's business consists of estimates based on data and reports compiled by industry professionals or organisations and analysts and the Company's knowledge of its sales and markets. The information on the Company's website does not form a part of this document.

The new Ordinary Shares to be issued pursuant to the Placing will, upon Admission, rank *pari passu* in all respects with the existing Ordinary Shares, including the right to receive all dividends or other distributions declared, made or paid after Admission. The new Ordinary Shares are not being made available to the public in conjunction with the Placing.

Copies of this document will be available to the public free of charge at the offices of Panmure Gordon at Moorgate Hall, 155 Moorgate, London EC2M 6XB during normal business hours on any day, excluding Saturdays, Sundays and public holidays, from the date of this document until one month immediately following Admission.

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KEY INFORMATION

The following information is extracted from, and should be read in conjunction with, the full text of this document. Prospective investors should read the whole of this document, including the risk factors set out in Part II, and not rely solely on the following summarised information.

- Braveheart is a venture capital and investment management business, which has been operating since 1997.
- It has a proven track record of delivering attractive returns through making investments in companies which commercialise intellectual property.
- The Group's structure provides it with a mix of regular revenue streams from investment management fees and exceptional income through the realisation of investments upon exit.
- Investments are made in young, emerging, unlisted companies where there is potential for significant growth.
- Investments are typically focused on British companies with potential global technology solutions. A limited exposure to more traditional businesses is also maintained.
- Investment opportunities arise from Braveheart's extensive network of contacts, which includes close relationships with universities and innovation centres. The Group's own clients also provide investment opportunities.
- An equal investment made in every portfolio company since the Group's formation would have generated an average compound return of 37 per cent. per annum on realised investments.
- Of the 16 portfolio investments realised so far, five have been by way of IPO, and three have been by way of trade sale or secondary purchase. Eight have been written off.
- In November 2005, Uberior Investments plc (a subsidiary of the Bank of Scotland) subscribed for 10 per cent. of the enlarged share capital of the Company, providing the resources for the Group to commence making significant investments alongside its clients.
- The net proceeds of the Placing will be used to:
 - increase direct investment;
 - invest in captive university funds which the Group will manage; and
 - acquire assets where the Group believes it can add value.
- The Group has been profitable for its last three financial years. This has been achieved without any significant contribution from directly owned investments which have only recently become material. In its last financial year ended 31 March 2006, the Group generated pre-tax profit of £151,657 (£25,268) on a turnover of £528,474 (£334,774). Figures shown in brackets are for the previous 12 month period. These figures are as reported in the Group's statutory accounts under UK GAAP. There are differences in the reported profits under UK GAAP noted above and the reported profits set out in Part III of this document, which are presented under IFRS.

DIRECTORS, SECRETARY, REGISTERED OFFICE AND ADVISERS

Directors	Garry Sanderson Watson OBE CA, <i>Chairman</i> Geoffrey Charles Byars Thomson, <i>Chief Executive Officer</i> Carolyn Smith ACIS, <i>Investment Director</i> Edward Brandwood Cunningham CBE, <i>Non-executive Director</i> Donald Ian Turner CA, <i>Non-executive Director</i> Agnes Lawrie Addie Shonaig Macpherson CBE FRSE, <i>Non-executive Director</i> <i>all of</i> The Cherrybank Centre Cherrybank Gardens Perth PH2 0PF
Company Secretary	Carolyn Smith ACIS
Registered and Head Office	Braveheart Investment Group plc The Cherrybank Centre Cherrybank Gardens Perth PH2 0PF
Nominated Adviser and Broker	Panmure Gordon (Broking) Limited Moorgate Hall 155 Moorgate London EC2M 6XB
Solicitors to the Company	Maclay Murray & Spens LLP 3 Glenfinlas Street Edinburgh EH3 6AQ
Solicitors to Panmure Gordon (Broking) Limited	McGrigors LLP Princes Exchange 1 Earl Grey Street Edinburgh EH3 9AQ
Auditors and Reporting Accountants	Ernst & Young LLP Ten George Street Edinburgh EH2 2DZ
Bankers	Bank of Scotland 110 Queen Street Glasgow G1 3BY
Registrar	Capita Registrars Northern House Woodsome Park Fenay Bridge Huddersfield HD8 0LA

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

	<i>2007</i>
Publication of this document	27 March
Admission effective and dealings commence in the Ordinary Shares on AIM	30 March
CREST accounts credited	30 March
Definitive share certificates dispatched	10 April

PLACING STATISTICS

Placing Price	160p
Number of Ordinary Shares in issue at the date of this document	9,412,875
Number of new Ordinary Shares being placed on behalf of the Company pursuant to the Placing	3,991,020
Number of Ordinary Shares being sold by the Selling Shareholders pursuant to the Placing	160,725
Number of Ordinary Shares in issue immediately following Admission	13,403,895
Estimated net cash proceeds receivable by the Company pursuant to the Placing ¹	£5,685,632
Approximate market capitalisation of all issued Ordinary Shares at the Placing Price immediately following Admission	£21,446,232
Approximate percentage of enlarged issued share capital on Admission represented by the Placing Shares	30.97%
AIM EPIC code	BRH

¹ Stated after deducting the estimated total expenses of the Placing payable by the Company of approximately £700,000 (excluding VAT).

PART I

INFORMATION ON THE GROUP

1. INTRODUCTION

Braveheart is a venture capital and investment management group with a proven track record of delivering attractive returns by making investments in companies which commercialise intellectual property.

Braveheart Ventures, which later became a subsidiary of the Company, was formed in 1997 by four Scottish businessmen as a co-investment vehicle in order to pool their money and knowledge, increase diversification and reduce risk.

Braveheart makes investments in young, emerging, unlisted companies where there is potential for significant growth. Typically, Braveheart's investments are focused on British companies with potential global technology solutions. However, the Group also maintains limited exposure to more traditional businesses. Braveheart's portfolio ranges from start-up companies to companies which are close to an IPO or sale. Each year, out of several hundred business plans received, around ten investments are made, all of which demonstrate attractive exit potential. These opportunities arise from Braveheart's network of contacts, which includes close relationships with universities (as demonstrated by a recently announced joint venture with the University of Strathclyde), innovation centres, and the Group's own clients.

The Group's business consists of two components:

- an investment management business; and
- direct investment.

These components provide the Group with a mix of regular revenue streams, principally from investment management fees, and exceptional income through the realisation of investments upon exit.

The Group's investment management business arranges and manages investments on behalf of sophisticated private investors, corporate entities and public sector organisations. Many clients are successful entrepreneurs in their own right and have extensive track records of starting, building and exiting companies. Clients are able to choose whether they wish to be active investors (referred to as advisory clients) or passive investors (referred to as discretionary clients). Advisory clients build their own portfolio based on opportunities presented by the Group. Discretionary clients give a mandate to the Group to build portfolios based upon agreed objectives.

The Group currently has approximately 100 clients who, as well as investing funds, frequently provide:

- secondary pre-investment due diligence;
- management skills and business development expertise;
- a pool of executive and non-executive directors; and
- further investment opportunities.

Each client has a different portfolio and therefore a different overall return. An equal investment made in every portfolio company since the Group's formation would have generated an average compound return of 37 per cent. per annum on realised investments (these being investments where an exit has been achieved). Of the 16 realised investments, five have been by way of IPO, and three by way of trade sale or secondary purchase. Eight have been written off. The average holding period of investments that have been successfully realised has been a little under 36 months. Since the Group's formation and as at the Valuation Date, the Senior Portfolio (including unrealised investments) has generated a compound return of approximately 29 per cent. per annum.

In November 2005, Uberior Investments plc (a subsidiary of the Bank of Scotland) subscribed for 10 per cent. of the enlarged capital of the Company. This provided the resources for Braveheart to commence making significant direct investments alongside its clients. As at 26 March 2007 (the latest practicable date prior to the publication of the document), there have been three realisations of investments directly held by Braveheart which have together generated a compound return of 110 per cent. per annum.

The net proceeds of the Placing will be utilised in direct investment by the Group. The Group will also invest in and manage captive university funds and agreement has recently been reached with the University of Strathclyde for the establishment of the first such fund. In addition, the Group will seek to acquire assets where it believes it can add value.

The Group has been profitable for its last three financial years. This has been achieved without any significant contribution from its directly owned investments which, as noted above, have only recently become material. In its last financial year ended 31 March 2006, Braveheart generated pre-tax profit of £151,657 (£25,268) on a turnover of £528,474 (£334,774). Figures shown in brackets are for the previous 12 month period. These figures are as reported in the Group's statutory accounts under UK GAAP. There are differences in the reported profits under UK GAAP noted above and the reported profits set out in Part III of this document, which are presented under IFRS.

2. BACKGROUND AND HISTORY

Braveheart Ventures was incorporated in January 1997 and began trading as a co-investment vehicle for a small syndicate of private investors. By August 2003, the syndicate had grown to the point where it became evident that there was sufficient demand to commercialise the business.

In April 2003, the Company was incorporated and subsequently acquired Braveheart Ventures. The Company raised £250,000 from its shareholders and the directors confirmed that they would consider an IPO at a future date.

At that time, the four main objectives for the Group's growth were identified as:

- a profitable management company;
- strong portfolio performance;
- demonstrable liquidity through at least one sizeable exit; and
- FSA authorisation.

These objectives were achieved within 12 months. The Board then set three further objectives to be achieved before further consideration would be given to an IPO. These were:

- further access to IP;
- attract and secure a key institutional shareholder; and
- increase the profitability of the Group's investment management business.

These objectives were achieved by early 2006.

Key events in the Group's development

The first successful exit of a portfolio company occurred in September 2001, when a number of the investors in Pro-Sports Promotions Limited, a publishing company, realised their investment by way of a sale to management and other shareholders. The investment showed a compound return of 62 per cent. per annum. This investment was initially sourced through the Group's client network.

The first partnership deal with a university was signed in March 2003, with the launch of a pilot scheme for university spin-out companies. This scheme is called the SMART Equity Scheme ("SES") and was established to provide additional funding to companies with IP assets which had received a specific

government grant (namely a SMART:Scotland (“SMART”) award). SES was formed in conjunction with the Bank of Scotland and the University of Edinburgh, and was subsequently extended to an additional six universities and two innovation centres. Further information on SES is set out in paragraph 6 of this Part I.

Shortly thereafter, Braveheart Ventures became one of the first two partners appointed by Scottish Enterprise on the launch of the Scottish Co-investment Fund (“SCF”). SCF is a £45 million public sector co-investment fund which provides matched investment funding to approved partners. The first investment made under this partnership was in July 2003. Braveheart Ventures remains one of SCF’s largest partners.

In conjunction with the acquisition of Braveheart Ventures by the Company in August 2003, the Company raised £250,000 of capital from shareholders to meet the FSA’s capital adequacy requirements and to provide working capital. Braveheart Ventures subsequently became authorised by the FSA in February 2004.

In October 2003, the Group achieved its first IPO of a portfolio company when Wolfson Microelectronics plc floated on the LSE. At that time, Wolfson raised £25 million and had an initial market capitalisation of approximately £260 million. As at the date of its listing, the investment in Wolfson achieved a compound return of 116 per cent. per annum. Wolfson was named Scottish plc of the year in 2006.

In June 2005, Braveheart entered into a £10 million Proof of Concept Scheme (“PoC”) with the universities of Edinburgh and Glasgow. Under the PoC, the Group is granted access to IP being developed at the universities which is supported by a grant administered by Scottish Enterprise. The PoC was extended in March 2006 to include the University of Strathclyde. The agreement with the University of Glasgow was subsequently terminated by the Group in October 2006.

In November 2005, the Company’s relationship with the Bank of Scotland was strengthened through the acquisition by Uberior Investments plc (a subsidiary of the Bank of Scotland) of 10 per cent. of the Company’s enlarged ordinary share capital. The shareholding was acquired for £739,278, valuing the Group at a little under £11 million on the basis of all share options having been exercised.

In January 2006, the Group established the £2.5 million Alpha EIS Fund which invests in university spin-outs. Further information on the Alpha EIS Fund is set out in paragraph 6 of this Part I.

In February 2006, the Group achieved another successful exit when Optos plc completed an IPO on the LSE, raising approximately £30 million and achieving an initial market capitalisation of approximately £165 million. As at the date of its listing, the investment in Optos achieved a compound return of 26 per cent. per annum.

In May 2006, Eleksen Group plc was admitted to AIM by way of a reverse takeover of Bora Communications plc. As at the date of its admission, Eleksen Group had a market capitalisation of approximately £23 million. As at the date of its admission, this investment showed a compound return of 78 per cent. per annum.

In September 2006, Vibration Technologies Limited was sold to Sercel SA for £32 million. This trade sale produced a compound return of 24 per cent. per annum.

To date, the Group has realised 16 investments, of which five have been by way of IPO, and three by way of trade sale or secondary sale. Eight have been written off. In aggregate, these investments have yielded a compound return of 37 per cent. per annum, on the assumption that there was an equal investment in each company.

In January 2007, the Group was appointed a partner in the £20 million Scottish Venture Fund. This fund has been established to invest in opportunities that require a funding package of between £2 million and £5 million.

In February 2007, the Group announced that it had reached an agreement with the University of Strathclyde whereby it would establish and manage a £12 million innovation fund (the ‘Strathclyde Innovation Fund’) to invest in IP being developed at the university.

The Group operates from its headquarters in Perth and employs eight staff.

3. BUSINESS MODEL

The Group's business consists of two components:

Investment Management

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

The Group earns fees from two principal sources:

- clients who pay investment management fees; and
- portfolio companies who pay deal completion and monitoring fees.

Since May 2004, the Group has taken a Carried Interest on discretionary client portfolios. The Group is now beginning to see the benefit of this arrangement. Carried Interests are not valued in the Group's financial statements until the underlying investments are realised.

Direct Investment

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

4. INVESTMENT STRATEGY

The Group makes investments in young, emerging, unlisted companies where there is potential for significant growth. Typically, Braveheart's investments are focused on British companies with potential global technology solutions. However, the Group also maintains limited exposure to more traditional businesses. Each year, out of several hundred business plans received, around ten investments are made, all of which demonstrate attractive exit potential. These opportunities arise from Braveheart's network of contacts, which includes close relationships with universities (as demonstrated by a recently announced joint venture with the University of Strathclyde), innovation centres, and the Group's own clients.

The Group has clients who are active investors (advisory clients) and passive investors (discretionary clients). Advisory clients make their own investment decisions based on detailed information sent to them by the Group. Braveheart's management make the investment decisions for discretionary clients.

The Group invests in companies at different stages of development, ranging from those which are just starting to trade to those which are expecting to achieve an IPO in the short term, providing further portfolio diversification. Braveheart may occasionally invest in companies that are in rescue or distress situations where a value-creating opportunity has been identified.

Braveheart's strategy involves utilising public sector grant and equity support in the early stages of a company's lifecycle when the investment risk is high. As risk reduces, the Group increases its investment in subsequent rounds of funding. This is achieved by the exercise of contractual pre-emption rights.

The Group generally looks for investments where there is a good prospect of an exit in a two to five year time period. Prior to investing, the Group's executives hold detailed discussions with management regarding exit strategy.

5. INVESTMENT TRACK RECORD

Since 1997 and as at the Valuation Date, the Group and its clients have invested 61 rounds of funding into 38 companies:

<i>Year</i>	<i>FY</i>	<i>SES</i>	<i>Alpha EIS</i>	<i>Senior Portfolio</i>	<i>Total</i>	<i>Invested</i>
1	96/97			1	1	£70,000
2	97/98			1	1	£25,000
3	98/99			1	1	£15,000
4	99/00			3	3	£362,232
5	00/01			4	4	£457,018
6	01/02			8	8	£807,013
7	02/03			5	5	£463,051
8	03/04	1		5	6	£1,397,670
9	04/05	5		7	12	£2,006,968
10	05/06	3		8	11	£4,661,456
11	06/07 (9 months)	1	2	6	9	£2,590,278
Total		10	2	49	61	£12,855,686

As at the Valuation Date, the Senior Portfolio has shown compound returns of 29 per cent. per annum¹. As at the Valuation Date, the SES portfolio has shown compound returns of 32 per cent. per annum¹. The Alpha EIS portfolio is currently valued at cost.

The Company's policy is that the SES and Alpha EIS portfolios move into the Senior Portfolio when they receive funding from the Group that is outwith either the SES or Alpha EIS Fund.

Of these 38 companies, 19 are spin-outs from universities or are based at innovation centres and three of these are double spin-outs (i.e. have spun out of two universities). 15 of these have received investment from the Group and its clients in the last three years. All but one of these investments have been made as a result of close relationships with universities and innovation centres. These relationships are detailed below in paragraph 6 of this Part I.

Prior to the investment by Uberior Investments plc (a subsidiary of the Bank of Scotland), the Group invested modest sums from its own balance sheet alongside client funds. However, since that investment, the Group has invested larger sums. Amounts invested by the Company from its balance sheet are as follows:

<i>Financial period</i>	<i>£</i>
2003/04	10,000
2004/05	34,000
2005/06	259,000
2006/07 (9 months) ²	406,200

² The anticipated figure for the year 2006/07 is c£626,000

As at 26 March 2007 (the latest practicable date prior to the publication of this document), there have been three realisations of investments held directly by the Company. These realisations have generated an average compound return of 110 per cent. per annum.

6. SPECIAL RELATIONSHIPS AND FUNDS UNDER MANAGEMENT

University and Innovation Centres Relationships

The Group has close relationships with six universities and two innovation centres through SES. Two of these relationships with universities are also in PoC. The closest relationships are with the universities of Edinburgh and Strathclyde, and the Group has recently announced the formation of the Strathclyde Innovation Fund. Further information on that fund is given below. Figures produced for the period 2004/05 by the Higher Education Statistics Agency showed that cumulatively these universities accounted for 39 per

¹ These figures are based on the assumption that there is equal investment in each company.

cent. of research income of all the universities based in Scotland. Further details of these universities are as follows:

University of Edinburgh

The University of Edinburgh was founded in 1583 and is the largest university in Scotland with over 23,000 students from more than 120 different countries. In 2005, it was named the Sunday Times Scottish University of the Year and was described by the paper as “a model of broad and consistent excellence”.

The University of Edinburgh is recognised for its innovative research across a broad range of disciplines. The areas that are of particular interest to the Group are as follows:

- life sciences;
- engineering and electronics;
- information and communication technologies;
- management science;
- materials science;
- medicine and veterinary science;
- micro- and nano-systems; and
- proteomics and genomics.

In the most recent assessment of UK academic research (Source: Research Assessment Exercise 2001 (“RAE”)), 95 per cent. of the University of Edinburgh’s academics were in subject areas rated at the three highest levels of research excellence. Overall, 28 research centres were considered centres of international excellence. The same survey showed that it was rated the top university in Scotland and fifth in the UK for research. The university attracted research awards of £139 million in 2005/2006, including 23 awards in excess of £1 million.

In 2005/2006, the University of Edinburgh supported the formation of 23 new companies and businesses. Over the past five years, 57 companies have been created, of which 91 per cent. are still trading. These companies have raised around £18 million in investment funding and employ over 150 staff.

To date, three University of Edinburgh spin-out companies have developed into publicly quoted companies. These are Vision Group plc, Wolfson Microelectronics plc and MicroEmissive Displays Group plc. Both Wolfson and MicroEmissive Displays were in the Group’s portfolio prior to them becoming public companies. Further University of Edinburgh spin-outs that Braveheart has invested in include Edinburgh Robotics Limited, which is designing a comprehensive software development platform for mobile robotics, Pufferfish Limited, which specialises in inflatable spherical projection systems, Alivox Limited, a language identification software company, and Spiral Gateway Limited, a provider of low power solutions for the semi-conductor industry. All four spin-outs remain in the Braveheart portfolio.

Since the Scottish Enterprise Proof of Concept grant programme was initiated, a total of 26 University of Edinburgh projects have received Proof of Concept grants, including four in the last year. In the past ten years, the University of Edinburgh and its network of spin-out and start-up companies have collectively won 44 SMART awards.

University of Strathclyde

The University of Strathclyde was originally formed in 1796 and received its Royal Charter in 1964. With more than 22,000 students from over 100 countries, the university is the third largest in Scotland.

The University of Strathclyde’s research strengths were highlighted in the RAE, in which over 90 per cent. of staff across 44 departments achieved the top two ratings of four and five. The University of Strathclyde attracted research income of over £26 million in 2004/2005.

The University of Strathclyde's research expertise spans a number of areas of which the following are of interest to the Group:

- biotechnology;
- computing, communications and information technologies;
- diagnostics, healthcare and medical engineering;
- drug discovery and pharmaceutical development;
- electronics and electrical engineering;
- environmental research;
- food science;
- lasers and optoelectronics;
- manufacturing and engineering technologies;
- marine, oil and gas exploration technologies; and
- materials.

In the 22 years that the University of Strathclyde's Research and Consultancy Service has been operating, over 40 spin-out companies have been formed, placing it seventh in the Times Higher Education Supplement's league of entrepreneurial universities in the UK. The University of Strathclyde has been awarded 33 Proof of Concept grants.

