BRAVEHEART
INVESTMENT GROUP

Annual Report and Accounts 2007

Growth
Support
Service
Partnership

Braveheart Investment Group plc

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Geoffrey Thomson, Chief Executive Officer
Carolyn Smith ACIS, Chief Investment Officer
Edward Cunningham CBE, Non-executive Director (r) (a)
Donald Turner CA, Non-executive Director (a)
Shonaig Macpherson CBE FRSE, Non-executive Director (r)

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Fast facts finder

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Introduction

Garry S Watson OBE CA
Chairman

Welcome to your company's first annual report since its shares were admitted to trading on AIM, a milestone moment in the development of the business. This report has been designed to communicate clearly who and what Braveheart is, where we create value for our shareholders and how we deliver superior returns on investment.

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

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

I hope that you find this report useful and informative.

Garry S Watson, Chairman

Our management team

Braveheart highlights

- Successful admission to AIM following a £5.7 million placing (net of costs)
- 14 investments totalling £4.0 million made in the year by the Group and on behalf of clients
- Cash balances of £6.5 million (2006: £0.7 million)
- 2 exits/listings achieved
  - Eleksen Group plc floated on AIM in May 2006 with initial market cap of £20 million
  - Vibration Technology Ltd sold to Sercel SA for £32 million in September 2006
  - The 10-year exit portfolio showed a compounded rate of return of 37% with 16 exits including five IPOs and three trade sales or secondary purchases
- Total revenue increased 9.5% to £587,399
- Non recurring costs relating to IPO of £123,544 contributed to a loss for the year, after adjustment for taxation, of £156,896 in line with expectations
- Strathclyde Innovation Fund, a £12 million unique partnership with the University of Strathclyde announced

Post Year End

- Further exit achieved through the £32 million IPO of The Capital Pub Company plc in June 2007
- First acquisition and investments completed as a quoted company:
  - W L Ventures Ltd acquired, enlarging the portfolio to 32 companies
  - Follow-on investments in Edinburgh Robotics Ltd, Spiral Gateway Ltd and PSI Electronics Ltd
- £25 million partnership fund with the University of Edinburgh, the largest such deal announced in Scotland to date

Our headquarters

Viewed from the Scottish Heather Centre

10 years of progress

1997-98

January 1997
Braveheart Ventures formed as investment syndicate

February 1997
First investment made

September 1998
Chief Executive appointed along with three non-executive directors

2000-01

March 2000
Move to larger office at Rait, near Perth. Two part-time support staff employed

May 2001
First successful exit from an investment

2003

March 2003
Braveheart, the Bank of Scotland and University of Edinburgh announce SMART Equity Scheme, a pilot equity scheme for university spin-out companies

April 2003
The Scottish Executive announces Braveheart as one of the first two partners in its £40m Scottish Co-investment Fund

August 2003
Braveheart Investment Group plc formed and acquires Braveheart Ventures

November 2003
First flotation of portfolio company

2004-05

February 2004
Braveheart Ventures becomes regulated by the FSA and moves to larger premises

April to August 2004
SMART Equity Scheme rolled out to five other Scottish universities

November 2004
Second and third flotations of portfolio companies

November 2005
Bank of Scotland Corporate invests in Braveheart Investment Group plc

2006

January 2006
Alpha EIS Fund launches and is fully subscribed

February 2006
Fourth flotation of portfolio company

May 2006
Fifth flotation of portfolio company

September 2006
Braveheart operation numbers eight staff and 100 clients

2007

February 2007
Braveheart announces partnership with the University of Strathclyde to create £12 million 'Strathclyde Innovation Fund'

March 2007
Braveheart Investment Group plc lists on AIM

Current funds under management

SMART Fund

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

Alpha EIS Fund

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

Scottish Co-investment Fund

- One of the largest partners in this public sector fund
- £7m under management
- Can use to match private investment

Portfolio and discretionary clients

- £10.5m under management

Braveheart at a glance

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.