Braveheart has invested in three companies that have commercialised technology which was developed at the University of Strathclyde: Vibration Technology Limited, a seismic survey equipment specialist, which was sold to Sercel SA of France in 2006 for £32 million, Cascade Technologies Limited, a quantum laser technology business which is in the current portfolio, and PSI Electronics Limited, a seed stage electric fault locator business which is also still in the portfolio.

The Strathclyde Innovation Fund is discussed on page 14 of this document.

SMART Equity Scheme

The SES is a joint venture between Braveheart, the Bank of Scotland and a number of Scottish universities. The SES was established to assist companies that have been formed to exploit IP created within the universities by providing them with the necessary funds and management support to commence commercial operations.

SES addresses the difficult issues of how to provide, in a cost effective way, management support and a small seed round of equity to companies emerging from the university.

SES leverages the SMART award from the Scottish Executive, which pays for up to 75 per cent. of the cost of carrying out a technical and commercial feasibility study lasting between 6 and 18 months, up to a maximum of £50,000. It is a condition of the SES that, to be eligible for funding, a company must have secured a SMART award. The Group has also negotiated reduced deal fees for professional advisers, so that minority protections and corporate governance regimes can be instilled from the outset without significantly reducing the funds available to the spin-out companies.

In addition to funding, the Group provides experienced investors/managers to act as non-executive directors on the boards of the investee companies. These investors/managers assist with corporate development and assist the companies to prepare for more substantial funding.

To be considered for funding under SES, a company must, in addition to having been awarded a SMART award, be affiliated to one of the following universities or innovation centres:

- University of Dundee;

- University of Edinburgh;
- Heriot-Watt University;
- Robert Gordon University;
- University of St Andrews;
- University of Strathclyde;
- Hillington Innovation Centre; or
- The Alba Centre.

Braveheart's first ten investments made under SES were delivered by way of the SMART Fund. Subsequent investments made under SES will be delivered by the Alpha EIS fund which is discussed below.

Proof of Concept Scheme ("PoC")

The Scottish Enterprise Proof of Concept grant programme is an initiative awarding grants to assist the pre-commercialisation of emerging technologies from Scotland's universities, research institutes and NHS boards. Its goal is to help researchers take their ideas and inventions out of the laboratory and develop them commercially into smart, innovative businesses, helping to plug the gap between academic research and full commercialisation.

In June 2005, Braveheart announced a new initiative to complement the Proof of Concept grant programme administered by Scottish Enterprise. The initiative comes under the title of PoC. PoC makes provision for the Group to assist the universities with decisions on what IP to commercialise and how best to achieve it. It also makes provision for the Group to provide funding once the Proof of Concept grant is complete. Under framework agreements entered into with the universities of Edinburgh and Glasgow, the Group stated its intent to invest £5 million over a period of up to five years at each of the universities. In March 2006, PoC was extended to include the University of Strathclyde. In October 2006, the Group wrote to the University of Glasgow terminating its agreement with that university.

PoC supports the creation of technology companies, building on the achievements of the SES. Funding has been welcomed by both Scottish Enterprise and the Scottish Executive.

Alpha EIS Fund ("Alpha")

Alpha is a £2.5 million fund, established by the Group in January 2006 as the delivery vehicle for SES and PoC. Prior to this date, SES was delivered by way of the SMART Fund. Alpha is expected to make investments in 10 to 15 licensing or spin-out opportunities that arise out of the relationships that the Group has with the six universities and two innovation centres mentioned in this paragraph 6. Investors in the fund are the Group, clients of the Group, Uberior Investments plc (a subsidiary of the Bank of Scotland), the National Endowment for Science, Technology and the Arts (often referred to as NESTA) and Scottish Enterprise (through SCF).

As at 26 March 2007 (the latest practicable date prior to the publication of this document), Alpha has made 3 investments. The Group is currently in discussions with universities regarding a number of further investments.

Strathclyde Innovation Fund ("SIF")

The Group has agreed detailed terms with the University of Strathclyde whereby it is proposed that it will establish, manage and invest in a fund dedicated to commercialising intellectual property emanating from the University of Strathclyde.

Investment will be way of equity positions in spin-out companies and royalty sharing where intellectual property is licensed to an industrial partner.

Investors in SIF are expected to include the University of Strathclyde and its alumni, the Bank of Scotland, the Group, and other institutional investors. A first closing of the fund is scheduled for September 2007. The fund will have an anticipated maximum value of £12 million and will operate for an eight-year period, extendable to ten years with the agreement of all parties.

Under the terms of the partnership agreement, the Group (being the fund manager) will pay 25 per cent. of its performance bonus to the University of Strathclyde. In addition, SIF will make a payment direct to the University of Strathclyde for use by the department which sponsors a successful investment application.

Scottish Enterprise

Scottish Co-investment Fund (“SCF”)

The SCF is a £45 million investment fund managed by Scottish Enterprise. The remit of the fund is to invest equity of between £50,000 and £500,000 in company finance deals of up to £2 million. Investment is delivered by matching the funds provided by partners such as the Group. An important part of the SCF concept is that the partner (rather than the public sector) makes the investment decision. Under its agreement with Scottish Enterprise, the Group provides a portfolio monitoring service to Scottish Enterprise.

The Group was one of the first partners announced under the scheme which started operating in April 2003.

In 2006, the Group received a further allocation in respect of its Alpha EIS Fund.

Scottish Venture Fund (“SVF”)

The SVF was launched in October 2006 and comprises a £20 million fund for growth companies. The fund is delivered via partnering arrangements with the private sector and makes provision for participating in investments of between £2 million and £5 million. In January 2007, the Group was announced as one of the first fund partners.

7. INVESTMENT PROCESS

Sourcing of Investment Opportunities

Potential investments typically come to Braveheart through one of four principal routes and, in order of importance, these are:

- university relationships delivering spin-out companies;
- venture capital connections, which provide semi-mature investments;
- relationships with banking, financial and investment institutions, which deliver later stage investments; and
- contractual pre-emption rights for follow-on investments.

In addition, referrals are sometimes made directly by the Group’s clients.

Pre-investment

The pre-investment phase usually consists of the following elements, although in certain situations there may be additional elements or elements that are not required:

- business plan provision;
- meeting with management;
- term sheet detailing offer to the company;
- due diligence;
- consideration of board appointments;

- writing and circulating private placing memoranda to clients;
- briefing sessions for clients (with company present);
- circulation of ‘questions and answers’ document to all clients (following briefing sessions);
- application for shares by clients accompanied by funds;
- legal documentation; and
- completion (monies paid to investee company, share certificates issued).

Due Diligence

Due diligence typically involves a detailed investigation into the undernoted areas. This exercise is carried out by the executive team at Braveheart with the assistance of industry experts where appropriate. Key areas for consideration are usually:

- the business plan and supporting documentation;
- the historic, current and projected financial position;
- a technical review;
- commercial and contractual matters;
- market and competition;
- strengths and weaknesses of management team;
- statutory filings; and
- IP-related issues.

Active Participation of Investors and Board Appointees

The Group typically reserves the right to appoint at least one non-executive director to the board of investee companies and will often require that an appointee assumes the role of chairman. These appointments are usually made from within the Group’s client base. There may also be client opportunities for involvement on an executive basis.

In addition to having the right to appoint non-executive directors to the board of investee companies, the Group will usually have the right to attend board meetings as an observer.

The Group runs induction and monitoring programmes for portfolio company board appointees.

Reporting and Governance

The reporting regime varies depending on the stage and nature of the particular investment but a typical requirement is as follows:

- regular chairman’s and/or chief executive’s review;
- board agendas, minutes and supporting documents;
- management accounts including budget variance;
- annual review of board composition, budget and business plan; and
- regular reviews regarding follow-on funding and exit strategy.

The Group’s clients receive regular detailed reports on the progress of their investments.

Realisations

Braveheart invests principally in technology businesses which are at an early stage and are therefore high in risk. Failures usually result in a total loss of any investment made. As a general rule, investments that fail do so faster than successful investments can be realised. This means that portfolios often take time to reflect the full value of the underlying assets.

8. PORTFOLIO

The portfolio of investments currently managed by Braveheart includes the following companies. Companies in which the Company has a direct investment are annotated thus *.

Alivox Limited*

Alivox is a technology company which owns the IP for “ALiS” (automatic spoken language identification). This methodology identifies a language from a clip of speech by using speech and signal processing techniques. Potential applications for the technology include multilingual call centres, emergency centres, security and international conferences.

Biopta Limited*

Biopta is a spin-out company from Glasgow Caledonian University, which provides specialist contract research services with expertise in human tissue *in vitro* pharmacology. The company is also developing instruments to analyse and assess drug tissue-interactions.

The Capital Pub Company plc* and The Capital Pub Company 2 plc*

The Capital Pub Company (“CPC”) was formed in 2000, with the vision of building an estate of traditional (rather than themed) pubs. At the date of this document, CPC manages 20 pubs, of which 17 are freehold. Having raised the maximum sum available under EIS, the founders launched a second EIS qualifying company, The Capital Pub Company 2 (“CPC2”), in January 2004. At the date of this document, CPC2 owned ten freehold pubs.

Cascade Technologies Limited*

Cascade Technologies uses quantum cascade laser technology to provide products that create instant DNA type fingerprints of gases, enabling their presence and quantity to be detected. The technology platform utilises lasers and detectors to sense changing light intensity as the laser light passes through gases. Applications of the technology include security, military, oil and gas, automotive, aerospace, medical diagnostics, laboratory instrumentation, and environmental monitoring. Cascade Technologies is a spin-out from the University of Strathclyde.

The Clapham House Group plc

Formed by two previous executive directors of Pizza Express, The Clapham House Group is now quoted on AIM. It buys and expands restaurant chains located within the M25 area. Brands include the Gourmet Burger Kitchen, The Real Greek and The Bombay Bicycle Club. David Page, Chairman, won “Entrepreneur of the Year” at the 2007 Quoted Company Awards.

Design LED Products Limited*

Design LED Products has developed ‘leaky’ light guide technology which provides an inexpensive method of producing illuminated signs and displays incorporating colour, movement and animation. Design LED Products was the Group’s sixth company funded by SES, and the second from Hillington Innovation Centre.

Dimensional Imaging Limited*

Dimensional Imaging is a double spin-out from the universities of Edinburgh and Glasgow and was the first company to be supported by SES. The company provides a range of 3D surface image capture systems which capture high-resolution 3D surface images of specific parts of the body. Applications include medical and dental applications such as maxillofacial surgery, plastic surgery and orthotics.

Eastern Choice Ingredients Limited

Eastern Choice Ingredients is based in Wales and provides speciality ingredients such as soy, black bean and oyster sauces to the food industry. The company is fully certified to British Retail Consortium Higher Level approval.

Edinburgh Robotics Limited*

Edinburgh Robotics is a spin-out from the University of Edinburgh's School of Informatics. It is designing a comprehensive software development platform for mobile robotics.

Eleksen Group plc*

In 2006, Eleksen Group reversed into Bora Communications plc, an AIM quoted company. It has developed touch sensitive interactive textiles for electronics interface design. The company's core technology, ElekTex[®], is an electro-conductive fabric touch pad optimised for the creation of flexible, durable and rugged fabric touch screen interfaces. ElekTex[®] is used in applications ranging from wearable electronic controls for consumer electronics ("CE") to lightweight, low-power touch interfaces for CE accessories.

Infinite Data Storage Group plc*

Infinite Data Storage Group is based in Dunfermline and is an engineering company that designs portable data storage devices to allow people to access, manage, share and preserve their music, photographs, video and data.

Inxstor Limited*

Inxstor was formed to exploit intellectual property in the area of 'place shifting'. Place shifting can be seen as a location-based extension to time-shifting of digital video content. A demonstration of the concept was launched at the CES trade show in Las Vegas in January 2007.

MicroEmissive Displays Group plc*

MicroEmissive Displays Group is a developer of polymer organic light emitting diode based microdisplays. These displays are believed to be more energy efficient than the displays currently in the market. MicroEmissive Displays Group is quoted on AIM.

MicroStencil Limited*

MicroStencil was incorporated in 2003 and is a spin-out from Heriot-Watt University. It has developed a patented fabrication process which allows the manufacture of superior electroformed products. The core business is to provide cost-effective, high performance screen printing stencils.

Mixipix Limited*

Mixipix is in the business of delivering animated content to mobile phones. It is a new breed of media company for the mobile industry, encompassing the roles of software developer, distribution partner and content provider.

NiTech Solutions Limited*

NiTech Solutions design continuous production solutions for the process and chemical industries offering environmentally friendly, lower cost and higher performance solutions to traditional batch processing. A biofuel research programme is ongoing.

Optos plc*

Optos is a medical devices company that enables retinal examinations to be made more cheaply, effectively and safely. Optos was the most recent company in the Group's portfolio to be listed on the London Stock Exchange. The IPO took place in February 2006.

PSI Electronics Limited*

PSI Electronics aims to deliver an intelligent fault locator system that detects breaks and transient faults in buried and inaccessible electric and fibre-optic cables and cable networks. The company is a spin-out from the University of Strathclyde.

Pufferfish Limited*

Pufferfish is a spin-out from the University of Edinburgh and was the last company to be financed via the SMART Fund. Pufferfish is developing products based on inflatable spherical display systems onto which images may be projected.

Quantum Filament Technologies Limited*

Quantum Filament Technologies is a spin-out from the universities of Dundee and Surrey and is developing flat screen display technology based on field emission displays. It is anticipated that this will challenge existing liquid crystal displays, plasma display panels and cathode ray tube technologies.

Spiral Gateway Limited*

Spiral Gateway is a fabless semiconductor chip vendor formed in 2004 as a spin-out from the University of Edinburgh. The company holds exclusive rights to a novel processor architecture, which offers the potential for a low power solution for the development of digital circuits in a variety of applications.

Tayside Flow Technologies Limited*

Tayside Flow Technologies is a medical devices company focused on the research, development and commercialisation of cardiovascular devices derived from a discovery and understanding of the haemodynamic properties of blood. The company was a spin-out from Tayside University Hospitals NHS Trust.

Virtual Well Engineer Limited*

Virtual Well Engineer is developing software for use by oil and gas well engineers to plan, design and optimise well output.

Wolfson Microelectronics plc

Wolfson Microelectronics provides engineering solutions in the digital audio sector of the consumer electronics market. A spin-out from the University of Edinburgh, the Group's clients first invested in Wolfson Microelectronics in 1999. In October 2003, the company completed an IPO on the LSE with an initial market capitalisation of approximately £260 million.

9. COMPETITION

The Directors do not believe that there is any one company within Braveheart's peer group with which the Group is in direct competition to a material extent. However, there are a number of publicly listed companies which, although they have different business models and investment criteria, operate in the same broad sector as the Group. These include:

Angle plc

Founded in 1994, Angle is an international venture management and consulting company focusing on the commercialisation of technology and the development of technology-based industry. With a market capitalisation of approximately £17 million as at 26 March 2007 (the latest practicable date prior to the publication of this document), Angle creates, develops and advises technology businesses on its own behalf and for clients.

Biofusion plc

Founded in 2002, Biofusion was formed to commercialise university IP. Since being admitted to AIM in early 2005, Biofusion has concentrated on commercialising medical life science IP around its university partnership agreement with the University of Sheffield. It currently has a portfolio of ten companies, two of which have come from the university agreement, and its market capitalisation is approximately £56 million as at 26 March 2007 (the latest practicable date prior to the publication of this document),

BTG plc

BTG focuses on the commercialisation of innovations in medical science worldwide, principally in the fields of ageing, neuroscience, oncology and drug repositioning. Investments are sourced through a number of formalised relationships, including UK universities and a number of corporations. BTG has a market capitalisation of around £194 million as at 26 March 2007 (the latest practicable date prior to the publication of this document).

Imperial Innovations Group plc

Imperial Innovations was established in 1986 by Imperial College to protect and exploit commercial opportunities arising from the research base of Imperial College. In July 2006, Imperial Innovations was admitted to AIM raising £26 million. Its market capitalisation is approximately £176 million as at 26 March 2007 (being the latest practicable date prior to the publication of this document).

IP Group plc

IP Group is an IP commercialisation company. It sources its investments principally from partnerships with universities, of which it has ten, of varying terms and durations. The market capitalisation of IP Group is approximately £312 million as at 26 March 2007 (the latest practicable date prior to the publication of this document).

Sigma Capital Group plc

Founded in 1997, Sigma Capital Group is a UK private equity and advisory group primarily specialising in venture capital in technology, renewable energy and property. It is quoted on AIM and has a market capitalisation of approximately £12 million as at 26 March 2007 (the latest practicable date prior to the publication of this document). Sigma Technology has partnership agreements with two universities.

10. FINANCIAL INFORMATION

The following financial information contained in this Part I has been extracted without material adjustment from Part III of this document.

	<i>Year ended</i> <i>31 March</i> <i>2004</i> <i>£</i>	<i>Year ended</i> <i>31 March</i> <i>2005</i> <i>£</i>	<i>Year ended</i> <i>31 March</i> <i>2006</i> <i>£</i>	<i>Nine¹</i> <i>months</i> <i>ended</i> <i>31 December</i> <i>2005</i> <i>£</i>	<i>Nine</i> <i>months</i> <i>ended</i> <i>31 December</i> <i>2006</i> <i>£</i>
Revenue	220,121	337,328	519,458	317,563	381,147
PBT	(12,915)	9,165	135,561	10,826	(139,262)
PAT	(7,417)	8,519	121,260	10,826	(128,208)
EPS (basic)	(1.12)	0.74	10.08	0.92	(1.48)

¹ Figures for the nine months ended 31 December 2005 are unaudited.

During the nine months ending 31 December 2006, the Company incurred significant costs with regard to a deferred AIM listing in May 2006. Irrecoverable costs have been written off to the profit and loss account.

The Company’s accounting reference date is 31 March and, in accordance with the AIM Rules, the Group will report its full year results within six months. Interim results will be reported within three months.

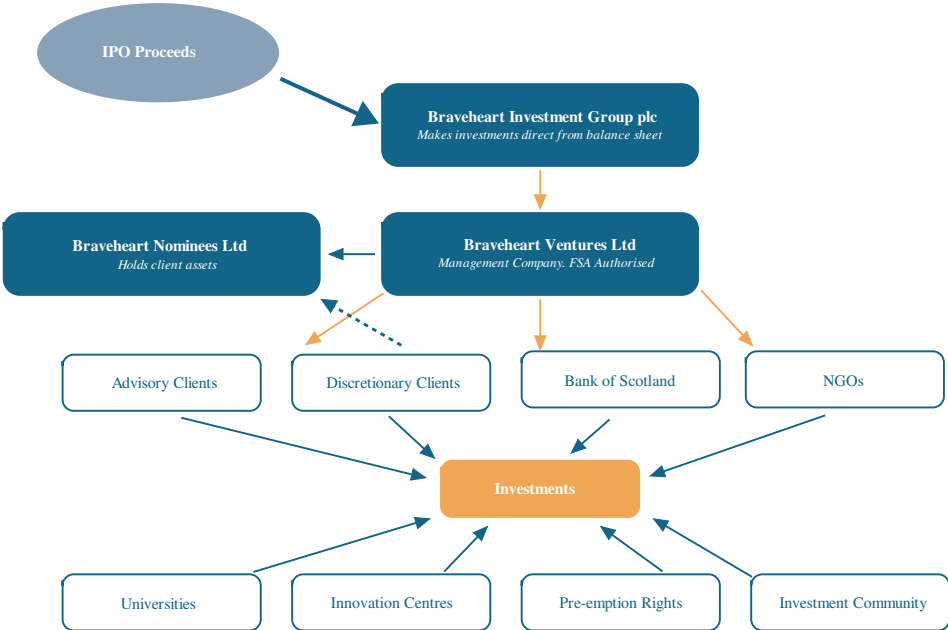
11. CURRENT TRADING

Since 31 December 2006, the end of the 9 month period in respect of which the historical financial information included in Part III of this document has been prepared, the Group has made an investment in Pufferfish Limited and Quantum Filament Technologies Limited. In addition, the Group has agreed terms for 4 further investments.

The Directors are satisfied that current trading is in line with expectations.

12. GROUP STRUCTURE

The Group’s structure can be summarised in the diagram set out below:



13. BOARD OF DIRECTORS

Garry Watson OBE CA, Chairman – aged 66

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

Geoffrey Thomson, Chief Executive Officer – aged 49

One of the founders of Braveheart, Geoffrey has a track record as a deal maker and business angel. He has run his own venture capital backed group of companies and spent five years working as a company doctor specialising in restructuring and refinancing of small to medium sized enterprises. Geoffrey writes columns on investment for various national broadsheets and regularly speaks at business events in Scotland.

Carolyn Smith ACIS, Investment Director – aged 42

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

Edward Cunningham CBE, Non-executive Director – aged 75

Edward has UK and international industry experience, including a period with the World Bank. Latterly, he was Director, Industry and Enterprise Development with the Scottish Development Agency. More recently, he has been chairman of a number of 3i-invested companies. He has also been a Director of TSB Bank Scotland and Watson & Philip. He is currently chairman of two companies and has his own consultancy business.

Donald Turner CA, Non-executive Director – aged 62

Donald was Managing Partner-Regions and Managing Partner for Scotland and Northern Ireland for Ernst & Young LLP and retired from that firm as Regional Chairman Scotland in 2001. He is a past Chairman and Board Member of the Scottish Council for Development and Industry and was a Non-executive Director of Young Enterprise Scotland. He is a former Council Member of the Institute of Directors and a past Chairman Scotland of The Princess Royal Trust for Carers. He is currently Convenor of the Audit and Risk Management Committee of The National Trust for Scotland.

Shonaig Macpherson CBE FRSE, Non-executive Director – aged 48

Shonaig joined the board of Braveheart in October 2005. She has recently retired as senior partner of McGrigors, one of Scotland's leading legal firms. Shonaig is currently Chairman of the Scottish Council for Development and Industry, Chairman of ITI Scotland Ltd, a Non-executive Director of the Scottish Executive's management board, a Fellow of the Royal Society of Edinburgh and Chairman of The National Trust for Scotland.

14. PLACING AND USE OF PROCEEDS

Pursuant to the Placing, the Company is proposing to raise approximately £6.38 million, before expenses, through the issue of 3,991,020 new Ordinary Shares and the Selling Shareholders are proposing to raise £257,160 million before expenses through the sale of 160,725 Ordinary Shares. The Placing Shares will represent approximately 30.97 per cent. of the issued share capital of the Company immediately following Admission. Application has been made for the Placing Shares to be admitted to AIM.

The Placing Shares have been conditionally placed with institutional investors and shareholders of the Company and clients of Braveheart Ventures in the United Kingdom at the Placing Price. The 3,991,020 new Ordinary Shares to be issued pursuant to the Placing will be issued as fully paid and will, on issue, rank *pari passu* in all respects with the existing Ordinary Shares already in issue at the date of this document.

The Placing Shares have not been marketed in whole or in part to the public in conjunction with the application for Admission.

The net proceeds of the Placing will be used to:

- increase direct investment;
- invest in and manage captive university funds; and
- acquire assets where the Group believes it can add value.

The Directors are currently in discussion with regard to a number of investment and acquisition opportunities.

The Selling Shareholders are proposing to sell 160,725 Ordinary Shares pursuant to the Placing for an aggregate consideration of £257,163. The proceeds will be used to partially repay the cost of the exercise of options of approximately £582,719 which took place in April 2006, with the exception of £48,000 which will be allocated to Garry Watson. Information relating to the Selling Shareholders and the orderly market arrangements is set out in paragraph 17 of Part I of this document.

15. DIVIDEND POLICY

The Directors will consider the recommendation of ordinary dividends on investment management profits (made in the ordinary course of business) with effect from the year ending 31 March 2008.

The Directors anticipate that the Company will pay special dividends to reflect significant investment realisations.

A summary of the taxation treatment of dividends is set out in paragraph 15 of Part IV of this document.

16. CORPORATE GOVERNANCE

The Directors recognise the importance of sound corporate governance. As an AIM quoted company, the Company is not obliged to, and does not currently, comply fully with the corporate governance regime as set out in the Combined Code, but it intends to comply with the QCA Guidelines in so far as is reasonably practicable for a public company of its size and nature.

Audit Committee

The audit committee comprises Donald Turner and Edward Cunningham with Donald Turner acting as chairman of the committee.

The audit committee will have primary responsibility for monitoring the quality of internal controls and ensuring that the financial performance of the Group is properly measured and reported. It will receive and review reports from the Group's management and auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Group. The audit committee will meet not less than three times in each financial year and will have unrestricted access to the Group's auditors.

The audit committee is also responsible for risk management.

Remuneration Committee

The remuneration committee comprises Edward Cunningham, Garry Watson and Shonaig Macpherson with Edward Cunningham acting as chairman of the committee.

The remuneration committee will review the performance of the executive directors and employees and make recommendations to the Board on matters relating to their remuneration and terms of employment. The remuneration committee will also consider and approve the granting of share options and other equity incentives pursuant to the Share Option Plan and any other share option scheme or equity incentive scheme in operation from time to time.

The remuneration committee will meet at least once each year, in March, and on other occasions as and when necessary.

Nominations Committee

Given the size of the Board, the Directors do not consider it appropriate to have a nominations committee. However, this will be kept under regular review by the Board.

Share Dealings

The Company has adopted, with effect from Admission, a model code for directors' and employees' share dealings which is appropriate for a company whose securities are traded on AIM and is in accordance with Rule 21 of the AIM Rules.

17. SELLING SHAREHOLDERS AND ORDERLY MARKET ARRANGEMENTS

The Selling Shareholders will sell, in aggregate, 160,725 Ordinary Shares pursuant to the Placing, representing 4.06 per cent. of the aggregate number of Ordinary Shares held by them immediately prior to Admission. Full details of the Selling Shareholders are set out in paragraph 18.21 of Part IV of this document.

The Directors and certain of the employees incurred costs in relation to the exercise of their options, as detailed in paragraph 14 of this Part I. Certain of those Directors believe it is tax efficient for them to delay the sale of Ordinary Shares to meet part of the costs of exercising those options. The Directors and staff will sell that number of Ordinary Shares as is set out in paragraph 18.21 of Part IV of this document pursuant to the Placing. The Directors intend to sell further Ordinary Shares to the value of £390,541 in order to fully

repay the cost of the exercise of their options within eighteen months of Admission. The sale of these shares will be subject to orderly marketing arrangements as detailed below.

Under the terms of the Placing Agreement, the Directors have each agreed, *inter alia*, not to dispose of any of their Ordinary Shares in the period of 12 months from Admission, and for a further period of 12 months thereafter only to dispose of their Ordinary Shares with the approval of, and through, Panmure Gordon (for so long as Panmure Gordon continues to act as broker to the Company). This is subject to certain specified exceptions, including a carve-out in relation to Geoffrey Thomson, Carolyn Smith, Donald Turner, Edward Cunningham and Shonaig Macpherson in that they are permitted, during the period of 12 months from Admission, to dispose of such number of Ordinary Shares as have approximate values of £235,407 (in the case of Geoffrey Thomson), £56,531 (in the case of Carolyn Smith), £40,364 (in the case of Donald Turner), £48,239 (in the case of Edward Cunningham) and £10,000 (in the case of Shonaig Macpherson). In any event such disposals can only be effected with the approval of, and through, Panmure Gordon (for so long as Panmure Gordon continues to act as broker to the Company), subject to certain exceptions which are standard in arrangements of this nature. Further details of the Placing Agreement are set out in paragraph 17.1 of Part IV of this document.

Existing shareholders who hold three per cent. or more of the issued share capital immediately before Admission will be subject to certain restrictions on the sale of shares within the period of 12 months from Admission. These restrictions will be similar in nature to those imposed on the Directors in the second year from Admission.

18. SHARE OPTIONS

The Company has established the Share Option Plan in order to assist in the retention and motivation of its Directors and employees. Further details of the Share Option Plan are set out in paragraph 8 of Part IV of this document.

19. ADMISSION AND DEALINGS

Application has been made to the London Stock Exchange for the entire issued and to be issued share capital of the Company to be admitted to trading on AIM. It is expected that Admission will be effective and that dealings in the Ordinary Shares will commence on 30 March 2007.

20. ADDITIONAL INFORMATION

The attention of prospective investors is drawn to the additional information contained in Parts II to IV (inclusive) of this document. In particular, prospective investors are advised to consider carefully Part II of this document, entitled "Risk Factors".

PART II

RISK FACTORS

An investment in the Ordinary Shares involves a high degree of risk. Accordingly, prospective investors should carefully consider the specific risk factors set out below in addition to the other information contained in this document before investing in the Ordinary Shares. In addition to the other information contained in this document, the Board considers the following risks to be the most significant for potential investors in the Company. These risks should be considered carefully in evaluating whether to make an investment in the Company, but the risks listed do not necessarily comprise all those associated with an investment in the Company and are not set out in any particular order of priority.

If any of the following risks actually occurs, the Group's business, financial condition, capital resources, results or future operations could be materially adversely affected. In such a case, the price of the Ordinary Shares could decline and investors may lose all or part of their investment. Additional risks and uncertainties not currently known to the Board or not considered by the Board currently to be material may also have an adverse effect on the Group's business and the information set out below does not purport to be an exhaustive summary of the risks affecting the Group.

An investment in the Ordinary Shares described in this document is speculative. Potential investors are accordingly advised to consult a person authorised for the purposes of the FSMA who specialises in advising on investments of this kind before making any investment decisions.

A prospective investor should consider carefully whether an investment in the Company is suitable in light of his or her personal circumstances and the financial resources available to him or her.

Hire and retention of personnel

The future success of the Group depends to a significant extent on its ability to hire and retain key development, operational and financial personnel. Although the Group has entered into contracts with its current key personnel, there can be no assurance that the Group will be able to continue to retain and attract qualified personnel for the development of the Group's business.

Termination of partnerships

The Group has framework arrangements with a number of organisations, principally universities which provide it with access to investment opportunities. Most of these are not legally binding and there is no obligation for either the Group or the organisations to enter into specific investments. There is the possibility that the organisations could seek to enter into similar arrangements with other parties, either in addition to, or to the exclusion of, the Group.

Research funding

If, over the long term, the universities and other organisations with whom the Group has entered into arrangements experience a reduction in their research funding, it is reasonable to expect that this would have an adverse effect on both the quantity and quality of their research output, which could adversely affect the Group.

Changes in legislation and policy

There may be unforeseen changes in government policy or legislation, or other changes in the terms upon which public monies are made available to universities and research institutions. Such changes could result in universities and research institutions no longer being able, or for it to become commercially unattractive for them, to seek to develop and commercially exploit IP.

Changes in government policy or legislation or other terms upon which academics are incentivised could make it commercially unattractive for research academics to carry out their research within the United

Kingdom, and potentially make other countries more attractive, thus adversely affecting the opportunities available to the Group.

Competition from organisations with greater capital

The Group may face competition from organisations which have greater capital resources. There is no assurance that the Group will be able to compete successfully in such a marketplace.

Appetite for investment in spin-out companies and ability to realise investments

It is anticipated that spin-out companies in which the Group has an interest will have, in common with many other early stage technology transfer companies, substantial funding requirements. As such, the success of spin-out companies is subject to wider market conditions. It may be the case that investors' appetite to invest in such companies is insufficient to meet the funding requirements of the spin-out companies concerned. This would have a material adverse effect on the value and financial position of such companies and consequently on the value of the assets and the business of the Group. It may also prove difficult, or take a considerable amount of time, for the Group to be able to realise its investments in spin-out companies, which would make it difficult for the Group to generate material revenues.

Early stage investments

Many investments made by the Group will be investments in spin-out companies or licensing opportunities, based on early stage technologies. The investments will be subject to the risks associated with early stage investments in general, including the ability to secure second round and subsequent funding to support ongoing research and development activities, the impact of competing technologies entering the market with more resources and the risk that the research and development will fail. In some cases, the ability to succeed will be dependent upon regulatory approval for certain trials to proceed. There is no certainty that individual spin-out companies will prove to be successful or generate a return on investment for the Group.

Personnel of spin-out companies

The success of existing and future spin-out companies is often dependent upon them retaining key academics and/or the ability to attract and retain senior management of sufficient calibre.

Investment risk and AIM

Potential investors should be aware that the value of shares can go down as well as up and that an investment in a share that is to be traded on AIM may be less realisable and may carry a higher degree of risk than an investment in a share quoted on the Official List. The price which investors may realise for their holding of Ordinary Shares, and when they are able to do so, may be influenced by a large number of factors, some of which are specific to the Group and others of which are extraneous. It may be difficult for an investor to sell his or her Ordinary Shares and he or she may receive less than the amount paid by him or her for them. AIM has been in existence since June 1995 but its future success and the future market for the Ordinary Shares cannot be guaranteed. The share price of publicly traded emerging companies can be highly volatile. Admission to AIM should not be taken as implying that there will be a liquid market for the Ordinary Shares, particularly as, on Admission, the Company will have a limited number of shareholders.

The market for shares in smaller public companies, which on Admission will include the Company, is less liquid than for larger public companies. The Group is aiming to achieve long-term capital growth and, therefore, Ordinary Shares may not be suitable for a short-term investment. The share price may be subject to greater fluctuation on small volumes of shares traded, and thus the Ordinary Shares may be difficult to sell at a particular price. The market price of the Ordinary Shares may not reflect the underlying value of the Group's net assets.

In light of the dividend policy set out in paragraph 15 of Part I of this document, the Ordinary Shares are not a suitable investment for those who require regular and/or predictable income.

Requirement for further funds

It is possible that the Group may need to raise further funds in the future either to complete a proposed acquisition or investment or to raise further working or development capital for such an acquisition or investment. There is no guarantee that the then prevailing market conditions will allow for such a fundraising or that new investors will be prepared to subscribe for Ordinary Shares at the same price as the Placing Price or higher. Although the Company may choose to issue Ordinary Shares to satisfy all or part of any consideration payable on an acquisition, vendors of suitable companies or businesses may not be prepared to accept shares traded on AIM or may not be prepared to accept Ordinary Shares at the quoted market price.

Taxation

There can be no certainty that the current taxation regime in the UK will remain in force or that the current levels of corporate taxation will remain unchanged. There can be no assurance that there will be no amendment to the existing taxation laws applicable to the Group's operations. Any such amendment may have a material adverse effect on the financial position of the Group.

The Company may be liable to significant PAYE and Employers National Insurance Contributions (together with interest and penalties) costs in the unlikely event that HM Revenue & Customs were to argue successfully that the ordinary shares of 10p were readily convertible assets as at 7 April 2006, the date on which certain share options (as further described in Part IV of this document) were exercised. Assuming a market value of £2 per Ordinary Share, the potential exposure would be £393,270 (plus interest and penalties). Having received advice on this matter, no provision has been made in the accounts for any such potential liability.

Regulation

Braveheart Ventures is regulated by the FSA and is accordingly subject to the detailed rules set out in the FSA's Handbook of Rules and Guidance. Any failure to comply with such rules could result in fines and/or other disciplinary action, including withdrawal of authorisation to carry on regulated business, and could have a material adverse impact on the Group.

Enterprise Investment Scheme/Corporate Venturing Scheme

There can be no certainty that the current EIS and/or corporate venturing scheme in the UK will remain in force or that the current levels of tax relief will remain unchanged. There can be no assurance that there will be no amendment to the existing schemes applicable to the Group's operation.

PART III

HISTORICAL FINANCIAL INFORMATION ON BRAVEHEART INVESTMENT GROUP PLC



Ten George Street
Edinburgh
EH2 2DZ

The Directors
Braveheart Investment Group plc
The Cherrybank Centre
Cherrybank Gardens
Perth
PH2 0PF

27 March 2007

Dear Sirs and Madam

Braveheart Investment Group plc

We report on the financial information for the years ended 31 March 2004, 2005 and 2006 and the nine months ended 31 December 2006 set out in this Part III (the "Financial Information"). Our report does not extend to the unaudited financial information in respect of the nine month period ended 31 December 2005 and we express no opinion in respect of that financial information. The Financial Information has been prepared for inclusion in the AIM admission document dated 27 March 2007 of Braveheart Investment Group plc ("Admission Document") on the basis of the accounting policies set out in note 2. This report is required by Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that schedule and for no other purpose.

Save for any responsibility arising under Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two of the AIM Rules for Companies, consenting to its inclusion in the AIM admission document.

Responsibilities

The Directors of Braveheart Investment Group plc are responsible for preparing the Financial Information on the basis of preparation set out in note 2 to the Financial Information.

It is our responsibility to form an opinion as to whether the Financial Information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the Financial Information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the Financial Information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the Financial Information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of Braveheart Investment Group plc as at the dates stated and of its results and cash flows for the periods then ended in accordance with the basis of preparation set out in note 2 to the Financial Information.

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

Ernst & Young LLP

Braveheart Investment Group plc

Group Income Statements

		<i>Year ended</i>	<i>Year ended</i>	<i>Year ended</i>	<i>*Nine</i>	<i>Nine</i>
		<i>31 March</i>	<i>31 March</i>	<i>31 March</i>	<i>months</i>	<i>months</i>
		<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>ended</i>	<i>ended</i>
	<i>Note</i>	<i>£</i>	<i>£</i>	<i>£</i>	<i>31 December</i>	<i>31 December</i>
					<i>2005</i>	<i>2006</i>
					<i>£</i>	<i>£</i>
Revenue	3	220,121	337,328	519,458	317,563	381,147
Net gains/(losses) on financial assets designated at fair value through profit or loss		–	1,254	15,165	–	(29,898)
Finance revenue		4,679	11,116	17,009	7,786	37,441
Total income		<u>224,800</u>	<u>349,698</u>	<u>551,632</u>	<u>325,349</u>	<u>388,690</u>
Staff costs	4	160,823	229,574	265,269	184,889	308,877
Other operating costs		76,892	110,959	150,802	129,634	219,075
Total costs		<u>237,715</u>	<u>340,533</u>	<u>416,071</u>	<u>314,523</u>	<u>527,952</u>
Profit/(loss) before taxation		(12,915)	9,165	135,561	10,826	(139,262)
Tax (charge)/credit	6	5,498	(646)	(14,301)	–	11,054
Profit/(loss) for the period		<u>(7,417)</u>	<u>8,519</u>	<u>121,260</u>	<u>10,826</u>	<u>(128,208)</u>
Earnings/(loss) per share		<i>Pence</i>	<i>Pence</i>	<i>Pence</i>	<i>Pence</i>	<i>Pence</i>
– basic	7	(1.12)	0.74	10.08	0.92	(1.48)
– diluted	7	(0.89)	0.59	7.73	0.74	(1.48)

None of the Group's activities were acquired or discontinued during the above periods.

*Nine months ended 31 December 2005 figures are unaudited

Braveheart Investment Group plc

Group Balance Sheets

		<i>31 March</i>	<i>31 March</i>	<i>31 March</i>	<i>31 December</i>
		<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2006</i>
	<i>Note</i>	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
ASSETS					
Non-current assets					
Property plant and equipment	8	12,877	26,788	29,072	28,758
Investments at fair value through profit or loss	9	10,000	45,258	311,431	651,440
Deferred tax asset	6	5,498	4,852	25,838	1,605
Current assets					
Trade and other receivables	11	38,134	113,520	165,258	77,008
Current tax asset		–	–	–	24,888
Cash and cash equivalents	12	226,820	154,877	746,461	877,415
Total assets		<u>293,329</u>	<u>345,295</u>	<u>1,278,060</u>	<u>1,661,114</u>
LIABILITIES					
Current liabilities					
Trade and other payables	13	(24,206)	(38,746)	(88,981)	(69,115)
Current tax liability		–	–	(24,888)	–
Deferred income		(28,938)	(26,792)	(35,808)	(19,504)
Total liabilities		<u>(53,144)</u>	<u>(65,538)</u>	<u>(149,677)</u>	<u>(88,619)</u>
NET ASSETS		<u>240,185</u>	<u>279,757</u>	<u>1,128,383</u>	<u>1,572,495</u>
EQUITY					
Called up share capital	14	113,414	114,914	127,692	188,258
Share premium account		199,539	209,589	896,593	1,418,746
Retained earnings		(72,768)	(44,746)	104,098	(34,509)
Total equity		<u>240,185</u>	<u>279,757</u>	<u>1,128,383</u>	<u>1,572,495</u>

Braveheart Investment Group plc

Group Statements of Cash Flows

	<i>Year ended</i> <i>31 March</i> <i>2004</i> £	<i>Year ended</i> <i>31 March</i> <i>2005</i> £	<i>Year ended</i> <i>31 March</i> <i>2006</i> £	<i>Nine</i> ¹ <i>months</i> <i>ended</i> <i>31 December</i> <i>2005</i> £	<i>Nine</i> <i>months</i> <i>ended</i> <i>31 December</i> <i>2006</i> £
Operating activities					
Profit before tax	(12,915)	9,165	135,561	10,826	(139,262)
Adjustments to reconcile profit before tax to net cash flows from operating activities					
Depreciation of property, plant and equipment	3,989	5,807	7,535	5,426	5,460
Share-based payment expense	18,427	19,503	17,185	4,144	–
Increase/decrease on the revaluation of investments	–	(1,254)	(10,105)	–	41,519
Loss on disposal of property, plant and equipment	–	749	162	–	–
Interest income	(4,679)	(11,116)	(17,009)	(7,786)	(37,441)
Interest expense	80	162	163	121	–
Increase in investments	(10,000)	(34,004)	(256,067)	(121,727)	(381,473)
Increase in trade and other receivables	(25,209)	(75,340)	(51,738)	86,838	88,250
Increase in trade and other payables	36,270	13,434	60,337	5,907	(36,283)
Tax paid	–	–	–	–	(24,577)
Net cash flows from operating activities	<u>5,963</u>	<u>(72,894)</u>	<u>(113,978)</u>	<u>(16,251)</u>	<u>(483,862)</u>
Investing activities					
Proceeds from sale of property, plant and equipment	–	265	–	–	605
Purchase cost of property, plant and equipment	(7,063)	(20,732)	(9,982)	(3,830)	(5,751)
Interest received	4,679	11,116	17,009	7,786	37,441
Interest paid	(80)	(162)	(162)	(121)	–
Net cash flows used in investing activities	<u>(2,464)</u>	<u>(9,513)</u>	<u>6,865</u>	<u>3,835</u>	<u>32,295</u>
Financing activities					
Proceeds from issue of shares	238,763	11,550	739,290	699,781	582,719
Transaction costs of issue of shares	3,324	–	(39,508)	–	–
Repayment of capital element of hire purchase contract	(955)	(1,086)	(1,086)	(814)	(198)
Net cash flows used in financing activities	<u>241,132</u>	<u>10,464</u>	<u>698,696</u>	<u>698,967</u>	<u>582,521</u>
Net increase in cash and cash equivalent	244,631	(71,943)	591,584	686,551	130,954
Cash and cash equivalent as at 1 April	(17,811)	226,820	154,877	154,877	746,461
Cash and cash equivalent as at 31 March/31 December	<u>226,820</u>	<u>154,877</u>	<u>746,461</u>	<u>841,428</u>	<u>877,415</u>