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.

and a three tier strategy

A three tier strategy for long term growth underpins our approach

Build diversified portfolios
- Focus on companies with global technology solutions
- Emphasis on positive environmental impact
- Maintain a limited exposure to more traditional businesses

Target three broad categories
- University spin-outs via special relationships
- Semi-mature companies via venture capital connections
- Later stage investments via pre-emption rights and relationships with City institutions

Protect and build positions
- Pre-emption rights offer attractive investment opportunities
- Increase shareholdings in best portfolio companies

...and drives effective decision making

Braveheart balance sheet investments	**Management of client portfolios**	**Creation and management of dedicated university funds**

...delivering revenue to Braveheart Group

Capital growth via realisations	**Management fee income**	**Management fee income and capital growth**

...and returns to shareholders

Shareholder dividend returns
- Regular dividends out of management profit
- Special dividends upon realisation of investments

Our unique proposition

We believe our business model, with its two income streams, our strong relationships with universities and innovation centres, and the way we actively engage with portfolio companies sets us apart from our peer group.

Our client base of high net worth individuals and successful business people is an important differentiating factor. With proven business experience and varied backgrounds, they can be called on to offer governance, management and mentoring experience to portfolio companies.

Our Business Model

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

Our University Relationships

We have developed strong links with a number of universities and innovation centres across the UK, rather than holding a single relationship with one establishment. This allows us access to a wide variety of emerging commercial opportunities at early stages.

Our Engagement

The investment of capital is only the start of our relationship with portfolio companies. We appoint chairmen and non-executive directors and arrange seminars to assist strategic decision taking and aid networking. We regularly review progress to identify opportunities and threats.

Investment edge

Access to expertise

- Secondary due diligence
- Extensive monitoring and support
- Clients may serve as board representatives
- Rolling programme of non-executive director review and appraisal

Flexible relationships with universities

- First right to invest
- SMART Equity Scheme, Proof of Concept Scheme
- New funds/partnerships eg Strathclyde Innovation Fund
- Work closely with university staff

Prudent investment structures

- Links with Bank of Scotland and NGOs provide additional scale and 'underwriting'
- Group-wide pre-emption rights
- Management cannot frustrate the exit
- Preferred returns

Chairman's Statement

Garry S Watson OBE CA
Chairman

The year to 31 March 2007 has been one of transformation for the Group and I am delighted to provide my first report for Braveheart as a quoted company. On 30 March our shares were admitted to the AIM market of the London Stock Exchange, following a placing which extended our investor base and provided additional capital that will allow us to implement our growth plans.

In this annual report, our first as a listed company, we have sought to explain, on pages 3 to 5, just what makes Braveheart different from other private equity companies, the importance of our two income streams from investment management and direct investment, and why we are confident that we can provide superior investment returns.

Ongoing Operations

Braveheart has made good progress during the year under review, notwithstanding the inevitable distractions and the amount of management time allocated to our postponed but successful IPO.

We have taken a number of steps to increase our access to high quality investment opportunities by strengthening our relationships with universities in Scotland and, immediately after the close of the year, completing our first acquisition. Balance sheet investment was £725,155 compared with £259,318 in the previous year.

Results

The results are in line with expectations and follow the loss reported in our AIM Admission Document for the nine months to 31 December 2006. They do not reflect a complete picture of the underlying performance of the business in that they include non-recurring costs of £123,544, relating to our IPO activities, which we are required to write-off against revenue. They also reflect the effect of a temporary diversion in management time away from the day-to-day running of the business to focus on the IPO and the investment in our infrastructure, which will enable us to operate on a bigger landscape and take on the fiduciary responsibilities associated with a public company.

Portfolio investments

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

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. Using ethically obtained human tissue, Biopta can provide proof of concept in man at an early stage of drug development. The company is also developing next generation instruments for the pharmacology market and its first instrument may be used to analyse tubular tissues such as blood vessels to assess drug-tissue interactions.

EctoPharma Limited
EctoPharma is a 'virtual' pharmaceutical company commercialising patented technology in the areas of human and veterinary medicine to compete in specific healthcare and pesticide markets. The company's proprietary technology has the potential to be the basis for a new generation of safer pesticides with less adverse health effects and reduced environmental implications than the organophosphate and synthetic pyrethroid based pesticides commonly in use today. The lead product KindaPed has completed phase 2 clinical trials demonstrating 95% efficacy.

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.