¹ Nine months ended 31 December 2005 figures are unaudited

Statement of Changes in Equity for the year ended 31 March 2004

	<i>Share Capital</i>	<i>Share Premium</i>	<i>Retained Earnings</i>	<i>Total</i>
	£	£	£	£
Balance at 1 April	74,190	–	(83,778)	(9,588)
Issue of new share capital	39,224	199,539	–	238,763
(Loss) for the year	–	–	(7,417)	(7,417)
Share-based payment	–	–	18,427	18,427
Balance as at 31 March	<u>113,414</u>	<u>199,539</u>	<u>(72,768)</u>	<u>240,185</u>

Statement of Changes in Equity for the year ended 31 March 2005

	<i>Share Capital</i>	<i>Share Premium</i>	<i>Retained Earnings</i>	<i>Total</i>
	£	£	£	£
Balance at 1 April	113,414	199,539	(72,768)	240,185
Issue of new share capital	1,500	10,050	–	11,550
Profit for the year	–	–	8,519	8,519
Share-based payment	–	–	19,503	19,503
Balance as at 31 March	<u>114,914</u>	<u>209,589</u>	<u>(44,746)</u>	<u>279,757</u>

Statement of Changes in Equity for the year ended 31 March 2006

	<i>Share Capital</i>	<i>Share Premium</i>	<i>Retained Earnings</i>	<i>Total</i>
	£	£	£	£
Balance at 1 April	114,914	209,589	(44,746)	279,757
Issue of new share capital	12,778	726,512	–	739,290
Expenses paid in connection with share issue	–	(39,508)	–	(39,508)
Profit for the year	–	–	121,260	121,260
Share-based payment	–	–	17,185	17,185
Share-based payment – deferred tax	–	–	10,399	10,399
Balance as at 31 March	<u>127,692</u>	<u>896,593</u>	<u>104,098</u>	<u>1,128,383</u>

Statement of Changes in Equity for the period ended 31 December 2006

	<i>Share Capital</i>	<i>Share Premium</i>	<i>Retained Earnings</i>	<i>Total</i>
	£	£	£	£
Balance at 1 April	127,692	896,593	104,098	1,128,383
Exercise of options	60,566	522,153	–	582,719
(Loss) for the nine months to December 2006	–	–	(128,208)	(128,208)
Share-based payment – deferred tax	–	–	(10,399)	(10,399)
Balance as at 31 December	<u>188,258</u>	<u>1,418,746</u>	<u>(34,509)</u>	<u>1,572,495</u>

NOTES TO THE FINANCIAL INFORMATION

1 Corporate information

The consolidated financial statements of the Group for the three twelve month periods ended 31 March 2004, 31 March 2005, and 31 March 2006 and for the nine month period ended 31 December 2006 were authorised for issue in accordance with a resolution of the directors on 26 March 2007. Braveheart Investment Group plc is a company incorporated in Scotland under the Companies Act 1985. The address of the registered office is given on page 4. The Group is registered in Scotland. The nature of the Group's principal activities is set out in Part I of this document.

2 Accounting policies

(a) *Basis of preparation*

These are the Group's first consolidated financial statements prepared under IFRS as adopted by the European Union (IFRS) and IFRS 1 First-time adoption has been applied. The transition disclosures required by IFRS 1 concerning the transition from UK Generally Accepted Accounting Principles ("UK GAAP") to IFRS are set out in note 17. The date of transition is 1 April 2003, this being the beginning of the first IFRS reporting period.

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

(b) *Statement of compliance*

The consolidated financial statements of Braveheart Investment Group plc have been prepared in accordance with IFRS as applied in accordance with the provisions of the Companies Act 1985. The principal accounting policies adopted by the Group are set out in the following notes.

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

2 Accounting policies (continued)

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

(d) *Basis of consolidation*

On 26 August 2003, the Company acquired the issued share capital of Braveheart Ventures by way of share for share exchange with the existing shareholders of Braveheart Ventures. The same parties ultimately control the combined businesses both before and after the combination. This business combination is outside the scope of IFRS 3 Business Combinations. The results of the two companies are combined from 1 April 2003 and their assets and liabilities are combined at their carrying values.

The Group financial statements consolidate the results of the Company and its subsidiary Braveheart Ventures, for the twelve months to 31 March each year and the nine months to 31 December 2005 and 2006. All intra-group balances, transactions, income and expenses are eliminated in full on consolidation.

(e) *Revenue recognition and segmental reporting*

The Group earns fee income from the services it provides to its clients. Revenue is recognised at the fair value of the consideration received or receivable on fee income, excluding rebates. Revenue can be divided into two types: revenue for services provided over a period (client subscription fees) and revenue for transaction-based services (deal fees and facilitation fees). Fees earned for the provision of services over a period of time are accrued over that period. Deal fees and facilitation fees are earned on individual transactions and related revenue is recognised on completion of the underlying transaction. Client subscriptions received in advance are deferred within current liabilities and are then recognised as revenue over the period for which services are provided. Interest income is recognised using the effective interest method. Dividend income is recognised when the Group's right to receive payment is established. Finance revenue is interest earned on bank deposit accounts.

The business is regarded as one segment due to the nature of the services provided and the methods used to provide these services.

(f) *Share-based payments*

The Group issues equity-settled share-based payments to certain employees (including directors). Equity-settled share-based payments are measured at fair value at the date of grant, which is then recognised in the income statement immediately as there are no vesting conditions to be satisfied. Fair value has been measured by use of the Black-Scholes option pricing model. The inputs and assumptions that feed into the Black-Scholes option pricing model are shown in note 10.

(g) *Taxation*

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

2 Accounting policies (continued)

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

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

(h) *Property, plant and equipment*

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

Depreciation has been provided on the following basis:

Computer equipment 33.3 per cent. reducing balance

Fixtures and fittings 20 per cent. reducing balance

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

(i) *Investments at fair value through profit or loss*

Investments under the scope of IAS 39 are classified as financial assets at fair value through profit or loss. The Group determines the classification of its financial assets at initial recognition and re-evaluates this designation at each financial year-end. When financial assets are recognised initially, they are measured at fair value, being the transaction price less directly attributable transaction costs.

The fair value of quoted investments is determined by reference to bid prices at the close of business on the balance sheet date. Where there is no active market, fair value is determined using valuation techniques. These include using recent arm’s length market transactions; reference to the current market value of another instrument which is substantially the same; discounted cash flow analysis and pricing models. Otherwise assets will be carried at cost. The gains and losses arising from changes in fair value are recognised in the income statement in the period in which they arise.

(j) *Leases*

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

(k) *Cash and cash equivalents*

Cash and short term deposits in the balance sheet comprise cash at bank and in hand and short term deposits with an original maturity of three months or less. For the purposes of the cash flow statement, cash and cash equivalents comprise cash and short-term deposits as defined above.

(l) *Trade receivables*

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

2 Accounting policies (continued)

(m) New standards and interpretations not yet applied

During the year, the International Accounting Standards Board and International Financial Reporting Interpretations Committee have issued the following standards and interpretations to be applied to financial statements with periods commencing on or after the following dates:

<i>International Accounting Standards (IAS/IFRS)</i>	<i>Effective date</i>
IFRS 7 Financial instruments: Disclosures	1 January 2007
IAS 1 Amendment – Presentation of Financial Statements: Capital Disclosures	1 January 2007

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

3 Revenue

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

	<i>Year ended</i>	<i>Year ended</i>	<i>Year ended</i>	<i>*Nine</i>	<i>Nine</i>
	<i>31 March</i>	<i>31 March</i>	<i>31 March</i>	<i>months</i>	<i>months</i>
	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>ended</i>	<i>ended</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
	<i>31 March</i>	<i>31 March</i>	<i>31 March</i>	<i>31 December</i>	<i>31 December</i>
	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>	<i>2006</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Deal fees	139,183	247,623	434,371	254,388	307,343
Client subscriptions	30,313	74,305	71,187	52,750	73,804
Facilitation fee	50,625	15,400	13,900	10,425	–
	<u>220,121</u>	<u>337,328</u>	<u>519,458</u>	<u>317,563</u>	<u>381,147</u>

4 Employee benefits expense and related party transactions

	<i>Year ended</i>	<i>Year ended</i>	<i>Year ended</i>	<i>*Nine</i>	<i>Nine</i>
	<i>31 March</i>	<i>31 March</i>	<i>31 March</i>	<i>months</i>	<i>months</i>
	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>ended</i>	<i>ended</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
	<i>31 March</i>	<i>31 March</i>	<i>31 March</i>	<i>31 December</i>	<i>31 December</i>
	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>	<i>2006</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Salaries	128,272	189,188	223,531	163,002	277,023
Social security costs	14,124	20,883	24,553	17,743	31,854
Expense of share-based payments	18,427	19,503	17,185	4,144	–
	<u>160,823</u>	<u>229,574</u>	<u>265,269</u>	<u>184,889</u>	<u>308,877</u>

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

<i>No.</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>
3	6	6	6	8

All of the Group's employees work within management and administration. All employees are employed by Braveheart Ventures.

*Nine months ended 31 December 2005 figures are unaudited

4 Employee benefits expense and related party transactions

Directors' remuneration

	<i>Year ended</i>	<i>Year ended</i>	<i>Year ended</i>	<i>Nine¹</i>	<i>Nine</i>
	<i>31 March</i>	<i>31 March</i>	<i>31 March</i>	<i>months</i>	<i>months</i>
	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>ended</i>	<i>ended</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Directors' emoluments	75,000	130,000	136,750	102,563	129,375
Expense of share-based payments	17,830	19,144	9,093	2,585	–
	<u>92,830</u>	<u>149,144</u>	<u>145,843</u>	<u>105,148</u>	<u>129,375</u>

5 Profit/(loss) for the period

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

	<i>Year ended</i>	<i>Year ended</i>	<i>Year ended</i>	<i>Nine¹</i>	<i>Nine</i>
	<i>31 March</i>	<i>31 March</i>	<i>31 March</i>	<i>months</i>	<i>months</i>
	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>ended</i>	<i>ended</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Depreciation of property, plant and equipment	3,989	5,807	7,535	5,426	5,460
Lease payments recognised as an operating lease	6,863	17,300	38,898	27,449	33,750
Auditors remuneration:					
– audit	4,000	8,000	9,000	9,000	–
– taxation compliance	–	1,500	2,500	2,500	4,000
– corporate finance services	–	–	–	–	32,700
– other services	–	1,500	5,043	5,043	–
	<u>–</u>	<u>1,500</u>	<u>5,043</u>	<u>5,043</u>	<u>–</u>

Operating lease charge relates to the lease of the Group's office premises.

¹ Nine months ended 31 December 2005 figures are unaudited

6 Taxation on profit on ordinary activities

	<i>Year ended</i>	<i>Year ended</i>	<i>Nine months</i>	
	<i>31 March</i>	<i>31 March</i>	<i>31 March</i>	<i>31 December</i>
	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2006</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
UK corporation tax			24,888	(24,888)
Deferred tax	(5,498)	646	(10,587)	13,834
Tax charge/(credit) in the income statement	<u>(5,498)</u>	<u>646</u>	<u>14,301</u>	<u>(11,054)</u>
Tax relating to items charged or credited to equity				
Deferred tax:				
Share-based payments	–	–	(10,399)	10,399
	<u>–</u>	<u>–</u>	<u>(10,399)</u>	<u>10,399</u>
Reconciliation of total tax charge				
Profit before tax	(12,915)	9,165	135,561	(139,262)
Tax on profit on ordinary activities at the rate of 19%	(2,454)	1,741	25,757	(26,460)
Expenses not deductible for tax purposes	2,050	487	1,149	14,625
Tax relief on share-based payment	3,501	3,706	(10,689)	(10,399)
Capital allowances in excess of depreciation	(494)	(1,122)	2,066	–
Short term timing differences	–	–	–	5,731
Reduction in unutilised tax losses	(7,298)	(2,933)	(5,141)	6,608
Profits taxed at 0 per cent.	(803)	(1,233)	1,159	(1,159)
Total tax reported in the income statement	<u>(5,498)</u>	<u>646</u>	<u>14,301</u>	<u>(11,054)</u>
Deferred tax				
The deferred tax included in the balance sheet is as follows:				
	<i>31 March</i>	<i>31 March</i>	<i>31 March</i>	<i>31 December</i>
	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2006</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Deferred tax liability				
Accelerated capital allowances	–	–	3,160	2,099
Revaluation of investments	–	238	2,158	–
Total deferred tax liability	<u>–</u>	<u>238</u>	<u>5,318</u>	<u>2,099</u>
Deferred tax asset				
Short term timing differences	5,498	5,090	6,803	3,704
Share-based payments	–	–	24,353	–
Total deferred tax asset	<u>5,498</u>	<u>5,090</u>	<u>31,156</u>	<u>3,704</u>
Total deferred tax as reported in the balance sheet	<u>5,498</u>	<u>4,852</u>	<u>25,838</u>	<u>1,605</u>

7 Earnings/(loss) per share

Basic earnings/(loss) per share have been calculated by dividing the earnings attributable to Shareholders by the weighted average number of Ordinary Shares in issue during the period.

Diluted earnings/(loss) per share adjusts for share options granted where the exercise price is less than the average price of the Ordinary Shares during the period.

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

	<i>Year ended</i> <i>31 March</i> <i>2004</i> <i>£</i>	<i>Year ended</i> <i>31 March</i> <i>2005</i> <i>£</i>	<i>Year ended</i> <i>31 March</i> <i>2006</i> <i>£</i>	<i>1</i> <i>Nine</i> <i>months</i> <i>ended</i> <i>31 December</i> <i>2005</i> <i>£</i>	<i>Nine</i> <i>months</i> <i>ended</i> <i>31 December</i> <i>2006</i> <i>£</i>
Profit/(loss) for the year	(7,417)	8,519	121,260	10,826	(128,208)
Weighted average number of Ordinary Shares in issue:					
For basic earnings per Ordinary Share	661,580	1,149,137	1,202,380	1,170,434	8,655,805
Dilutive effect of exercisable options	170,038	291,494	365,587	291,494	–
	<u>831,618</u>	<u>1,440,631</u>	<u>1,567,967</u>	<u>1,461,928</u>	<u>8,655,805</u>

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

¹ Nine months ended 31 December 2005 figures are unaudited

8 Property, plant and equipment

<i>Cost</i>	<i>Fixtures and fittings</i>	<i>Computer equipment</i>	<i>Total</i>
	£	£	£
At 1 April 2003	8,645	11,230	19,875
Additions	2,964	4,099	7,063
At 31 March 2004	11,609	15,329	26,938
Additions	13,630	7,102	20,732
Disposals	(2,393)	–	(2,393)
At 31 March 2005	22,846	22,431	45,277
Additions	6,243	3,739	9,982
Disposals	(453)	–	(453)
At 31 March 2006	28,636	26,170	54,806
Additions	30	5,721	5,751
Disposals	–	(659)	(659)
At 31 December 2006	28,666	31,232	59,898
Accumulated depreciation			
At 1 April 2003	1,905	8,167	10,072
Charge for year	2,927	1,062	3,989
At 31 March 2004	4,832	9,229	14,061
Charge for year	2,813	2,994	5,807
Disposals	(1,379)	–	(1,379)
At 31 March 2005	6,266	12,223	18,489
Charge for year	3,967	3,568	7,535
Disposals	(290)	–	(290)
At 31 March 2006	9,943	15,791	25,734
Charge for period	2,808	2,652	5,460
Disposals	–	(54)	(54)
At 31 December 2006	12,751	18,389	31,140
Net Book Value			
At 31 March 2004	6,777	6,100	12,877
At 31 March 2005	16,580	10,208	26,788
At 31 March 2006	18,693	10,379	29,072
At 31 December 2006	15,915	12,843	28,758

9 Investments at fair value through profit or loss

	<i>Unlisted</i> £	<i>AIM Listed</i> £	<i>Total</i> £
Valuation as at 1 April 2003	–	–	–
Unrealised gain/(loss) on the revaluation of assets	–	–	–
Cost as at 1 April 2003	–	–	–
Additions at cost	10,000	–	10,000
Cost at 31 March 2004	10,000	–	10,000
Unrealised gain/(loss) on the revaluation of assets	–	–	–
Valuation at 31 March 2004	10,000	–	10,000
Valuation at 1 April 2004	10,000	–	10,000
Unrealised gain/(loss) on the revaluation of assets	–	–	–
Cost at 1 April 2004	10,000	–	10,000
Additions at cost	30,143	3,861	34,004
Transfer	(5,000)	5,000	–
Cost at 31 March 2005	35,143	8,861	44,004
Unrealised gain/(loss) on the revaluation of assets	–	1,254	1,254
Valuation at 31 March 2005	35,143	10,115	45,258
Valuation at 1 April 2005	35,143	10,115	45,258
Revaluation of assets	–	(1,254)	(1,254)
Cost at 1 April 2005	35,143	8,861	44,004
Additions at cost	259,318	–	259,318
Transfers	(3,250)	3,250	–
Disposals – Proceeds	–	(8,310)	(8,310)
– Gain on disposal	–	5,060	5,060
Cost at 31 March 2006	291,211	8,861	300,072
Unrealised gain/(loss) on the revaluation of assets	15,314	(3,955)	11,359
Valuation at 31 March 2006	306,525	4,906	311,431
Valuation at 1 April 2006	306,525	4,906	311,431
Revaluation of assets	(15,314)	3,955	(11,359)
Cost at 1 April 2006	291,211	8,861	300,072
Additions at cost	350,725	40,000	390,725
Transfers	(55,119)	55,119	–
Disposals – Proceeds	–	(20,818)	(20,818)
– Gain on disposal	–	11,621	11,621
Cost at 31 December 2006	586,817	94,783	681,600
Unrealised gain/(loss) on the revaluation of assets	(52,588)	22,428	(30,160)
Valuation at 31 December 2006	534,229	117,211	651,440

9 Investments at fair value through profit or loss (continued)

Transaction costs

During the year the following expenses were incurred in acquiring and disposing of investments designated at fair value through profit or loss:

	<i>Year ended</i>	<i>Year ended</i>	<i>Year ended</i>	<i>Nine months</i>
	<i>31 March</i>	<i>31 March</i>	<i>31 March</i>	<i>ended</i>
	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>31 December</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>2006</i>
				<i>£</i>
Purchases	–	1,935	14,709	12,034
Sales	–	156	–	–
	<u>–</u>	<u>2,091</u>	<u>14,709</u>	<u>12,034</u>

10 Share-based payments

The Group operated an unapproved share option scheme. The C options were originally granted in Braveheart Ventures and were subsequently rolled over and subdivided on 26 August 2003 following the incorporation of the Company. The terms and conditions of these options were not altered on rollover.

<i>Option</i>	<i>Plan type</i>	<i>Vesting period</i>	<i>Exercise period</i>
C	Discretionary option plan	Immediately	12 December 2002 – 12 December 2012
D1	Discretionary option plan	Immediately	26 August 2003 – 26 August 2007
D2	Discretionary option plan	Immediately	26 August 2003 – 26 August 2007
E	Discretionary option plan	Immediately	11 May 2004 – 11 May 2009
E2	Discretionary option plan	Immediately	15 December 2004 – 15 December 2009
F	Discretionary option plan	Immediately	19 April 2005 – 19 April 2010
G	Discretionary option plan	Immediately	31 March 2006 – 31 March 2011

The share options were awarded annually by the Remuneration Committee (or by the directors prior to the establishment of the Remuneration Committee) based on the performance of the individual employee. All option schemes were established with the objective of providing incentives for employees. Conditions governing the option schemes are common to all the option schemes other than the exercise period and the exercise price (as below). Employees have no entitlement to further options.

10 Share-based payments (continued)

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

	<i>Year ended</i> <i>31 March</i> <i>2004</i> £	<i>Year ended</i> <i>31 March</i> <i>2005</i> £	<i>Year ended</i> <i>31 March</i> <i>2006</i> £	<i>Nine¹</i> <i>months</i> <i>ended</i> <i>31 December</i> <i>2005</i> £	<i>Nine</i> <i>months</i> <i>ended</i> <i>31 December</i> <i>2006</i> £
Expense arising from equity-settled share-based payments transactions	18,427	19,503	17,185	4,144	–
Number of share options:	<i>No.</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>
Outstanding at the beginning of the period	335,000	501,785	563,186	563,186	605,656
Granted during the period	166,785	61,401	42,570	15,570	–
Exercised during the period	–	–	(100)	–	(605,656)
Outstanding at the end of the period	501,785	563,186	605,656	578,756	–
Exercisable at the end of the period	501,785	563,186	605,656	578,756	–
				<i>*Nine</i> <i>months</i> <i>ended</i> <i>31 December</i> <i>2005</i> £	<i>Nine</i> <i>months</i> <i>ended</i> <i>31 December</i> <i>2006</i> £
	<i>Year ended</i> <i>31 March</i> <i>2004</i> £	<i>Year ended</i> <i>31 March</i> <i>2005</i> £	<i>Year ended</i> <i>31 March</i> <i>2006</i> £	<i>Year ended</i> <i>31 March</i> <i>2006</i> £	<i>Year ended</i> <i>31 March</i> <i>2006</i> £
Weighted average exercise price of share options:					
Outstanding at the beginning of the period	0.10	0.94	0.92	0.96	0.96
Granted during the period	2.61	0.77	1.55	0.77	–
Exercised during the period	–	–	0.96	–	0.96
Outstanding at the end of the period	0.94	0.92	0.96	0.96	–
Exercisable at the end of the period	0.94	0.92	0.96	0.96	–

There were no options issued prior to 7 November 2002.

The share price at the date of exercise for share options exercised during the 52 week period ended 31 March 2006 was £0.77.

The remaining options were exercised on 7 April 2006 and the share price at the date of exercise was £1.33.

Inputs and assumptions which feed into the Black-Scholes model used for the purpose of determining fair value of options were as follows:

	<i>C option</i>	<i>D1 option</i>	<i>D2 option</i>	<i>E option</i>	<i>E2 option</i>	<i>F option</i>	<i>G option</i>
Exercise price	£0.10	£2.275	£2.975	£0.77	£0.77	£0.77	£2.00
Dividend yield	0%	0%	0%	0%	0%	0%	0%
Expected volatility	59.19%	74.38%	73.53%	85.08%	56.94%	49.65%	31.05%
Risk free rate	4.38%	4.10%	4.21%	4.84%	4.41%	4.57%	4.49%
Expected term (years)	5	2	2.5	2.5	2.5	2.5	2.5
Weighted average share price	£0.10	£0.77	£0.77	£0.77	£0.77	£0.77	£2.00

¹ Nine months ended 31 December 2005 figures are unaudited

10 Share-based payments (continued)

The options have no performance conditions attached and vest immediately. The expected term of the options is the midpoint between the date of vesting and the legal life. The expected volatility is based on expected volatility over the expected term taking into account the tendency of volatility to revert to its mean. Consideration is given to historical volatility of the share price of quoted comparable companies over the most recent period at the date of grant that is commensurate with the expected term of the option. The expected life of the option is based on the best estimate of the directors for the effects of non-transferability, exercise restrictions and behavioural considerations.

11 Trade and other receivables

	<i>31 March 2004</i>	<i>31 March 2005</i>	<i>31 March 2006</i>	<i>31 December 2006</i>
	£	£	£	£
Trade receivables	25,821	54,622	132,346	43,054
Accrued income	12,000	57,071	22,327	–
Other receivables	313	1,827	10,585	33,954
	<u>38,134</u>	<u>113,520</u>	<u>165,258</u>	<u>77,008</u>

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

12 Cash and cash equivalents

	<i>31 March 2004</i>	<i>31 March 2005</i>	<i>31 March 2006</i>	<i>31 December 2006</i>
	£	£	£	£
Cash at bank and on hand	<u>226,820</u>	<u>154,877</u>	<u>746,461</u>	<u>877,415</u>

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

13 Trade and other payables

	<i>31 March 2004</i>	<i>31 March 2005</i>	<i>31 March 2006</i>	<i>31 December 2006</i>
	£	£	£	£
Trade and other payables	4,028	6,348	861	12,531
Other taxes and social security	14,865	13,967	46,409	31,553
Accruals	5,313	18,431	41,711	25,031
	<u>24,206</u>	<u>38,746</u>	<u>88,981</u>	<u>69,115</u>

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

14 Share Capital

	<i>31 March</i> 2004	<i>31 March</i> 2005	<i>31 March</i> 2006	<i>31 December</i> 2006
	£	£	£	£
Authorised				
2,000,000 ordinary shares of 10p each	200,000	200,000	200,000	
33,645,000 ordinary shares of 2p each				672,900
	<i>No.</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>
Allotted, called up and fully paid				
Ordinary shares of 10p each	1,134,137	1,149,137	1,276,919	
Ordinary shares of 2p each				9,412,875
	£	£	£	£
Nominal value of shares	113,414	114,914	127,692	188,258

During the year ended 31 March 2004, 1,134,137 ordinary shares of 10p each were issued, with an aggregate nominal value of £113,414 for a total consideration of £238,763.

During the year ended 31 March 2005, 15,000 ordinary shares of 10p each were issued, with an aggregate nominal value of £1,500, for a total consideration of £11,550.

During the year ended 31 March 2006, 127,782 ordinary shares of 10p were issued, with an aggregate nominal value of £12,768 for a total consideration of £739,290. Included in these figures are the proceeds from the exercise of 100 ordinary shares of 10p each, pursuant to a share option agreement. All remaining share options were exercised on 7 April 2006 for a total consideration of £582,719.

By an ordinary resolution dated 16 May 2006, 1,882,575 issued and 117,425 authorised but unissued ordinary shares of 10p each were subdivided into 2p ordinary shares on the basis of five new ordinary shares for every one existing ordinary share, resulting in 10,000,000 ordinary shares of 2p each. On the same date the authorised share capital was increased from £200,000 to £672,900 by the creation of an additional 23,645,000 ordinary shares of 2p each ranking equally, subject to Admission.

15 Operating lease commitments

The Group has entered into a commercial lease on the office premises, where it is not in the best interests of the Group to purchase this asset. Renewals are at the option of the entity that holds the lease. There are no restrictions placed upon the lessee by entering into this lease.

Future minimum rentals payable under operating leases are as follows:

	<i>31 March</i> 2004	<i>31 March</i> 2005	<i>31 March</i> 2006	<i>31 December</i> 2006
	£	£	£	£
Leases expiring:				
later than one year no later than five years	–	19,740	19,740	19,740
in more than five years	–	45,000	45,000	45,000
	<hr/>	<hr/>	<hr/>	<hr/>

16 Financial risk management objectives and policies

The Group's financial instruments comprise investments designated at fair value through profit or loss, cash and various items such as trade receivables and trade payables, which arise directly from its operations.

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

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

Credit risk

The Group has no significant concentration of credit rate risk.

Interest rate risk

The Group finances its operations through equity funding as opposed to debt and therefore minimises its exposure to interest rate risks. The majority of the Group's financial instruments are non-interest bearing, the only exception being the cash balance held by the Group which attracts variable interest rates determined with reference to the Bank of Scotland interest rate.

Interest rate risk profile of financial assets

The interest rate profile of the financial assets of the Group as at 31 December 2006 is as follows:

<i>Fixed rate</i>	<i>Within 1 year</i>	<i>1 – 2 years</i>	<i>2 – 3 years</i>	<i>3 – 4 years</i>	<i>4 – 5 years</i>	<i>TOTAL</i>
	£	£	£	£	£	£
Loan notes	–	–	46,250	–	–	46,250
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Floating rate</i>	<i>Within 1 year</i>	<i>1 – 2 years</i>	<i>2 – 3 years</i>	<i>3 – 4 years</i>	<i>4 – 5 years</i>	<i>TOTAL</i>
	£	£	£	£	£	£
Cash	877,415	–	–	–	–	877,415
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

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

It is estimated that the maximum effect of a one percentage point (100 basis points) fall in interest rates to which the Group is exposed would be a reduction in profit before tax for the nine months to 31 December 2006 of £7,382.

Liquidity risk

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

16 Financial risk management objectives and policies (continued)

Market price risk

The Group is exposed to market price risk due to its investment portfolio. The performance of the Group is partly dependent on the market price of the investments within the portfolio. The Group manages the exposure to market price risk through investment in different sectors such as technology and more traditional asset backed businesses, to ensure that there is no undue exposure in any one sector. The Group monitors its exposure to market risk through sensitivity analysis. It is estimated that the maximum effect of a 10 per cent. fall in market prices to which the Group is exposed would be a reduction in profit before tax for the nine months to 31 December 2006 of £4,721.

Foreign currency risk

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

Fair values of financial assets

Set out below is a comparison by category of carrying amounts and fair values of all the Group's financial instruments that are carried in the financial statements:

	<i>31 March 2004</i>	<i>31 March 2005</i>	<i>31 March 2006</i>	<i>31 December 2006</i>
	£	£	£	£
<i>Financial assets – Book value</i>				
Cash	226,820	154,877	746,461	877,415
Investments at fair value through profit or loss	10,000	45,258	311,431	651,440
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<i>Financial assets – Fair value</i>				
Cash	226,820	154,877	746,461	877,415
Investments at fair value through profit or loss	10,000	45,258	311,431	651,440
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Market prices have been used in determining the fair value of listed investments. Unlisted investments have been valued by the Directors in accordance with the "International private equity and venture capital valuations" guidelines. The "price of recent investment" methodology has been used and includes the cost of the investment or valuation by reference to a subsequent financing round.

17 Explanation of transition to IFRS for the Group

For all periods up to and including the year ended 31 March 2006, the Group has previously prepared its financial statements in accordance with UK Generally Accepted Accounting Principles (UK GAAP). A management decision was made to adopt IFRS retrospectively from 1 April 2003, with the express purpose of ensuring consistency and clarity to readers of the Admission Document.

The Group has prepared financial statements which comply with IFRS applicable for periods beginning on or after 1 April 2003, and the significant accounting policies meeting those requirements are described in note 2. In preparing these financial statements, the Group has started from an opening balance sheet as at 1 April 2003, the Group's date of transition to IFRS and made those changes in accounting policies and other restatements required by IFRS 1 for the first-time adoption of IFRS. This note explains the principal adjustments made by the Group in restating its UK GAAP balance sheet and its previously published UK GAAP financial statements for the year ended 31 March 2004.

The Group has not taken any exemptions allowed under IFRS 1 for first time adopters.

There are no material adjustments to the cash flow statements resulting from the transition to IFRS. However the presentation of the cash flow statements has changed, whereby cash flows are classified as operating, investing or financing.

17 Explanation of transition to IFRS for the Group (continued)

The key differences between UK GAAP and IFRS are:

(a) Revenue recognition

Under IAS 18, fees charged for managing investments are recognised as revenue as the services are provided, i.e. on a straight-line basis over the life of the contract.

Under UK GAAP, in line with standard industry practice, such fees were credited to the profit and loss account when the fee had been invoiced.

(b) Equity share-based payments

IFRS 2 requires the fair value of the options which ultimately vest to be charged to the income statement over the vesting period. The fair value is determined at the date of grant using an appropriate pricing model. All options granted by the Company vest immediately, and the Black-Scholes valuation model was applied.

Under UK GAAP, only the intrinsic cost of an option was charged to the profit and loss account.

(c) Deferred tax adjustment

In the UK a deferred tax asset arises on share-based payments as a result of the company being entitled to a tax deduction based on actual gains made by employees on the ultimate exercise of options. Under FRS 19, the benefit was recognised within current tax in the period during which options were exercised. Under IAS 12, such amounts are recognised as deferred tax assets.

Reconciliation of net profit from previously reported UK GAAP to IFRS

		<i>Year ended</i> <i>31 March</i> <i>2004</i> <i>£</i>
Profit/(Loss) for the year as previously reported under UK GAAP		34,450
Revenue recognition adjustment	(a)	(28,938)
Share based payment adjustment	(b)	(18,427)
Deferred tax adjustment	(c)	5,498
Profit/(Loss) for the year under IFRS		<u>(7,417)</u>

Reconciliation of equity from previously reported UK GAAP to IFRS

		<i>1 April</i> <i>2003</i> <i>£</i>
Equity previously reported under UK GAAP		(9,588)
IFRS adjustments		<u>–</u>
Equity reported under IFRS		<u>(9,588)</u>

		<i>31 March</i> <i>2004</i> <i>£</i>
Equity previously reported under UK GAAP		263,625
Revenue recognition adjustment	(a)	(28,938)
Deferred tax adjustment	(c)	5,498
Equity reported under IFRS		<u>240,185</u>

PART IV

ADDITIONAL INFORMATION

1. RESPONSIBILITY AND RESPONSIBILITY BY EXPERT

- 1.1 The Company, whose registered office appears on page 4, and the Directors, whose names, addresses and functions appear on page 4, accept responsibility for the information contained in this document. To the best of the knowledge of the Company and the Directors (each of whom have taken reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 1.2 Ernst & Young LLP, whose address appears on page 4, has given and not withdrawn its written consent to the inclusion of the report in Part III of this document and the references thereto and its name in the form and context in which they are included in this document and accepts responsibility for such report. To the best of the knowledge of Ernst & Young LLP (which has taken reasonable care to ensure that such is the case), the information contained in the report in Part III of this document is in accordance with the facts and makes no omission likely to affect the import of such information. Ernst & Young LLP has no material interest in the Company.

2. THE COMPANY

- 2.1 The Company was incorporated in Scotland on 7 April 2003 under the Act as a public company limited by shares with the name Braveheart Investment Group plc and the registered number SC247376.
- 2.2 The liability of the members of the Company is limited to the amount paid up or to be paid up on their shares.
- 2.3 The registered office of the Company is at The Cherrybank Centre, Cherrybank Gardens, Perth PH2 0PF and its telephone number is 01738 587 555.

3. SHARE CAPITAL

- 3.1 On incorporation, the authorised share capital of the Company was £50,000 divided into 500,000 ordinary shares of 10 pence each, of which two were issued to the subscribers. The ordinary shares were created under the Act.
- 3.2 By an ordinary resolution dated 26 August 2003, the authorised share capital was increased to £200,000 by the creation of an additional 1,500,000 ordinary shares of 10 pence each.
- 3.3 By an ordinary resolution dated 16 May 2006, the share capital was sub-divided into 10,000,000 Ordinary Shares of 2 pence each.
- 3.4 By an ordinary resolution dated 16 May 2006, the authorised share capital was increased to £672,900 by the creation of an additional 23,645,000 Ordinary Shares of 2 pence each, subject to Admission.
- 3.5 As at 26 March 2007 (the latest practicable date prior to the publication of this document), the Company's authorised and issued share capital is as follows:

<i>Ordinary Shares</i>	<i>£</i>	<i>No.</i>
Authorised	672,900	33,645,000
Issued and fully paid	188,257.50	9,412,875

- 3.6 Following implementation of the Placing and Admission, the Company's authorised and issued share capital is expected to be as follows:

<i>Ordinary Shares</i>	<i>£</i>	<i>No.</i>
Authorised	672,900	33,645,000
Issued and fully paid	268,078	13,403,895

- 3.7 Since incorporation, the following changes have been made to the issued and fully paid share capital of the Company:
- 3.7.1 on 26 August 2003, 741,898 ordinary shares of 10 pence were issued to a number of investors at a price of 10 pence per share;
 - 3.7.2 on 26 August 2003, 212,510 ordinary shares of 10 pence were issued to a number of investors at a price of 70 pence per share;
 - 3.7.3 on 29 August 2003, 63,242 ordinary shares of 10 pence were issued to a number of investors at a price of 10 pence per share;
 - 3.7.4 on 10 September 2003, 4,000 ordinary shares of 10 pence were issued to John F Lawrie at a price of 77 pence per share;
 - 3.7.5 on 2 December 2003, 10,000 ordinary shares of 10 pence were issued to Derek Winford at a price of 77 pence per share;
 - 3.7.6 on 8 December 2003, 5,000 ordinary shares of 10 pence were issued to Jeffrey John Fergus at a price of 77 pence per share;
 - 3.7.7 on 12 December 2003, 4,000 ordinary shares of 10 pence were issued to George Gordon McAndrew at a price of 77 pence per share;
 - 3.7.8 on 2 February 2004, 68,935 ordinary shares of 10 pence were issued to a number of investors at a price of 77 pence per share;
 - 3.7.9 on 25 February 2004, 21,040 ordinary shares of 10 pence were issued to a number of investors at a price of 77 pence per share;
 - 3.7.10 on 23 March 2004, 3,510 ordinary shares of 10 pence were issued to Andrew Stuart McInroy at a price of 77 pence per share;
 - 3.7.11 on 7 April 2004, 15,000 ordinary shares of 10 pence were issued to Maxine Yvette Davidson at a price of 77 pence per share;
 - 3.7.12 on 7 November 2005, 127,682 ordinary shares of 10 pence were issued to Uberior Investments plc (a subsidiary of the Bank of Scotland) at a price of £5.79 per share;
 - 3.7.13 on 23 November 2005, 100 ordinary shares of 10 pence were issued to Geoffrey Thomson at a price of 10 pence per share pursuant to the exercise of options under an individual option agreement between the Company and Geoffrey Thomson; and
 - 3.7.14 on 7 April 2006, 605,656 ordinary shares of 10 pence were issued to certain directors, former directors and employees of Braveheart pursuant to the exercise of options under certain individual option agreements between the Company and each option holder at exercise prices ranging from 10 pence to £2.975 per share.
- On 16 May 2006, the share capital of the Company was sub-divided into Ordinary Shares of 2 pence each whereby every holder of one ordinary share of 10 pence received five Ordinary Shares of 2 pence.
- 3.8 Save as disclosed in paragraph 3.7 above, there has been no change in the amount of the issued share or loan capital of the Company and no material change in the amount of the issued share or loan capital of any subsidiary undertaking of the Company, other than intra group issues by wholly owned subsidiary undertakings, in the three years immediately preceding the date of this document.
- 3.9 By ordinary and special resolutions passed on 16 May 2006:
- 3.9.1 the Directors were generally and unconditionally authorised pursuant to section 80 of the Act (and in substitution for any existing power to allot relevant securities) to exercise all the powers

of the Company to allot relevant securities (as defined in subsection 80(2) of the Act) up to a maximum nominal amount of £440,662.10 during the period commencing on the date of the passing of the resolution and expiring five years from the date of the passing of the resolution, such authority allowing the Company to make, before the expiry of the authority, offers or agreements which would or might require relevant securities to be allotted after such expiry and notwithstanding such expiry the Directors were authorised to allot relevant securities in pursuance of such offers or agreements; and

3.9.2 the Directors were empowered pursuant to section 95 of the Act to allot equity securities (as defined in section 94 of the Act) pursuant to the authority referred to in paragraph 3.9.1 above, as if subsection 89(1) of the Act did not apply to any such allotment, provided that such power should be limited to the allotment of equity securities:

- (a) pursuant to the terms of the Share Option Plan, or any other share option scheme adopted by the Company;
- (b) in connection with the Placing; and
- (c) (otherwise than pursuant to sub-sections (a) and (b) above) up to an aggregate nominal amount of £43,980.40,

and should expire five years from the date of the passing of the resolution, except that the Company could before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry, and notwithstanding such expiry the Directors could allot equity securities in pursuance of such offers or agreements.

3.10 The proposed issue of Ordinary Shares pursuant to the Placing will be carried out by virtue of the authorities contained in paragraph 3.9 above.

3.11 The provisions of section 89(1) of the Act (to the extent not disapplied pursuant to section 95 of the Act) confer on shareholders rights of pre-emption in respect of the allotment of equity securities and sales of equity securities held in treasury which are, or are to be, paid in cash, and apply to the authorised but unissued share capital of the Company to the extent not disapplied as described in this paragraph 3.11. Subject to certain limited exceptions, unless the approval of Shareholders in a general meeting is obtained, the Company must normally offer Ordinary Shares to be issued for cash to existing holders of Ordinary Shares on a *pro rata* basis.

3.12 No shares of the Company are currently in issue with a fixed date on which entitlement to a dividend arises and there are no arrangements in force whereby future dividends are waived or agreed to be waived.

3.13 The Company does not have in issue any securities not representing share capital.

3.14 The Placing Shares will, upon issue, rank *pari passu* in all respects with the other issued Ordinary Shares, including the right to receive all dividends and other distributions declared, paid or made after Admission.

3.15 There are no shares held by or on behalf of the Company in itself or by any other member of the Group in the Company.

3.16 Save as disclosed in this document, no person has any acquisition right over, and the Company has incurred no obligation over, the Company's authorised but unissued share capital or given any undertaking to increase the Company's capital.

3.17 It is intended that, during June 2007, a number of options will be granted. The aggregate number of options that can be granted under the Share Option Plan to the Directors and certain employees of the Group is 10 per cent. of the enlarged share capital.

All options under the approved part of the Share Option Plan will become exercisable, (subject to the satisfaction of any performance conditions) on the third anniversary of the date of grant provided the

optionholder remains an employee or director of the Group, and will lapse on the tenth anniversary. All options will have an exercise price per Ordinary Share equal to the closing mid-market price for the business day immediately prior to the date of grant of the option. A summary of the principal terms of the Share Option Plan is set out in paragraph 8 of this Part IV.

Of the options to be granted under the unapproved part of the Share Option Plan, a portion will be granted on the basis that they will become exercisable on the third anniversary of the date of grant, provided the optionholder remains an employee or director of the Group, and lapse on the tenth anniversary.