For the year under review, total revenue increased by 9.5% to £587,399. The loss for the year, after adjustment for taxation, was £156,896 compared with a profit of £121,260 in the previous year.

The Board is confident that with the IPO complete, the Group is in a good position to achieve growth and profitability in the future.

IPO

Following the postponement of the Company's IPO in June 2006, due to adverse market conditions, we successfully joined AIM in March of this year, raising £5.7 million net of costs.

This has provided us with the resources to implement our strategic plans by way of contributing capital to dedicated university funds, increasing the scale of investment from our own balance sheet and completing acquisitions where it can be demonstrated that we can add value. We also now have the facility to return to market when further capital is required.

Strategic Initiatives

In February, we announced the formation of the Strathclyde Innovation Fund ('SIF'), a £12 million fund that is a partnership between the Company, the University of Strathclyde, and others. It is expected to secure a valuable pipeline of investment opportunities going forward. We already have a strong record of working with the University. The first closing of SIF is scheduled for autumn 2007.

In mid June we announced the formation of a partnership with the University of Edinburgh to create a £25 million fund dedicated to commercialising intellectual property emanating from the University. Many shareholders will know that we have already invested in two University of Edinburgh spin-outs that have subsequently become quoted companies. We are delighted to be strengthening our ties with Scotland's largest university.

Our partnerships with the universities of Edinburgh and Strathclyde will provide valuable pipelines of investment opportunity.

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 novel processor architecture, RICA, which offers the potential for a low power solution in developing digital circuits in portable applications such as phone handsets, cameras and mobile multimedia devices. RICA represents a major opportunity for manufacturers to increase functionality and flexibility whilst reducing cost.

Design LED Products Limited

Design LED Products ('DLP') has developed a printed light guide technology which provides an inexpensive method of producing thin, flexible signs and displays illuminated by embedded light emitting diodes (LEDs). The displays can be formed into 3D shapes and can incorporate different colour and lighting effects as well as movement and animation. Application areas include consumer electronic displays, backlights for LCDs, automotive and industrial panels and keypads, and brand logo enhancement. DLP has produced illuminated point of sale material for the Famous Grouse.

Chairman's Statement continued

Our entrepreneurial investment clients are key to the success of portfolio companies.

In early April, following the close of our financial year, an agreement was concluded with West Lothian Council for the acquisition of W L Ventures, now renamed Caledonia Portfolio Realisations Ltd ('CPR'). CPR owns a portfolio of some ten technology investments. We will consider providing follow-on funding, where there are opportunities to create value. As with all our investments, we will also use our network of high net worth entrepreneurs to support these portfolio companies as they grow. The consideration for the purchase comprised an upfront cash payment together with a share of profits upon the realisation of each investment.

Earlier investment in embryonic businesses is providing a stream of opportunities for mainstream investment, as intellectual property is converted into proven technology, and further investment is needed to demonstrate that such technology is commercial.

Acquisitions such as CPR will increase the scale and diversity of our portfolio and further opportunities to acquire similar portfolios are being sought.

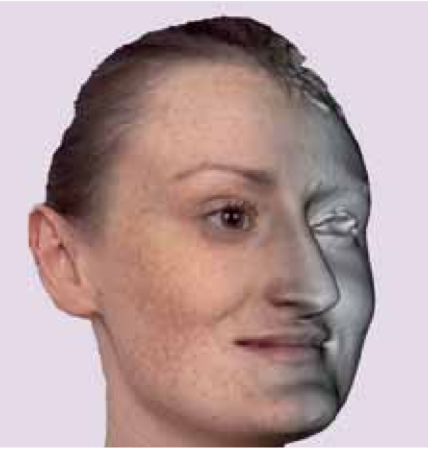
Board, Management and Staff

There were no changes within the Board during the year but management was strengthened further. The executive team now consists of two directors and seven members of staff. A share incentive scheme was approved during the year, with participation open to all executive staff and members of the Board. This is, in part, performance related.

The members of our staff represent our greatest asset. They operate as a closely-knit team and I wish to acknowledge their hard work, dedication and skill.