The remaining options in the unapproved part of the Share Option Plan will be granted on the basis that they will become exercisable subject to the meeting of certain performance conditions linked to the growth in the market capitalisation of the Company. All such options will lapse unless a market capitalisation of at least 150 per cent. of the Company's market capitalisation on Admission is achieved within the three years following Admission. All such options will be fully exercisable if a market capitalisation of at least 250 per cent. of the Company's market capitalisation on Admission is achieved within that three year period. To the extent that a market capitalisation of between 150 per cent. and 250 per cent. of the Company's market capitalisation on Admission is achieved, the extent to which such options are exercisable is dependent on the level of market capitalisation achieved and whether it is achieved in the first, second or third year following Admission.

- 3.18 The Company has not issued any convertible debt and has not entered into any subscription warrant arrangements or other arrangements which oblige or may oblige the Company to buy back issued Ordinary Shares.
- 3.19 Save as disclosed in this document, no share or loan capital of the Company or any of the Subsidiaries is under option or agreed conditionally or unconditionally to be put under option, nor are there any outstanding convertible securities, exchangeable securities or securities with warrants issued by the Company.

4. DIRECTORS' AND OTHERS' INTERESTS

- 4.1 As at 26 March 2007 (the latest practicable date prior to the publication of this document), and immediately following the Placing, the interests of the Directors and their immediate families and of all persons connected with them within the meaning of section 346 of the Act in the issued share capital of the Company which would, if the connected person were a Director, have been notified to the Company pursuant to sections 324 or 328 of the Act and are required to be entered in the Company's statutory register maintained pursuant to section 325 of the Act or could, with reasonable diligence, be ascertained by the Directors concerned (all of which are beneficial unless otherwise stated), currently and as they are expected to be immediately following the Placing and Admission, are as follows:

<i>Name</i>	<i>Current</i>		<i>Following the Placing</i>	
	<i>Number of of existing Ordinary Shares</i>	<i>Percentage of existing issued share capital</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of enlarged share capital</i>
G Thomson	2,813,390	29.89	2,750,890	20.52
G Watson	350,365 ¹	3.72	275,365	2.05
C Smith	238,555	2.53	231,680	1.73
E Cunningham	493,275	5.24	493,275	3.68
D Turner	149,490	1.59	149,490	1.12
S Macpherson	25,000	0.27	25,000	0.19

¹ Garry Watson's wife, Elizabeth Ann Watson, is the registered holder and beneficial owner of 37,500 Ordinary Shares. His daughters, Alexandra Borthwick, Morar Watson, Miranda Watson and Molly Watson, are the registered holders and beneficial owners of 25,000 Ordinary Shares each. Garry Watson and Elizabeth Ann Watson are also trustees of a trust, the beneficiaries of which are Alexandra Borthwick, Morar Watson, Miranda Watson and Molly Watson, which holds a further 13,750 Ordinary Shares.

- 4.2 As at 26 March 2007 (the latest practicable date prior to the publication of this document), there are no outstanding options granted to the Directors or employees.
- 4.3 Save as disclosed in paragraphs 4.1 of this Part IV, immediately following Admission no Director nor any member of their respective families, nor any persons connected with them (within the meaning of Section 346 of the Act), is expected to have any interest, beneficial or non-beneficial, in the share capital of the Company or of any of the Subsidiaries.
- 4.4 The Directors currently hold (in addition to their directorships of the Company) the following directorships and have held the following directorships within the five years immediately prior to the publication of this document:

Garry Watson

Current directorships

Braveheart Ventures Limited
 Crichton Collegiate Church Trust
 JMA Management Services Limited
 Places for People Group Limited

Past directorships held in last five years

Edinvar Community Care Limited
 Edinvar Housing Trust Limited
 Macaulay Land Use Research Institute
 Macaulay Research Consultancy Services Limited

Edward Cunningham

Current directorships

Braveheart Ventures Limited
 Business Options Limited
 Calling Scotland! Limited
 Design Led Products Limited
 Dynamic Earth Charitable Trust
 The Planning Exchange Foundation
 Royal Society of Edinburgh
 Royal Society of Edinburgh Foundation

Past directorships held in last five years

BUE Caspian Limited
 BUE Engineering Limited
 BUE Marine Limited
 BUE Marine Turkmenistan Limited
 BUE Maritime Services Limited
 BUE Offshore Vessels Limited
 Court Shipping Limited
 Glasgow Box Office Limited
 Industrial Development Options Limited
 Policy Options Limited
 Scottish Conference Centre Limited
 Scottish Exhibition and Conference Centre Limited
 Scottish Exhibition Centre Limited
 SEC Project Management Limited

Geoffrey Thomson

Current directorships

Braveheart Ventures Limited
 NESTECH Limited

Past directorships held in last five years

N/A

Donald Turner*Current directorships*

Braveheart Ventures Limited

Past directorships held in last five years

Flying Start Enterprises Limited
 Headline Publishing Limited
 Lothian Fifty (916) Plc
 M.H.P. Associates Limited
 The Princess Royal Trust for Carers
 The Scottish Council for Development and Industry Limited
 YESCO
 Young Enterprise-Scotland Limited

Shonaig Macpherson*Current directorships*

Braveheart Ventures Limited
 Buswell With Macpherson Limited
 Edinburgh International Conference Centre Limited
 ITI Scotland Limited
 Lochcote Asset Management Limited
 Sharing Stories Limited
 The Edinburgh International Film Festival Limited
 The Prince's Scottish Youth Business Trust Limited
 The Scottish Council For Development And Industry
 National Trust for Scotland Enterprise Limited

Past directorships held in last five years

British Chambers of Commerce
 Caledonian Pacific Trustees Limited
 Chamber Developments Limited
 Edinburgh International Film Council
 Edinburgh's Capital Limited
 Glasgow Science Centre Charitable Trust
 M.G.D. Property Company Limited
 MD Directors Limited
 MD Secretaries (Edinburgh) Limited
 MD Secretaries Limited
 SCO Trust Limited
 Scottish Bionetwork Association
 Scottish Enterprise Edinburgh And Lothian
 Scottish North American Business Council
 The East Lothian Chamber of Commerce Limited
 The Scottish Biomedical Foundation Limited
 The Scottish Biomedical Research Trust
 Who's Who In Business In Scotland Limited
 William Hunter's Old Mens Fund Nominees Limited
 Young Enterprise-Scotland Limited

Carolyn Smith*Current directorships*

Braveheart Ventures Limited

Past directorships held in last five years

N/A

- 4.5 The Directors do not currently hold any partnerships nor, save as set out below, have they held any partnerships within the five years prior to the publication of this document:

Shonaig Macpherson*Current partnerships*

N/A

Past partnerships held in last five years

McGrigors

- 4.6 In addition to the interests of the Directors disclosed in paragraph 4.1 above, insofar as is known to the Company and the Directors, as at 26 March 2007 (the latest practicable date prior to the publication of this document), the following persons will, following Admission, be interested, directly or indirectly, jointly or severally, in 3 per cent. or more of the Company's issued share capital or will exercise or could exercise control over the Company:

<i>Name</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of enlarged share capital</i>
Uberior Investments plc	638,410	4.76%
Andrew M Threipland	523,411	3.90%
Kenneth J Campbell	454,500	3.39%
William G Thomson	425,000	3.17%

The figures set out above relating to the percentage of enlarged share capital are based on the assumption that current Shareholders holding 3 per cent. or more of the issued Ordinary Share capital of the Company do not acquire Ordinary Shares under the Placing. A number of institutional investors are considering acquiring Ordinary Shares under the Placing and may become interested in 3 per cent. or more of the Company's issued share capital.

- 4.7 The Ordinary Shares held by the Shareholders set out in paragraph 4.6 above rank *pari passu* with all other existing Ordinary Shares and, in particular, have no different voting rights than other existing Shareholders.
- 4.8 Save as disclosed in this document, the Directors are not aware of any persons who, directly or indirectly, jointly or severally, exercise or could exercise control over the Company. Neither the Directors nor any major Shareholders have different voting rights to other Shareholders.
- 4.9 Garry Watson was a director of All Seasons Wholefoods Limited which went into receivership in November 1994 with an estimated deficiency of £190,000. The company was dissolved in July 1998.
- 4.10 Geoffrey Thomson was a director of Avondale Group (Holdings) Limited and its subsidiary company, Oak Tree Realisations Limited (formerly known as Acorn Technology Limited), which went into receivership in December 1993. These companies were subsequently dissolved in October 1994 and July 2003 respectively. Geoffrey Thomson was also a director of Avondale (Southern) Limited, Avondale (Scotland) Limited and Avondale Products (UK) Limited (former subsidiaries of Avondale Group (Holdings) Limited). These companies went into receivership in December 1993.
- 4.11 Geoffrey Thomson was a director of Wallace Land O'Cakes Limited which went into receivership in September 1997 and was subsequently dissolved in February 2002. This was an investment made by the Group's clients.
- 4.12 Geoffrey Thomson was a director of Foodz Limited, which was subject to a compulsory liquidation in November 2000. This was an investment made by the Group's clients.
- 4.13 Donald Turner was a director of Headline Publishing Limited, which was struck off on 19 November 2004. Prior to striking off that company entered into an arrangement with some of its creditors.
- 4.14 Save as disclosed in sub-paragraphs 4.9 to 4.13 (inclusive) above, none of the Directors have:
- 4.14.1 any unspent convictions relating to indictable offences;
 - 4.14.2 had a bankruptcy order made against him or her or entered into any individual voluntary arrangements with his or her creditors;
 - 4.14.3 been a director of a company which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation or administration or entered into a company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors whilst he or she was a director of that company at the time of, or within the twelve months preceding, such events;

- 4.14.4 been a partner of a firm which has been placed in compulsory liquidation or administration or which has entered into a partnership voluntary arrangement whilst he or she was a partner of that firm at the time of, or within twelve months preceding, such events;
- 4.14.5 had any asset belonging to him or her made the subject of a receivership or been a partner of a partnership whose assets have been placed in receivership whilst he or she was a partner at the time of, or within twelve months preceding, such receivership; or
- 4.14.6 been publicly criticised by any statutory or regulatory authorities (including any recognised professional body) or ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.
- 4.15 Save as disclosed in this document, no Director has had any interest in any transaction which is or was unusual in its nature or conditions or is or was significant to the business of the Company and its subsidiaries during the current or immediately preceding financial year or which was effected by the Company or any of its subsidiaries during an earlier financial year and remains in any respect outstanding or unperformed.
- 4.16 None of the Directors or members of their family has a financial product whose value in whole or part is determined directly or indirectly by reference to the price of the Ordinary Shares.
- 4.17 There are no outstanding loans granted by the Company to any Director nor has any guarantee been provided by the Company for the benefit of any Director.
- 4.18 There are no actual or potential conflicts of interest between the duties of the Directors to the Company and their respective private interests or other duties.

5. DIRECTORS' SERVICE AGREEMENTS, LETTERS OF APPOINTMENT AND EMOLUMENTS

- 5.1 The following contracts of service have been entered into between Braveheart Ventures and the executive directors:

<i>Name</i>	<i>Commencement Date</i>	<i>Notice Period</i>	<i>Annual Salary</i>
G Thomson ¹	April 2002	6 months	£100,000
C Smith ²	February 2002	3 months	£72,500

¹ Geoffrey Thomson was a consultant to Braveheart Ventures prior to employment, and has been a director of Braveheart Ventures since 1997. A minute of variation has been entered into, conditional only on Admission, to record additional duties after Admission, and certain restrictive covenants.

² Carolyn Smith was on secondment to Braveheart from March 2000 until the commencement of her employment. A minute of variation has been entered into, conditional only on Admission, to record additional duties after Admission, and certain restrictive covenants.

- 5.2 The following are details of the letters of appointment entered into between the Company, Braveheart Ventures and the non-executive directors, conditional only on Admission:

<i>Name</i>	<i>Notice Period</i>	<i>Annual Fees</i>
G Watson	1 month	£15,000
E Cunningham ¹	1 month	£10,000
D Turner	1 month	£10,000
S Macpherson	1 month	£10,000

¹ Edward Cunningham's services are provided by Business Options Limited.

- 5.3 Save as disclosed in this paragraph 5, no Director has a service agreement with the Group that has been entered into or varied within six months prior to the date of this document or which is a contract which expires or which cannot be determined by the Group without payment of compensation (other than statutory compensation) after more than one year.

- 5.4 Save for any payments to the Directors on termination in lieu of notice, no benefits on termination of the above mentioned contracts of service or letters of appointment are payable by the Group.

6. SIGNIFICANT INVESTMENTS

Save as disclosed in this document, there have been no significant investments (being over £25,000) by the Company or any of the Subsidiaries since 31 December 2006.

7. MEMORANDUM AND ARTICLES OF ASSOCIATION

7.1 Memorandum of association of the Company

The principal object of the Company is to carry on the business of a general commercial company.

The objects of the Company are set out in full in clause 4 of the memorandum of association of the Company.

7.2 Summary of the articles of association of the Company

The articles of association of the Company, which were adopted by special resolution on 16 May 2006 subject to Admission, contain provisions, *inter alia*, to the following effect:

7.2.1 Variation of class rights and class meetings

- (a) Whenever the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class may be varied or abrogated either in such manner (if any) as may be provided by those rights or (in the absence of any such provision) either with the consent in writing of the holders of not less than three-quarters in nominal value of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of that class, but not otherwise.
- (b) The provisions of the Articles relating to general meetings of the Company shall apply to every separate general meeting of the holders of a particular class of shares except that:
 - (i) no member shall be entitled to receive notice of such meeting or to attend it unless he is a holder of shares of the class in question and no vote shall be given except in respect of a share of that class;
 - (ii) the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class (unless all the shares of the class are registered in the name of a single shareholder, in which case the quorum shall be that single shareholder);
 - (iii) if any such separate general meeting is adjourned the quorum at the adjourned meeting shall be one person holding shares of that class present in person or by proxy;
 - (iv) any holder of shares of the class in question who is present in person or by proxy and entitled to vote may demand a poll; and
 - (v) on a poll, every such holder shall have one vote for every share of the class held by him.

7.2.2 Convening general meetings

All general meetings of the Company, other than each annual general meeting, shall be called extraordinary general meetings. The board shall convene and the Company shall hold general

meetings as annual general meetings in accordance with the Act. Subject as aforesaid, the board may call general meetings whenever and at such times and places as it shall determine and on the requisition of members pursuant to the provisions of the Act shall forthwith proceed to convene an extraordinary general meeting in accordance with the requirements of the Act. If at any time there are not within the United Kingdom sufficient directors to call a general meeting, any director may convene a general meeting.

7.2.3 *Ownership threshold and change of control*

The Articles do not prescribe any ownership threshold above which shareholder ownership must be disclosed. There are no provisions in the Articles which would have the effect of delaying, deferring or preventing a change of control of the Company.

7.2.4 *Alteration of capital*

The Company may from time to time by ordinary resolution:

- (a) increase its share capital by such sum to be divided into shares of such amounts and currencies as the resolution prescribes; or
- (b) consolidate, or consolidate and divide, all or any of its share capital into shares of a larger amount than its existing shares; or
- (c) sub-divide all or any of its existing shares into shares of a smaller nominal amount; or
- (d) cancel any shares which, at the date of the passing of the resolution, have not been taken, or agreed to be taken, by any person and diminish the amount of its share capital by the nominal amount of the shares so cancelled;

and may by special resolution:

- (e) reduce its share capital, any capital redemption reserve, any share premium account or any other undistributable reserve.

7.2.5 *Purchase of own shares*

Subject to the provisions of the Act and as authorised by a special resolution, the Company may purchase any of its own shares at any price and any such shares to be so purchased may be selected in any manner whatsoever.

7.2.6 *Transfer of shares*

- (a) Shares may be held in uncertificated form and uncertificated shares may be transferred otherwise than by a written instrument in accordance with the rules, procedures and practices of the relevant system (CREST) and the CREST Regulations. The directors shall not refuse to register a transfer of any such share unless permitted or required to do so in accordance with the CREST Regulations.
- (b) Transfers of shares in certificated form may be effected by an instrument of transfer in the usual or common form or in any other form acceptable to the directors. The instrument of transfer shall be signed by or on behalf of the transferor and, unless the share is fully paid, by or on behalf of the transferee.
- (c) A transferor shall remain the holder of the share concerned (whether a certificated share or an uncertificated share) until the name of the transferee is entered in the register of members as the holder of that share.
- (d) The directors may refuse to register the transfer of a share held in certificated form unless the instrument of transfer:
 - (i) is in respect of only one class of share;

- (ii) is in favour of a single transferee or not more than four joint transferees; and
- (iii) is duly stamped (if required), is delivered for registration to the registrar's office or such other place as the directors may determine, and is accompanied by the certificate(s) for the shares to which it relates and such other evidence as the directors may reasonably require to prove the title of the transferor to make the transfer.

In addition, the directors may refuse to register:

- (iv) a transfer if a notice has been duly served in respect of shares (representing at least 0.25 per cent. of the issued shares of the class in question (excluding any shares of that class held as treasury shares)) pursuant to section 212(1) of the Act or any other statutory provision concerning the disclosure of interests in voting shares and the notice has not been complied with within the period stipulated in the notice (which must not be less than fourteen days) and continues not to be complied with; or
 - (v) the transfer of a share which is not fully paid or on which the Company has a lien provided that such refusal shall not be exercised so as to disturb the market in those shares.
- (e) Registration of transfers of shares may be suspended and the register of members closed by the directors provided (*inter alia*) that the register of members shall not be closed for more than thirty days in any year.

7.2.7 **Restrictions on shares**

If the board is satisfied that a member or any person appearing to be interested in shares in the Company has been duly served with a notice under section 212 of the Act and is in default in supplying to the Company the information thereby required within a prescribed period after the service of such notice, the board may serve on such member or on any such person a notice ("a direction notice") in respect of the shares in relation to which the default occurred ("default shares") directing that a member shall not be entitled to vote at any general meeting or class meeting of the Company. Where default shares represent at least 0.25 per cent. of the class of shares concerned, the direction notice may in addition direct that any dividend (including shares issued in lieu of a dividend) which would otherwise be payable on such shares shall be retained by the Company without liability to pay interest and no transfer of any of the shares held by the member shall be registered unless it is a transfer on sale to a *bona fide* unconnected third party or by the acceptance of a take-over offer or through a sale through a recognised investment exchange (as defined in FSMA). The prescribed period referred to above means 14 days from the date of service of the notice under section 212 where the default shares represent at least 0.25 per cent. of the class of shares concerned and 28 days in all other cases.

7.2.8 **Pre-emption rights**

The Articles do not prescribe any rights of pre-emption in relation to offers for subscription of securities of the same class.

7.2.9 **Redemption**

Subject to the provisions of the Act, any shares in the Company may be issued:

- (a) on terms that they are, or are liable to be, redeemed at the option of the Company or the holder on such terms and in such manner as the Company, before the issue of such shares, may determine by ordinary resolution (or, in the absence of any such determination, as the directors may at any time determine); and

- (b) with such preferred, deferred or other rights, or subject to such restrictions, whether as regards dividend, return of capital, voting, conversion or otherwise, as the Company may from time to time by ordinary resolution determine.

7.2.10 *Conversion*

The Company may from time to time, by ordinary resolution, convert any fully paid up certificated shares into stock or reconvert any stock into fully paid up shares of any denomination.

7.2.11 *Rights of shares*

Subject to the superior rights of any other class or classes of shares that are, or may be, issued by the Company, the rights and restrictions attaching to the shares as regards participation in the profits and assets of the Company shall be as follows:

- (a) *Income*

Any profits which the Company may determine to distribute in respect of any financial year shall be distributed among the holders of the shares *pro rata* according to the amounts paid up or credited as paid up on the shares held by them.

- (b) *Capital*

The capital and assets of the Company on a winding-up or other return of capital shall be applied in repaying to the holders of shares the amounts paid up or credited as paid up on such shares and subject thereto shall belong to and be distributed according to the number of such shares held by them respectively.

7.2.12 *Voting*

- (a) Subject to any special rights or restrictions as to voting imposed by or pursuant to the Articles or attached to any shares, on a show of hands every member present in person or by proxy shall have one vote only and in the case of a poll every member present in person or by proxy shall have one vote for every share held by him.
- (b) If a member or any other person appearing to be interested in shares in the Company shall have been served with a notice under section 212 of the Act and is in default for the prescribed period in supplying to the Company the information required by such notice, then (unless the directors otherwise determine) in respect of the relevant shares, the member shall not (for so long as the default continues) be entitled to attend or vote, either personally or by proxy, at a general meeting or to exercise any other right conferred by membership in relation to such meeting.
- (c) In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the general meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a casting vote, in addition to any other vote he may have.

7.2.13 *Dividends*

- (a) The Company may, by ordinary resolution, declare dividends but no dividend shall be payable except out of the profits of the Company available for distribution in accordance with the provisions of the Act or in excess of the amount recommended by the directors. The directors may from time to time pay such interim dividends as appears to them to be justified by the profits of the Company.
- (b) Subject to the rights attached to any shares, the profits of the Company which it resolves to distribute by way of dividend shall be applied in payment of dividends upon the shares (otherwise than in advance of calls) in proportion to the amounts paid up on the shares and so that all dividends shall be apportioned and paid in proportion to the

amounts paid up on the shares during any part(s) of the period in respect of which the dividend is paid. If any share is issued upon terms providing that it shall rank for dividend as from or after a particular date, such share shall rank for dividend accordingly. Subject to the rights attached to any shares, no dividend payable in respect of any share shall bear interest.