Our Clients and Investors

Many of the Company's investment clients, who are successful entrepreneurs in their own right, provide their services as non-executive directors and chairmen of our portfolio companies. These services are critical to the success of those ventures and to Braveheart in terms of increasing shareholder value. We seek to maximise the effectiveness of their contribution through regular progress reviews and by way of seminars that examine the options for resolving typical problems and encourage peer networking. I would like to thank them all for their important contribution.



Portfolio investments continued

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 the Group's SMART Equity Scheme. 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 which can assist in planning and assessing maxillofacial surgery, the manufacture of radiotherapy and burns treatment masks, and the manufacture of orthotics and prosthetics.

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) and predominantly freehold pubs in London. Having raised the maximum sum available under the Enterprise Investment Scheme ('EIS'), the founders launched a second EIS qualifying company, The Capital Pub Company 2 ('CPC2'), in January 2004. CPC recently listed its shares on AIM and at the time of its listing, CPC managed 23 pubs in London. At the date of this report, CPC2 owned nine freehold pubs.

I would also like to take this opportunity to extend a warm welcome to our new institutional shareholders and those clients who are now shareholders for the first time. In particular, I welcome Kenmore Property Group, as a cornerstone investor, and extend my appreciation to the Bank of Scotland, whose ongoing support has been invaluable.

Dividends

No dividend has been paid or is being proposed. It is the Board's intention that in future, subject to the availability of distributable reserves, regular dividends should be paid out of management profits and special dividends should be paid where there are meaningful capital profits realised from the disposal of investments held in the balance sheet.

Prospects

The Board is confident that as a consequence of the strategic initiatives that have and are being taken, the Group is increasingly well positioned with regard to investment opportunities in intellectual property based businesses. Its growing investment portfolio provides a pool from which it can identify the most likely winners that can be supported, with both capital and management, through to profitable realisation.

Annual General Meeting

The notice regarding the business to be dealt with at the Company's Annual General Meeting, to be held on 12 September 2007, is set out on page 40. I should like to draw your attention to the resolution appointing Ken Brown as a non-executive director. Ken has been Finance Director of Kenmore Property Group for the past eight years. I commend this appointment to shareholders.

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

Garry S Watson OBE CA
Chairman

Our growing portfolio provides a pool of investments from which we can identify the likely winners and support them with capital and management.

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.

MicroEmissive Displays Group plc
MicroEmissive Displays Group ('MED') is a leading developer of polymer organic light emitting diode (p-OLED) based microdisplays. MED's 'eyescreen' products combine colour video images in a digital microdisplay of a size comparable to the pupil of the human eye. The displays have ultra-low power consumption making them ideal for portable head mounted displays and electronic viewfinders. MicroEmissive Displays Group is quoted on AIM.

Operating and Financial Review

Geoffrey C B Thomson
Chief Executive Officer

The year ending 31 March 2007 saw a turning point in the Group's history. Our shares are now traded on AIM and we have delivered on the undertaking that we made to shareholders in 2003 when we said we would aim for a liquidity event subsequent to achieving certain milestones.

We ended the year with a stronger portfolio of companies, increased cash resources and new shareholders. We are excited about our plans for the growth of our business.

Our IPO presentation spoke of our developing the business in three distinct ways:

The first of these was that we would continue to strengthen our relationships with universities. The second was that we would increase the sums invested in portfolio companies, thereby increasing our ownership, and the third was that we would look for merger and acquisition opportunities where we could add value.

Those statements were made in March 2007. Since that date, we have not been idle:

- We have scaled up our balance sheet investments and have announced four new investments. In addition, one of our portfolio companies has achieved a listing on AIM.
- We have announced a partnership with the University of Edinburgh, following upon the partnership with the University of Strathclyde which we announced in February.
- We have completed the acquisition of W L Ventures thereby enlarging our portfolio by ten companies.

Providing value to create value

GROWTH, SUPPORT, SERVICE, PARTNERSHIP

Our investment process and activity falls into six areas and is characterised by our value adding approach to sourcing, managing, nurturing and exiting business opportunities.

Sourcing

The Group sources opportunities from university relationships, venture capital connections, relationships with banking, financial and investment institutions, and the Group's client base. The Group also has contractual pre-emption rights in existing portfolio companies which enables follow-on investments.

Pre-investment

Actions prior to completion of a deal will typically include: business plan provision, meetings with management, term sheet detailing offer to the company, due diligence, consideration of board appointments, preparing investment notes for clients, and legal documentation.

Due diligence

Internal or external due diligence involves a detailed investigation into some or all of the following areas: business plan and supporting documentation, historic, current and projected financial position, technical review, IP-related issues, commercial and contractual matters, market and competition, management team, and statutory filings.

Portfolio

As at the reporting date, the Company's portfolio comprised 23 companies, excluding the investments acquired as a result of the acquisition of W L Ventures. A selection of these are summarised in this annual report. A breakdown of the portfolio is as follows:

Portfolio Summary

Origin	Spin-out 15	Other 8		
Sector	Tech 17	Medtech 4	Other 2	
Stage	Seed 4	Early 8	Expansion 9	Listed 2

University Partnerships

Whilst we have had formal relationships with many of the universities in Scotland for a number of years, these relationships have typically been non-exclusive. An example is our SMART Equity Scheme where, in partnership with the Bank of Scotland and Scottish Enterprise, we have provided funding to spin-outs that have been awarded a SMART: Scotland grant of £50,000.

In 2006, we took the strategic decision to strengthen our ties with key universities by offering enhanced services in return for more exclusive funding rights. This decision is very much in keeping with movements in the marketplace. As a result of this, we announced in February 2007 that we had agreed terms with the University of Strathclyde for the establishment of a £12 million intellectual property commercialisation fund entitled the Strathclyde Innovation Fund ('SIF').

Investors in SIF will be the University and its alumni, ourselves, and various public and private institutional investors. The fund will have a first closing in the autumn with the first investments expected to be made within six months thereafter. SIF will make equity investments in spin-out companies and will be able to assist the University to finance the licensing of intellectual property to trade investors. In addition, SIF will be able to make pump priming loans to the University to kick-start the commercialisation of specific blocks of intellectual property. The fund will have an eight-year term, extendable to ten years with the agreement of the investors in the fund.

SIF will be managed by Braveheart Ventures Limited, our wholly owned, FSA authorised, investment management subsidiary. Performance based profits from SIF will be shared with the University and, when each investment is made, we will make a payment directly to the department which sponsored the investment opportunity.

In June of this year, we announced a partnership with the University of Edinburgh. This partnership is similar to that of University of Strathclyde other than that the fund will be for £25 million. Whereas the Strathclyde fund is university-wide in terms of commercial exclusivity rights, the Edinburgh fund excludes the fields of medicine, veterinary medicine and life sciences, where a co-investment position may be taken.

Active participation

A key strength of the Group's investment policy is the provision of experienced entrepreneurs to portfolio companies. The appointees are usually from the Group's investor base and they may act in either an executive or non-executive capacity. The Group also has the right to attend board meetings as an observer. Induction and monitoring programmes are run by the Group for board appointees.

Reporting

The reporting regime varies depending on the stage and nature of a particular investment but a typical requirement is as follows: regular chairman's and/or chief executive's review, board papers, management accounts including budget variance, annual review of board composition, budget and business plan, and regular reviews regarding follow-on funding and exit strategy.

Realising

As at 31 March 2007, investments were showing an internal rate of return of 37% on realised investments. 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 successfully realised investments has been around 34 months.

Operating and Financial Review continued

The risks to our business are mitigated by our visible income stream from management income and exceptional exit realisations.

The first closing of the Edinburgh fund is scheduled for spring 2008 with initial investments being made thereafter. It is an eight-year fund extendable to ten years with the agreement of the investors in the fund.

We are seeking further arrangements with universities where it is clear that investment of time and effort by us will lead to establishing a pipeline of quality investment opportunities.

Mergers and Acquisitions

In April 2007, we announced the acquisition of W L Ventures Ltd ('WLV'). WLV was set up by West Lothian Council in 1998 with the objective of investing equity in early stage technology companies based in the West Lothian area. WLV and its sister company, West Lothian Venture Fund Ltd, invested £2.4 million in such businesses, and as at the date of acquisition the portfolio comprised ten investments. West Lothian Venture Fund transferred its investments to WLV earlier this year.