7.2.14 *Distribution in specie*

If sanctioned by an ordinary resolution of the Company, the directors shall direct payment of the whole or any part of any dividend by the distribution of specific assets and, in particular, of paid up shares.

7.2.15 *Retention of dividends*

- (a) The directors may retain any dividend payable on or in respect of a share on which the Company has a lien or (except in the circumstances specified in the Articles) if:
 - (i) a notice has been duly served in respect of that share pursuant to section 212(1) of the Act or any other statutory provision concerning the disclosure of interests in voting shares;
 - (ii) the shares which are the subject of that notice represent in aggregate not less than 0.25 per cent. of that class of share (excluding any shares of that class held as treasury shares); and
 - (iii) the notice has not been complied with within the period stipulated in the notice (which must not be less than fourteen days from the date of service of the notice) and the holder of the shares remains in default in complying with such notice.
- (b) In addition, the directors may retain any dividend in the circumstances where a person who has become entitled to a share as a consequence of a transmission event (such as death or bankruptcy) fails to comply within ninety days of receipt of a notice from the directors requiring that person to elect to be registered as the holder of the share concerned or to transfer that share.
- (c) All unclaimed dividends may be invested or otherwise made use of by the directors for the benefit of the Company until claimed. Any dividend which has remained unclaimed for a period of twelve years from the date on which such dividend became due for payment shall be forfeited and shall revert to the Company.

7.2.16 *Directors*

- (a) *Number of directors*

Unless otherwise determined by the Company by ordinary resolution, the number of directors shall not be less than 2.
- (b) *Age*

Subject to the provisions of the Act, any person who has attained the age of 70 years may be elected or re-elected to the office of director in like manner and (save for a requirement to give notice of the director's age in the notice of meeting) without further formalities than are required in the case of a person who has not attained that age and no director shall vacate his office or be required to retire on account of his having attained any particular age.
- (c) *Shareholding qualification*

A director shall not be required to hold any shares in the Company by way of qualification for office. A director who is not a member of the Company shall

nevertheless be entitled to receive notice of and to attend and speak at all general meetings and class meetings.

(d) *Retirement by rotation*

At each annual general meeting of the Company, one-third of the directors who are subject to retirement by rotation or, if their number is not three or a multiple of three, the number nearest to but not greater than one-third, shall retire from office by rotation, provided however that no director shall continue to hold office as a director after the third annual general meeting following his election or re-election without submitting himself for re-election at the said third annual general meeting.

The directors to retire by rotation shall include any director who wishes to retire and those who have been the longest in office since their last re-election or appointment. Where two or more directors have been in office for an equal length of time, the director to retire shall (unless the directors agree otherwise among themselves) be determined by lot.

(e) *Directors' remuneration and expenses*

The Company shall pay to the directors for their services as directors such aggregate amount of fees as the directors shall decide, which fees shall accrue daily. Any such remuneration shall be distinct from any salary, remuneration or other amounts payable to the director pursuant to any other provision of the Articles or any service agreement between the Company and the relevant director.

Any director who performs services which, in the opinion of the directors, go beyond the ordinary duties of a director may be paid such additional remuneration and may receive such other benefits as the directors may determine.

The Company may also pay or repay to any director all reasonable travelling, hotel and other expenses properly incurred in attending and returning from meetings of the directors or any committee of the directors or general meetings of the Company or otherwise incurred in connection with the business of the Company.

The directors may establish and/or contribute to any pension, retirement or superannuation scheme or fund and may pay or agree to pay pension, retirement, superannuation benefits, annuities and other emoluments to (or to any person in respect of) any person who is or was at the time a director or officer or employee of the Company or any associated company, for his benefit or for the benefit of any member of his family. The directors may also establish and/or contribute to any death and/or disability scheme for the benefit of any person who is or was at the time a director or officer or employee of the Company or any associated company or for the benefit of any member of his family.

(f) *Interests in contracts*

A director, notwithstanding his office:

- (i) may enter into or otherwise be interested in any contract, arrangement, transaction or proposal with the Company or in which the Company is in any way interested, whether directly or indirectly;
- (ii) may hold another office or employment with the Company or any other associated company (other than the office of auditor) and may act in a professional capacity for the Company or any such other associated company;
- (iii) may be or become a director or other officer of, or otherwise be interested in, any associated company of the Company; and

- (iv) shall not, unless otherwise agreed, be liable to account to the Company for any profit, remuneration or other benefit realised by him as a director or officer of or from his interest in such other associated company.

(g) *Directors' interests*

Save as provided in the Articles, a director shall not vote at a meeting of the directors in respect of any contract, arrangement, transaction or any other proposal of any kind in which he has an interest which (together with any interest of any person connected with him within the meaning of section 346 of the Act) is, to his knowledge, a material interest otherwise than by virtue of his interests in shares, debentures or other securities of, or otherwise in or through, the Company. This prohibition does not apply to any resolution concerning any of the following matters:

- (i) the giving of any security, guarantee or indemnity in respect of money lent or obligations incurred by him or by any other person at the request of, or for the benefit of, the Company or any of its subsidiary undertakings;
- (ii) the giving of any security, guarantee or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
- (iii) any contract, arrangement, transaction or other proposal concerning an offer of shares, debentures or other securities of or by the Company or any of its subsidiary undertakings for subscription or purchase in which he is or may be entitled to participate;
- (iv) any contract, arrangement, transaction or other proposal to which the Company is or is to be a party concerning any other body corporate in which he or any persons connected with him do not to his knowledge, directly or indirectly, hold an interest in shares (as that term is used in sections 198 to 211 (inclusive) of the Act) representing one per cent., or more of either any class of the equity share capital, or the voting rights, in such body corporate;
- (v) any contract, arrangement, transaction or other proposal concerning in any way a pension, retirement, superannuation, death and/or disability benefits scheme or fund or employees' share scheme under which he may benefit and which either has been approved, or is conditional upon approval, by HM Revenue & Customs for taxation purposes; or relates both to employees and directors of the Company (or any associated company) and does not award him any privilege or benefit not generally awarded to the employees to whom such scheme or fund relates; and
- (vi) any contract or other proposal concerning any insurance which the Company is empowered to purchase and/or maintain for or for the benefit of any persons including directors.

A director shall not be counted in the quorum present at a meeting in relation to any resolution on which he is not entitled to vote.

(h) *Borrowing powers*

The directors may exercise all the powers of the Company to borrow money without limit as to amount and upon such terms and in such manner as they think fit, and subject (in the case of any security convertible into shares) to section 80 of the Act to grant any mortgage, charge or standard security over its undertaking, property and uncalled capital, or any part thereof, and to issue debentures, debenture stock, and other securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.

(i) *Indemnity*

Subject to the provisions of the Act, but without prejudice to any indemnity to which a director may otherwise be entitled, every director or other officer of the Company shall be indemnified out of the assets of the Company against all costs, charges, losses, expenses and liabilities which he may sustain or incur in the execution or discharge of his duties or in the exercise of his powers or otherwise in relation to or in connection with his duties, powers or office.

The indemnity provisions do not operate to provide an indemnity against any loss or liability incurred by a director:

- (i) to the Company or to any associated company; or
- (ii) to pay any fine imposed in criminal proceedings or any sum payable to a regulatory authority by way of penalty in respect of non-compliance with any requirement of a regulatory nature; or
- (iii) in defending any criminal proceedings in which he is convicted or in defending any civil proceedings brought by the Company or any associated company.

(j) *Reserves*

The directors may from time to time set aside out of the profits of the Company and put in a reserve such sums as they think proper. Such sums may, at the direction of the directors, be used for any purpose for which the profits of the Company may properly be applied and, pending such use, may either be employed in the business of the Company or be invested.

(k) *Untraced shareholders*

the Company shall be entitled to sell, at the best price reasonably obtainable at the time of sale, the shares of a member or the shares to which a person is entitled by transmission if, during a period of 12 years, at least three dividends (whether interim or final) in respect of those shares have become payable and no dividend in respect of those shares during that period has been claimed and within a further period of three months following the date of advertisements giving notice of its intention to sell such shares placed after the expiry of the period of twelve years, the Company, so far as the directors are aware, has not received any communication from such member or person (in his capacity as member or person entitled by transmission).

7.2.17 *Distribution of assets on a winding up*

If the Company is wound up, the liquidator may, with the authority of an extraordinary resolution of the Company and any other authority required by the Act, divide among the members *in specie* the whole or any part of the assets of the Company and may for such purposes set such value as he deems fair upon any property to be divided and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may also vest the whole or any part of the assets of the Company in trustees upon such trusts for the benefit of the members as the liquidator thinks fit but so that no member shall be compelled to accept any shares in respect of which there is an actual or potential liability.

8. SHARE OPTION PLAN

Approval has been obtained from HM Revenue & Customs as to the approved part of the Share Option Plan under Schedule 4 to the Income Tax (Employment and Pensions) Act 2003. Options granted under the HM Revenue & Customs approved part of the Share Option Plan are eligible for favourable tax treatment.

Options may also be granted under an unapproved schedule to the Share Option Plan rules and these will not be eligible for favourable tax treatment.

8.1 *Eligibility*

Save as noted below, all employees and full-time executive directors of the Company and any subsidiaries designated by the directors are eligible to participate in the approved and unapproved parts of the Share Option Plan. Non-executive directors are eligible to participate in the unapproved part of the Share Option Plan.

Any employee or executive director of the Company who held more than 25 per cent. of the issued share capital of Braveheart at any time in the 12 month period preceding the date of adoption of the Share Option Plan is excluded from participating in the approved part of the Share Option Plan.

8.2 *Grant of options*

The directors may grant options to acquire Ordinary Shares under the unapproved part of the Share Option Plan to any employee or director, including a non-executive director, and under the approved part of the Share Option Plan to any employee or director (excluding any non-executive director). Options can normally only be granted within 42 days following the announcement of Braveheart's results for any period. Options may be granted subject to a performance condition.

Options will be granted with an option price which is the higher of the market value of an Ordinary Share on the date of grant (or some other date agreed with HM Revenue & Customs) or, where Ordinary Shares are to be issued upon the exercise of options, the nominal value of such Ordinary Shares. Market value means the market value of an Ordinary Share as agreed in advance with HM Revenue & Customs. Approval has been obtained from HM Revenue & Customs that for these purposes market value shall mean the middle market quotation of an Ordinary Share at the close of business (derived from the AIM Appendix to the Daily Official List of the London Stock Exchange) on the dealing day before the date of grant.

8.3 *Exercise of options under the approved part of the Share Option Plan*

Options under the approved part of the Share Option Plan are normally exercisable, subject to the satisfaction of any performance condition, in the period commencing on the first anniversary of the date of grant and ending on the day immediately before the tenth anniversary thereof, provided the optionholder remains an employee or director of the Group.

8.4 *Exercise of options under the unapproved part of the Share Option Plan*

Options under the unapproved part of the Share Option Plan are normally exercisable, subject to the satisfaction of any performance condition, following the first anniversary of grant, provided the optionholder remains an employee or director of the Group.

8.5 *Provisions re exercise of options applicable to both the approved and the unapproved part of the Share Option Plan*

Options which have not been exercised will normally lapse on the tenth anniversary of grant. Options may, however, be exercised early in certain circumstances, for example, if an optionholder ceases to be an employee due to injury, disability, ill health, redundancy, retirement or a change in control of his employing company or business and in the event of a takeover or winding-up of the Company.

Any performance condition must still be satisfied before options can be exercised, save in the case of a takeover.

On a takeover, options may be exercised even if any performance condition has not been satisfied.

Options are not transferable and may only be exercised by the persons to whom they are granted or their executors or personal representatives.

8.6 *Issue of shares*

Ordinary Shares issued on the exercise of options will rank equally with shares in issue at that time, except in respect of rights arising by reference to a prior record date. Application will be made to the London Stock Exchange for the admission of Ordinary Shares issued under the Share Option Plan to trading on AIM.

8.7 *Substitution of options*

In the event of a change in control of the Company in certain circumstances, the directors may determine that new options over shares in the acquiring company will be substituted for options granted over Ordinary Shares in the Company.

8.8 *Variation in share capital*

Options may be adjusted following certain variations in the share capital of the Company, including a capitalisation or rights issue, a sub-division of share capital or a consolidation of share capital.

8.9 *Share Option Plan limits*

There is no limit on the number of Ordinary Shares over which options may be awarded under the Share Option Plan. The Company has obtained Shareholder consent in respect of the award of options under the Share Option Plan over Ordinary Shares representing up to 10 per cent. of the issued ordinary share capital of the Company as referred to in paragraph 3.9 of this Part IV. Should the Company wish to award options over Ordinary Shares in excess of this 10 per cent. limit, additional Shareholder consent would be required.

8.10 *Individual limits*

An employee's participation in the Share Option Plan in relation to options granted under the HM Revenue & Customs approved part of the Share Option Plan will be limited so that, at any one time, the aggregate market value of Ordinary Shares subject to options granted to him under HM Revenue & Customs approved executive share option schemes established by the Company (or any associated company) does not exceed £30,000.

8.11 *Amendments*

The rules of the Share Option Plan relating to eligibility, scheme and individual limits, the option price, rights attaching to options and shares and rights of optionholders in the event of a variation of capital may, generally, not be amended to the advantage of optionholders without Shareholder approval. Otherwise, the directors can amend the Share Option Plan. Amendments to key features of the Share Option Plan (other than the unapproved schedule) are subject to the prior approval of HM Revenue & Customs if it is to retain its approved status.

8.12 *Termination*

The directors may, at any time, terminate the Share Option Plan. If this happens, no further options will be granted but the provisions of the Share Option Plan will continue in relation to options already granted. No options may be granted after the tenth anniversary of the adoption of the Share Option Plan rules.

9. PROPERTY AND FIXED ASSETS

9.1 Braveheart Ventures is a tenant of, and has a leasehold interest in, the premises known as the 1st Floor Offices, The Cherrybank Centre, Cherrybank Gardens, Perth PH2 0PF until 27 May 2010, with a right to renew for a further five years. The current rent is £30,000 per annum which is payable in equal quarterly instalments. The rent is subject to increase if the lease is renewed at the end of the term.

9.2 There are no environmental issues that may affect the Group's utilisation of its tangible fixed assets.

10. SUBSIDIARIES

10.1 The Company is the holding company of a group of companies whose principal activities are to invest in private equity securities and to provide investment management services for a group of private clients who invest in unquoted UK companies.

10.2 The Company has no associated undertakings and its only subsidiaries are:

<i>Company</i>	<i>Country of incorporation</i>	<i>Principal activity</i>	<i>Proportion of capital held (ordinary shares)</i>	<i>Proportion of voting power held</i>
Braveheart Ventures Limited	Scotland	Private Equity/ Investment Management	100%	100%
Braveheart Nominees Limited	Scotland	Nominee	100%	100%

All the Subsidiaries operate in their country of incorporation.

11. LITIGATION

Neither the Company nor any of the Subsidiaries is involved in any governmental, legal or arbitration proceedings and, so far as the Directors are aware, there are no governmental, legal or arbitration proceedings pending or threatened against them, or being brought by the Company or any of the Subsidiaries, during the 12 months preceding the date of this document which may have, or have had in the recent past, a significant effect on the financial position or profitability of the Company.

12. EMPLOYEES

12.1 The Group employed on average 7 people during the period ending 31 December 2006, 6 people during the financial year ending 31 March 2006, 6 people during the financial year ending 31 March 2005 and 6 people during the financial year ending 31 March 2004.

12.2 As at 31 December 2006, the Group had 8 employees, all of whom are located in the United Kingdom:

<i>Activity</i>	<i>Number of employees</i>
Senior management	2
Professional staff	5
Administration	1

12.3 None of the employment contracts relating to the above employees contain a right to benefits (other than those due during the notice period due under the contract) upon termination.

12.4 During the most recent financial year the Group did not engage any temporary staff.

13. WORKING CAPITAL

The Directors, having made due and careful enquiry, are of the opinion that, taking into account the net proceeds of the Placing receivable by the Company, the working capital available to the Group will, from Admission, be sufficient for its present requirements, that is for at least the next twelve months.

14. SIGNIFICANT CHANGE IN FINANCIAL OR TRADING POSITION

Save as disclosed in this document, there has been no significant change in the financial or trading position of the Group since 31 December 2006, the date to which the latest audited consolidated accounts of the Group were prepared.

15. UNITED KINGDOM TAXATION

The following paragraphs are intended as a general guide to the UK tax implications of the Placing only and are based on current UK tax legislation and HM Revenue & Customs practice as at the date of this document.

Except where the position of non-UK resident Shareholders is expressly referred to, they deal only with the position of Shareholders who are resident or ordinarily resident in the UK for tax purposes, who are the beneficial owners of their Ordinary Shares and who hold their Ordinary Shares as an investment. They do not deal with the position of certain classes of Shareholders, such as dealers in securities. If investors are in any doubt about the taxation consequences of acquiring, holding or disposing of Ordinary Shares they should seek advice from their own professional advisers.

15.1 *Taxation of Shareholders in respect of dividends*

The Company will not be required to withhold tax at source from dividend payments it makes.

Individual Shareholders resident in the UK will generally be entitled to a tax credit in respect of any dividend paid by the Company which they can offset against their total income tax liability. The amount of the tax credit is one-ninth of the amount of the cash dividend. The amount of the cash dividend received by such an individual Shareholder and the associated tax credit are both included in calculating the Shareholder's income for UK tax purposes.

The rate of income tax on dividends is 10 per cent. for starting and basic rate taxpayers. The tax credit will discharge the entire income tax liability of an individual Shareholder who is not liable to income tax at a rate greater than the basic rate. Higher rate taxpayers will be liable to tax on such dividends at the rate of 32.5 per cent., so that an individual Shareholder who is a higher rate taxpayer will have a liability, after taking account of the tax credit, equal to 25 per cent. of the cash dividend.

A UK resident corporate Shareholder will not normally be liable to corporation tax or income tax in respect of any dividend received.

Shareholders will generally not benefit from any entitlement to a refund of any part of the tax credit.

15.2 *Taxation of Shareholders on a disposal of Ordinary Shares*

A disposal of Ordinary Shares by a Shareholder who is either resident or, in the case of an individual, ordinarily resident for tax purposes in the UK or who is not UK resident but carries on a trade, profession or vocation in the UK through a branch or agency (or, in the case of a company, a permanent establishment) to which the Ordinary Shares are attributable, may, depending on the Shareholder's circumstances and subject to any available exemptions or reliefs, give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of chargeable gains. A Shareholder who is an individual and who has, on or after 17 March 1998, ceased to be resident or ordinarily resident for tax purposes in the UK for a period of less than five years and who disposes of the Ordinary Shares during that period may also be liable on his return to UK taxation of chargeable gains (subject to any available exemptions or reliefs).

For a Shareholder not within the charge to corporation tax, such as an individual, trustee or personal representative, taper relief (which reduces a chargeable gain depending on the length of time for which an asset is held) may be available to reduce the amount of chargeable gain realised on a subsequent disposal.

For a Shareholder within the charge to corporation tax, indexation allowance on the cost apportioned to the Ordinary Shares should be available to reduce the amount of chargeable gain realised on a subsequent disposal.

15.3 *Stamp duty and stamp duty reserve tax*

Subject to special rules which apply to certain categories of person, including intermediaries and persons connected with depository arrangements and clearance services, the stamp duty and stamp duty reserve tax ("SDRT") treatment under the Placing will be as follows:

15.3.1 in relation to the Ordinary Shares being issued by the Company, no liability to stamp duty or SDRT will arise on their issue or on the issue of definitive share certificates by the Company;

15.3.2 the transfer of Ordinary Shares will generally be liable to stamp duty at the rate of 0.5 per cent. of the value of the consideration given, rounded up to the next £5. A charge to SDRT at the rate of 0.5 per cent. of the consideration will arise in the case of an unconditional agreement to transfer Ordinary Shares on the date of the agreement, and in the case of a conditional agreement on the date the agreement becomes unconditional. However, if within the period of six years of the date of the agreement or, in the case of a conditional agreement, the date on which it becomes unconditional, an instrument of transfer is executed pursuant to the agreement and stamp duty is paid on that instrument, any liability to SDRT will be repaid or cancelled. The liability to pay stamp duty or SDRT is generally satisfied by the purchaser or transferee;

15.3.3 no stamp duty or SDRT will arise on a deposit of Ordinary Shares in CREST for conversion into uncertificated form (otherwise than pursuant to a transfer on sale or in contemplation of such sale), unless such transfer is made for a consideration in money or money's worth, in which case a liability to stamp duty or SDRT will arise, usually at the rate set out in paragraph 15.3.2 above; and

15.3.4 a transfer of shares effected within CREST will generally be subject to SDRT at the rate of 0.5 per cent. of the actual consideration.