We structured the acquisition of WLV in such a way that we paid an initial consideration to be followed by a profit share based on the future sale of the existing equity in the WLV portfolio. We believe this approach offers upside to both parties.

WLV has been renamed Caledonia Portfolio Realisations Ltd, and we will provide management support and additional funding for portfolio companies where we believe we can add value.

We expect to make further acquisitions in due course.

Financial Review

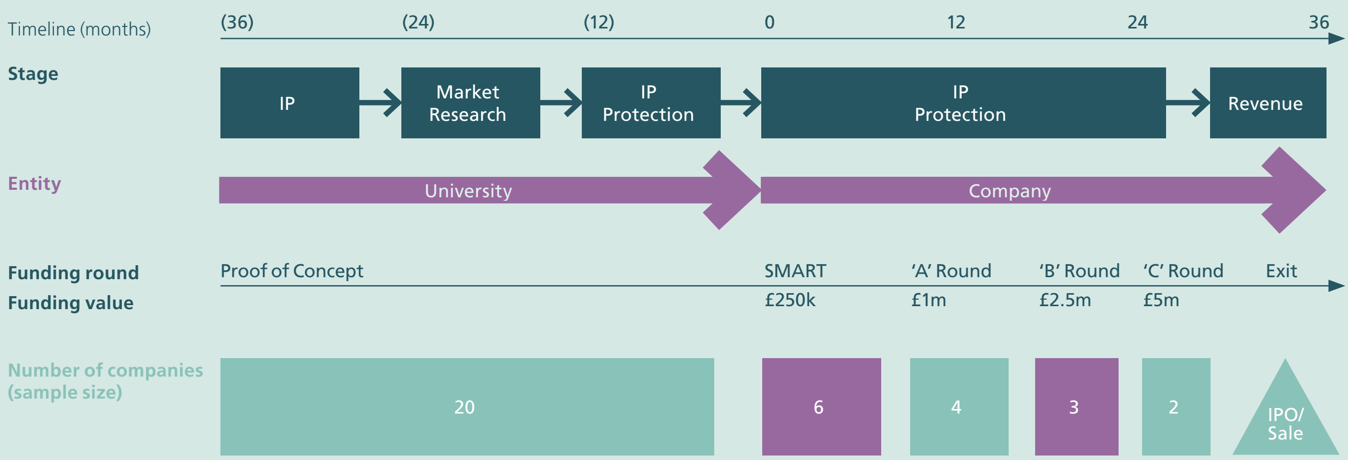
The Group's capital base was strengthened by the issue of new equity capital at the time of the IPO. As at the end of the year the Group had net assets of £7.2 million (2006: £1.1 million) and cash balances of £6.5 million (2006: £0.7 million). This was largely as a result of the IPO, which raised the gross sum of £6.4 million or £5.7 million net of expenses. In addition, the directors sold shares with a value of £231,000 into the IPO in order to assist with the cost of financing share options.

Portfolio investments continued

NiTech Solutions Limited
NiTech Solutions, a spin-out from Heriot-Watt University, designs small scale continuous manufacturing solutions for the process and chemical industries. Through the use of continuous oscillatory baffled reactors (COBRs), the company is able to offer effective process solutions by enhancing mixing and dispersion, and better controlling the formation of solid particles. The company has been able to demonstrate benefits such as lower costs, improved product quality and waste reduction. A biofuel research programme is also ongoing.

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 large inflatable spherical display systems (2m and 3m high) onto which digital images may be projected. The company's first product, the Puffersphere, is portable, versatile, robust and simple to operate. This 360° display platform has captivated audiences at trade shows, art and music festivals, science museums and promotional events.

Our commercialisation process



In June 2006, the Group postponed an IPO due to prevailing market conditions. At that time most of the preparatory work had been completed. Whilst we did complete the IPO later in the year, there was a cost associated with the postponement and this cost came both in terms of opportunity cost to the business as well as the financial cost of our retained advisers. Across the year, costs associated with the IPO that could not be written off to share premium account amounted to £123,544 and this sum has been shown in our income statement. Clearly this sum has had a material effect on our results.

Conversion to IFRS from UK GAAP

In this report we present our first set of statutory accounts under IFRS rather than the previous accounting standards of UK GAAP. I wish to highlight the effect this change of accounting standards has had on our results:

Investments at fair value through profit or loss

Under UK GAAP, investments that are held at the end of the accounting period are re-valued and shown at the net value in the balance sheet, with any movement being shown under revaluation reserve in the balance sheet. This means that the income statement is independent from this revaluation. Under IFRS, net changes to the valuation pass through the income statement.

A large proportion of the Group's investments are in unquoted equities for which there is no readily available market price. These investments are valued in accordance with established venture capital investment valuation guidelines, which may not necessarily bear any relation to the final price obtained for the investment when realisation of the

Quantum Filament Technologies Limited

Quantum Filament Technologies is a spin-out from the universities of Dundee and Surrey and is developing a flat screen display technology based on field emission displays. It is anticipated that this platform technology will challenge existing displays such as liquid crystal, plasma panels and cathode ray tube technologies by competing on cost and performance. Funding from the Group allowed the company to commence a programme to build demonstrator devices to attract the interest of display companies to the benefits of the company's proprietary technology.

The Clapham House Group plc

Formed by two previous executive directors of Pizza Express, The Clapham House Group ('CHG') was listed on AIM in November 2003. CHG buys and expands restaurant brands which include the Gourmet Burger Kitchen, The Real Greek, The Bombay Bicycle Club and Tootsies. The initial premise was to look for restaurant brands located within the M25 area but this has now been extended to locations throughout the UK. David Page, Chairman, won 'Entrepreneur of the Year' at the 2007 Quoted Company Awards.

Operating and Financial Review continued

investment takes place. In addition, it is often the case that investments will show no change in valuation until a material event takes place and this may be many months or even years ahead.

Changes in fair value for investments that have not been realised are itemised separately in the income statement so that the reader can distinguish between the profit or loss made on divestments and the revaluation of investments that are currently held in the portfolio.

The net effect of this change is an adverse movement of £82,372 to the income statement.

Work in progress

Under UK GAAP, the Group would recognise costs that had been incurred in progressing an investment in situations where that investment had completed after the reporting date. Under IFRS, no such work in progress can be recognised.

Share-based payments

Under UK GAAP, no charge is required to be made in the income statement relating to share-based payments. However, under IFRS 2, a charge is required in the income statement in relation to the fair value of share options granted to employees. During the year under review all existing share options were exercised and no new options were issued. A new share option plan has been adopted, and since the year end, options have been issued under this plan.

Group Investments

At the start of the year our investment portfolio had a book value of £311,431 against a purchase price of £300,072. During the year we realised two investments for the gross sum of £136,210 showing a net gain of £78,152. We invested £725,155, with £519,722 going into unquoted investments and £205,433 being invested in AIM companies which were already in the portfolio prior to becoming listed.

At the end of the year we held investments in 23 companies and this was increased to 33 companies when we acquired the portfolio of W L Ventures on 4 April 2007.

Cash

The year-end cash balance of £6.5 million represents an increase of £5.7 million from the opening balance. The increase principally arises from the IPO, which generated £5.7 million net of expenses. The Group is carefully executing its business plan so that its business activities are in line with the available cash resources. For regulatory purposes, the Group needs to maintain a net asset surplus so that it can always meet its liabilities as set out by law and as administered by the Financial Services Authority.

Key Performance Indicators

The following KPI's are the most effective measures of progress towards achieving the Group's strategies and as such towards fulfilling the Group's objectives:

- Number of investments made
- Total sums invested
- Overheads as a percentage of total income
- Returns achieved on portfolio realisations
- Funds under management
- Staff retention

Following a busy year culminating with our IPO, we have a sound base from which to expand our business and deliver enhanced shareholder value.

Geoffrey Thomson
Chief Executive Officer

Portfolio investments continued

Wolfson Microelectronics plc
Wolfson Microelectronics designs and supplies high performance mixed-signal semiconductors for the digital consumer electronics ('CE') market. Wolfson's audio and imaging products can be found in the mobile phones, MP3 players, DVDs and digital cameras of many leading players in the market. A spin-out from the University of Edinburgh, the Group's clients first invested in Wolfson in 1999. In October 2003, the company completed an IPO on the LSE with an initial market capitalisation of approximately £260m.