16. MANDATORY BIDS, SQUEEZE-OUT AND SELL OUT RULES

16.1 Mandatory bid

The Takeover Code applies to the Company. Under that code, if an acquisition of Ordinary Shares were to increase the aggregate holding of the acquirer and any parties acting in concert with it to Ordinary Shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending on the circumstances, its concert parties (if any) would be required (except with the consent of the Takeover Panel) to make a cash offer for the Ordinary Shares not already owned by the acquirer and its concert parties (if any) at a price not less than the highest price paid for Ordinary Shares by the acquirer or its concert parties (if any) during the previous 12 months. A similar obligation to make such a mandatory cash offer would also arise on the acquisition of Ordinary Shares by a person holding (together with its concert parties, if any) Ordinary Shares carrying at least 30 per cent. but not more than 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase the percentage of the aggregate voting rights held by the acquirer and its concert parties (if any).

16.2 Squeeze-out rules

Under the Act, if a person who has made a general offer to acquire Ordinary Shares (the "offeror") were to acquire, or contract to acquire, 90 per cent. of the Ordinary Shares which are the subject of such offer within four months of making its offer, the offeror could then compulsorily acquire the remaining 10 per cent. The offeror would do so by sending a notice to outstanding Shareholders telling them that the offeror will compulsorily acquire their Ordinary Shares and then, six weeks later, executing a transfer of the outstanding Ordinary Shares in the offeror's favour and paying the consideration to the Company, which would hold the consideration on trust for outstanding Shareholders. The consideration offered to those Shareholders whose Ordinary Shares are compulsorily acquired under the Act must, in general, be the same as the consideration that was available under the general offer.

16.3 Sell-out rules

16.3.1 The Act gives minority Shareholders a right to be bought out in certain circumstances by a person who has made a general offer as described in paragraph 16.2 above. If, at any time before the end of the period within which the general offer can be accepted, the offeror holds, or has agreed to acquire, not less than 90 per cent. of the Ordinary Shares, any holder of Ordinary Shares to which the general offer relates who has not accepted the general offer can, by a written communication to the offeror, require it to acquire that holder's Ordinary Shares.

16.3.2 The offeror is required to give each Shareholder notice of his right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority Shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a Shareholder exercises his rights, the offeror is entitled and bound to acquire those Ordinary Shares on the terms of the offer or on such other terms as may be agreed.

17. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company or the Subsidiaries within two years immediately preceding the date of this document and are, or may be, material in the context of the Group:

17.1 The Placing Agreement dated 27 March 2007 and made between (1) the Company, (2) the Directors and (3) Panmure Gordon whereby, subject to certain conditions, Panmure Gordon, as agent for the Company, has agreed to use reasonable endeavours to procure subscribers for the new Ordinary Shares at the Placing Price or, failing which, in respect of certain of the Placing Shares to be placed with institutional investors, itself to subscribe for such new Ordinary Shares at the Placing Price.

The Placing Agreement is conditional, *inter alia*, upon Admission taking place on or before 11 April 2007.

In the Placing Agreement, the Company and the Directors have given certain warranties and indemnities to Panmure Gordon concerning the business of the Group and the contents of this document. In connection with its services, the Company has agreed pursuant to the Placing Agreement to pay Panmure Gordon the following fees:

- a corporate finance advisory fee of £150,000 (plus value added tax);
- a success fee of 5 per cent. of the aggregate subscription price of the new Ordinary Shares to be allotted and issued to institutional placees at the Placing Price (plus value added tax); and
- a success fee of 3 per cent. of the aggregate subscription price of the new Ordinary Shares to be allotted and issued to certain placees identified by the Company at the Placing Price (plus value added tax).

The Placing Agreement also provides for the Company to pay all costs and expenses of, and incidental to, the Placing and the application for Admission.

Panmure Gordon may terminate the Placing Agreement in specified circumstances prior to Admission, principally in the event of a material adverse change in national or international, financial, industrial, economic, political, military or market conditions which, in the opinion of Panmure Gordon, is likely to affect the financial or trading position or the business or the prospects of the Group taken as a whole, or if Panmure Gordon should become aware that any statement contained in this document or any of the warranties given by the Company to Panmure Gordon was or is untrue or inaccurate. In the event of termination, Panmure Gordon may withdraw the application for Admission. The Placing Agreement contains no express termination rights exercisable after Admission.

Garry Watson has agreed, *inter alia*, not to dispose of any of his Ordinary Shares in the period of 12 months from Admission, and for a further period of 12 months thereafter only to dispose of his Ordinary Shares with the approval of, and through, Panmure Gordon (for so long as Panmure Gordon continues to act as broker to the Company), subject to certain specified exceptions which are standard in arrangements of this nature.

Geoffrey Thomson, Carolyn Smith, Donald Turner, Edward Cunningham and Shonaig Macpherson have agreed to the same restrictions as Garry Watson, save that they are permitted during the period of 12 months from Admission to dispose of such number of Ordinary Shares as has a value of £235,407 (in the case of Geoffrey Thomson), £56,531 (in the case of Carolyn Smith), £40,364 (in the case of Donald Turner), £48,239 (in the case of Edward Cunningham) and £10,000 (in the case of Shonaig Macpherson) and in any event only with the approval of, and through, Panmure Gordon (for

so long as Panmure Gordon continues to act as broker to the Company), subject to certain specified exceptions which are standard in arrangements of this nature.

- 17.2 The Vendor Placing Agreement dated 27 March 2007 and made between (1) the Company, (2) the Selling Shareholders and (3) Panmure Gordon whereby, subject to certain conditions, Panmure Gordon, as agent for the Selling Shareholders, has agreed to use reasonable endeavours to procure purchasers for the Sale Shares at the Placing Price. The Vendor Placing Agreement is conditional, *inter alia*, upon Admission taking place on or before 11 April 2007 and upon the Placing Agreement becoming unconditional in all respects (save in respect of the conditions relating to the Vendor Placing Agreement becoming unconditional in all respects and any conditions relating to Admission).

In the Vendor Placing Agreement the Company and the Selling Shareholders have given certain warranties and indemnities to Panmure Gordon concerning themselves and the Sale Shares. In connection with its services, the Selling Shareholders have agreed to pay certain fees to Panmure Gordon. The Company is not required to pay any fees to Panmure Gordon under the Vendor Placing Agreement.

Panmure Gordon may terminate the Vendor Placing Agreement in specified circumstances prior to Admission, principally in the event that Panmure Gordon becomes aware that any of the warranties given by the Company or the Selling Shareholders was or is untrue or inaccurate or any of the Selling Shareholders has died or is of unsound mind or declared bankrupt.

- 17.3 An engagement letter dated 13 April 2006 whereby the Company engaged Panmure Gordon to act as the exclusive nominated adviser to the Company in connection with the Company's intended application to have the Ordinary Shares admitted to trading on AIM and to act as the exclusive broker to the Company. The Company has given an indemnity to Panmure Gordon in relation to the provision by Panmure Gordon of its services under this letter.
- 17.4 The nominated adviser and broker agreement dated 27 March 2007 and made between (1) the Company and (2) Panmure Gordon pursuant to which the Company has appointed Panmure Gordon to act as its nominated adviser and broker for the purposes of the AIM Rules. The Company has agreed to pay Panmure Gordon an annual retainer of £45,000 payable quarterly in advance on 1 January, 1 April, 1 July and 1 October in return for its services as nominated adviser and for ongoing broking services, such payments to commence on 1 October 2007. The Agreement is for an unlimited period terminable by either party on seven days' written notice. The Agreement contains certain indemnities and warranties given to Panmure Gordon by the Company and the Directors.
- 17.5 An investment agreement dated 7, 10 and 19 October 2005 (as amended by a deed of amendment dated 13 March 2007) among Uberior Investments plc (a subsidiary of the Bank of Scotland) ("Uberior"), Geoffrey Thomson ("GT"), Edward Cunningham, Donald Turner, Garry Watson and the Company in terms of which Uberior subscribed approximately £739,000 for 127,682 ordinary shares of 10p each in the Company. Under this agreement, the Company and GT gave to Uberior certain warranties which expire on the second anniversary of completion (save for certain warranties relating to taxation, which expire on the seventh anniversary of completion). In addition, the agreement contains certain provisions relating, *inter alia*, to the provision of information to Uberior, matters requiring Uberior consent and Uberior entitlement to appoint a non-executive director of the Company, and certain non-compete and other undertakings by GT, but these provisions will cease to have effect on Admission.
- 17.6 Orderly marketing agreements between the Company, Panmure Gordon and each of Kenneth Campbell, William Thomson, Andrew Threipland, Patrick Campbell Fraser, Matthew Benson and Uberior Investments plc (each being an existing shareholder who holds three per cent. or more of the issued share capital immediately before Admission). Under the terms of these agreements the shareholders will for the period of 12 months from Admission, only be permitted to dispose of their Ordinary Shares with the approval of, and through, Panmure Gordon (for so long as Panmure Gordon continues to act as broker to the Company), subject to certain specified exceptions which are standard in arrangements of this nature.

18. OTHER INFORMATION

- 18.1 The registrars of the Company are Capita Registrars, Northern House, Woodsome Park, Fenay Bridge, Huddersfield HD8 0LA.
- 18.2 The auditors of the Company are Ernst & Young LLP, of Ten George Street, Edinburgh EH2 2DZ. Ernst & Young LLP has audited the Company's accounts for the financial years ended 31 March 2005 and 31 March 2006. The financial information for the nine month period to 31 December 2006 has been subject to audit as part of the Accountant's Report contained in Part III of this document. Ernst & Young LLP's reports on such accounts were unqualified and did not contain a statement under subsections 237(2) or (3) of the Act. They are members of the Institute of Chartered Accountants in England and Wales.
- 18.3 Prior to Ernst & Young LLP, the auditors of the Company were Scott-Moncrieff Chartered Accountants of 17 Melville Street, Edinburgh EH3 7PH. Scott-Moncrieff Chartered Accountants audited the Company's accounts for the period from incorporation to 31 March 2004. Scott-Moncrieff Chartered Accountants' reports on such accounts were unqualified and did not contain a statement under subsections 237(2) or (3) of the Act. They are members of the Institute of Chartered Accountants in England and Wales.
- 18.4 The Company's accounting reference date is 31 March.
- 18.5 Panmure Gordon has given and not withdrawn its written consent to the issue of this document with the inclusion in it of references to its name in the form and context in which they appear.
- 18.6 The promoters of the Company are its Directors, whose names and addresses are set out on page 4 of this document.
- 18.7 Save as disclosed in this document, no persons (excluding professional advisers otherwise disclosed in this document and trade suppliers) have received, directly or indirectly, from the Company within the 12 months preceding the date of this document, and no persons have entered into contractual arrangements to receive, directly or indirectly, from the Company on or after Admission:
- 18.7.1 fees totalling £10,000 or more;
 - 18.7.2 securities in the Company with a value of £10,000 or more calculated by reference to the Placing Price; or
 - 18.7.3 any other benefit with a value of £10,000 or more at the date of Admission.
- 18.8 The costs and expenses of, and incidental to, the Placing and Admission payable by the Company are estimated to amount to £700,000 (excluding Value Added Tax) and include corporate finance fees totalling in aggregate £150,000 (excluding Value Added Tax) and commissions payable by the Company to Panmure Gordon of 5 per cent. on the aggregate value (at the Placing Price) of new Ordinary Shares placed with institutional investors and 3 per cent. on the aggregate value (at the Placing Price) of new Ordinary Shares placed with placees identified by the Company. The Selling Shareholders will pay commission of 3 per cent. on the aggregate value (at the Placing Price) of the Sale Shares and stamp duty on the relevant share transfers.
- 18.9 The gross proceeds which are expected to be raised for the Company by the Placing are approximately £6.38 million. The net proceeds are expected to be approximately £5.68 million and are intended to be used as follows, and in the following order of priority:
- 18.9.1 increase direct investments;
 - 18.9.2 invest in and manage captive university funds; and
 - 18.9.3 acquire assets where the Company believes it can add value.

There are no further amounts which require to be provided in respect of the matters mentioned above otherwise than out of the proceeds of the Placing.

- 18.10 The Ordinary Shares are in registered form and, following Admission, will be capable of being held in uncertificated form. Settlement of the Placing will, at the option of placees, be within CREST and Ordinary Shares will be delivered into the CREST account of placees immediately following the commencement of dealings, which is expected to be at 8.00 a.m. on 30 March 2007. No temporary documents of title will be issued. Definitive share certificates for placees not settling through CREST are expected to be despatched by 10 April 2007. Prior to the despatch of such certificates, transfers will be certified against the register of members of the Company.
- 18.11 Save as disclosed in this document, no exceptional factors have influenced the Company's activities.
- 18.12 Panmure Gordon is arranging for certain of the Placing Shares to be placed with institutional and other investors. The Placing of those Placing Shares with institutional investors has been underwritten in full by Panmure Gordon. The Placing of Sale Shares and of Placing Shares with existing investors in, and clients of, the Company has not been underwritten. Panmure Gordon is registered in England and Wales as a public limited company under the Act with number 1742592 and is a member of the London Stock Exchange and regulated by the FSA. Its registered office is at Moorgate Hall, 155 Moorgate, London EC2M 6XB.
- 18.13 The Placing Price of 160p per Ordinary Share represents a premium of 158p over the nominal value of 2p per Ordinary Share.
- 18.14 There are no patents or other intellectual property rights, licences, industrial or commercial contracts or new manufacturing processes which are of fundamental importance to the Company's business.
- 18.15 Save as described in paragraph 7.2 of this Part IV, there are no restrictions on the free transferability of the Ordinary Shares.
- 18.16 There are no arrangements known to the Company, the operation of which may at a subsequent date result in a change of control of the Company.
- 18.17 No public takeover bids by third parties in respect of the Company's equity have occurred during the last and current financial year.
- 18.18 Information sourced from a third party has been accurately reproduced and, so far as the Company is aware and able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- 18.19 On 7 April 2006, Geoffrey Thomson exercised his options over an aggregate of 334,900 ordinary shares of 10p each, as a result of which his shareholding rose to 30.53 per cent. of the Company's issued share capital. In normal circumstances, except with the consent of the Takeover Panel, such an exercise would result, under Rule 9 of the Takeover Code, in Geoffrey Thomson being required to make a general offer for the remainder of the Company's issued share capital. No such consent was obtained from the Takeover Panel, but following the reporting of the matter to the Takeover Panel and discussions with it, it did not require Geoffrey Thomson to make such a general offer provided he promptly disposed of sufficient shares to bring his shareholding down below the 30 per cent. threshold. On 22 September 2006 and 17 October 2006, Geoffrey Thomson disposed of sufficient shares to meet this requirement.
- 18.20 The Company has disclosed to the FSA that an "ex-gratia" payment of approximately £20,000 was made to certain employees in September 2006 in contravention of Section 151(2) of the Act. In order to exercise share options in the Company, employees had either borrowed funds or used their own savings. This ex-gratia payment was authorised by the Company's remuneration committee and made to the relevant employees, following the postponement in mid 2006 of the Company's admission to AIM, for the purpose of paying arrangement fees charged by banks in relation to the establishment of loans and the subsequent payment of interest on such loans. This payment should have been classified as a "bonus payment" instead. The Company concluded that the sum was immaterial and that no creditor or shareholder is likely to suffer loss as a result of the breach. The FSA has confirmed that this will be treated as a notification and that the matter is now closed.

18.21 The details of the Selling Shareholders are set out below:

<i>Name of Selling Shareholder</i>	<i>Number of Ordinary Shares being sold</i>	<i>Material relationship with the Company in the past 3 years</i>
Geoffrey Thomson	62,500	Chief Executive of the Company Employee of Braveheart Ventures
Garry Watson	75,000	Chairman of the Company
Carolyn Smith	6,875	Director of the Company Employee of Braveheart Ventures
Andrew Threipland	7,514	Former director of the Company
Kathryn Full	5,112	Employee of Braveheart Ventures
Jennifer Kennedy	1,781	Employee of Braveheart Ventures
Cara Brown	1,943	Employee of Braveheart Ventures

18.22 Save as disclosed in this document, there have been no significant recent trends in production, sales and inventory and costs and selling prices since 31 December 2006.

18.23 Save as disclosed in this document, there are no trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Company's prospects for at least the current financial year.

18.24 No dividends have been paid by the Company since incorporation.

19. AVAILABILITY OF THIS DOCUMENT

Copies of this document are available free of charge to the public during normal business hours on any weekday (excluding Saturdays, Sundays and public holidays) at the offices of Panmure Gordon referred to above and shall remain available for at least one month after Admission.

Dated: 27 March 2007

DEFINITIONS

The following definitions apply throughout this document, unless the context requires otherwise:

“Act”	Companies Act 1985 (as amended);
“Admission”	the admission of the Ordinary Shares, issued and to be issued pursuant to the Placing, to trading on AIM becoming effective in accordance with the AIM Rules for Companies;
“AIM”	the AIM Market operated by the London Stock Exchange;
“AIM Rules”	the AIM Rules for Companies of the London Stock Exchange governing the admission to, and operation of, AIM (as amended) (including where the context requires the AIM Rules for Nominated Advisers);
“Articles”	the articles of association of the Company which have been adopted by the Company conditional on Admission;
“Board”	the board of directors of the Company for the time being;
“Braveheart” or “Group”	Braveheart Investment Group plc, a company incorporated in Scotland with registered number SC247376, and the Subsidiaries;
“Braveheart Ventures”	Braveheart Ventures Limited, a company incorporated in Scotland with registered number SC171237;
“Carried Interest”	the right to receive a portion of any gains realised by clients on certain portfolio investments managed by the Group;
“Combined Code”	the revised code containing the principles of Good Corporate Governance and the Code of Best Practice published in July 2003 by the Financial Reporting Council;
“Company”	Braveheart Investment Group plc, a company incorporated in Scotland with registered number SC247376;
“CREST”	the relevant system (as defined in the CREST Regulations) operated by CRESTCo which facilitates the transfer and holding of title to shares in uncertificated form;
“CRESTCo”	CRESTCo Limited;
“CREST Regulations”	Uncertificated Securities Regulations 2001 (SI 2001 No. 01/3755), as amended, and any applicable rules made under these Regulations;
“Directors”	the directors of the Company as at the date of this document, whose details are set out on page 4 of this document;
“EIS”	Enterprise Investment Scheme;
“FSA”	Financial Services Authority of the United Kingdom;
“FSMA”	Financial Services and Markets Act 2000 (as amended);
“IFRS”	International Financial Reporting Standards;
“IP”	intellectual property;
“IPO”	initial public offering;

“Junior Portfolio”	seed investments made by the Group and its clients under the SES or the PoC;
“London Stock Exchange” or “LSE”	London Stock Exchange plc;
“Official List”	the Official List of the UK Listing Authority;
“Ordinary Shares”	ordinary shares of 2 pence each in the capital of the Company, ISIN GB00B13XV322;
“Panmure Gordon”	Panmure Gordon (Broking) Limited;
“Placing”	the conditional placing by Panmure Gordon of the Placing Shares with investors at the Placing Price pursuant to the terms and conditions of the Placing Agreement as described in this document;
“Placing Agreement”	the conditional agreement dated 27 March 2007 between the Company, Panmure Gordon and the Directors relating to the Placing, a summary of the principal terms and conditions of which is set out in paragraph 17.1 of Part IV of this document;
“Placing Price”	160 pence per share, being the price at which each Placing Share is to be issued or sold pursuant to the Placing;
“Placing Shares”	the 3,991,020 new Ordinary Shares to be issued by the Company and subscribed for pursuant to the Placing, together with the Sale Shares as the context requires;
“PoC”	the Proof of Concept Scheme described in paragraph 6 of Part I;
“QCA Guidelines”	the Quoted Companies Alliance’s Corporate Governance Guidelines for AIM Companies, as amended;
“Sale Shares”	the 160,725 Ordinary Shares to be sold by the Selling Shareholders pursuant to the Placing;
“Selling Shareholders”	Geoffrey Thomson, Garry Watson, Carolyn Smith, Kathryn Full, Jennifer Kennedy and Cara Brown all of Cherrybank Centre, Cherrybank Gardens, Perth and Andrew Threipland of Fingask Castle, Rait, by Perth;
“Senior Portfolio”	all investments made by the Group and its clients, with the exception of the Junior Portfolio;
“SES”	the SMART Equity Scheme described in paragraph 6 of Part I;
“Shareholder”	a holder of Ordinary Shares;
“Share Option Plan”	the Braveheart Investment Group plc Executive Share Option Scheme 2006, a summary of the principal provisions of which are set out in paragraph 8 of Part IV of this document;
“SMART Fund”	a vehicle established to deliver the first ten investments made under the SES;
“Subsidiaries”	the subsidiaries of the Company, details of which are set out in paragraph 10 of Part IV of this document;
“UK GAAP”	Generally Accepted Accounting Principles in the United Kingdom;
“UK Listing Authority”	the FSA acting in its capacity as the competent authority for the purposes of Part VI of FSMA;

“uncertificated” or “in uncertificated form”	recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST;
“United Kingdom” or “UK”	United Kingdom of Great Britain and Northern Ireland;
“United States”	United States of America, its territories and possessions and any state of the United States or the District of Columbia;
“Valuation Date”	31 December 2006; and
“Vendor Placing Agreement”	the conditional agreement dated 27 March 2007 between the Company, the Selling Shareholders and Panmure Gordon in relation to the Placing of the Sale Shares.