Board of Directors

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

Geoffrey Thomson
Chief Executive Officer
One of the founders of Braveheart, Geoffrey Thomson is well known as a deal maker and business angel. He has run his own venture capital backed group of companies and spent five years working as a company doctor specialising in restructuring and refinancing of SMEs. Geoffrey has written columns on investment for various national broadsheets and regularly speaks at business events in Scotland.

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

Edward Cunningham CBE
Non-executive Director
Edward Cunningham has UK and international industry experience. 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 as well as other companies including the Scottish Exhibition & Conference Centre. He has also been a director of TSB Bank Scotland and Watson & Philip. He is currently chairman of two companies and has his own consultancy business.

Donald Turner CA
Non-executive Director
Donald Turner was Managing Partner-Regions and Managing Partner for Scotland and Northern Ireland for Ernst & Young and retired from that firm as Regional Chairman Scotland in 2001. He is a past chairman and board member of 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.

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

Directors' Report

For the year ended 31 March 2007

The directors present their report with the audited financial statements for the year ended 31 March 2007.

Principal Activities

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

Business Review and Future Developments

Accompanying this Directors' Report are the Chairman's Statement, Operating and Financial Review, Corporate Governance Statement and Directors' Remuneration Report.

A review of the business and the future developments of the Group is presented in the Chairman's Statement on pages 6 to 9 and the Operating and Financial Review on pages 10 to 14.

Results and Dividends

The financial statements of the Group and the Company for the year to 31 March 2007 are set out on pages 24 to 39.

The Group's consolidated loss for the year after taxation was £156,896 (2006: profit £121,260), which has been transferred to reserves.

The directors do not recommend the payment of a dividend for the current year (2006: nil).

Share Capital

The movement in the Group's share capital in the year is set out in note 17 to the financial statements.

Political and Charitable Donations

It is the Board's policy not to make charitable and political donations which exceed £200.

Directors and their Interests

The names of the directors who held office during the financial year are listed at the front of this report. Biographical details of the directors are shown on page 15.

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

Directors' Interests in Shares

The interests of the directors (all of which are beneficial, with the exception of 39,062 shares held by Garry Watson's spouse and 13,750 shares held in trust for Garry Watson's children) in the ordinary shares of the Company, as stated in the register of directors' interests, are shown below. Interests in shares before the subdivision on 16 May 2006 relate to ordinary shares of 10p, while those stated after that date relate to ordinary shares of 2p each:

Directors	At 31 March 2007 Ordinary shares	At 1 April 2006 Ordinary shares
G C B Thomson	2,750,890	101,833
C Smith	231,680	4,424
G S Watson	328,177	57,424
E B Cunningham	493,275	75,757
D I Turner	149,490	10,000
A L A S Macpherson	25,000	–

No notification of any change in the above interests has been received in the period from 31 March 2007 to the date of this report other than the transfer of 5,000 shares by Garry Watson in July to a grandchild.

Significant Shareholdings

As at 31 March 2007, the following beneficial owners each held 3% or more of the Company's issued share capital:

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

Financial Instruments

The Group's financial instruments comprise cash and liquid resources and limited trade creditors that arise directly from its operations. The main purpose of these financial instruments is to provide finance for the Group's operations.

Risk Management

Disclosures regarding risks are provided within the Operating and Financial Review and note 19 to the financial statements.

Events after the Balance Sheet Date

Events since the balance sheet date are described within the Operating and Financial Review on pages 10 to 14.

Going Concern

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

Creditor Payment Policy

The Group's policy is to:

a) agree payment terms with each supplier when placing orders; and

b) adhere to the agreed terms.

The Group's average creditor payment period at 31 March 2007 was 32 days.

Annual General Meeting

Notice of the Annual General Meeting is set out on page 40. Information relating to certain of the resolutions is given or referred to in the notes forming part of the notice.

Audit Issues

In the case of each of the persons who are directors of the Company at the date when this report was approved:

- so far as each of the directors is aware, there is no relevant audit information (as defined by the Companies Act 1985) of which the Company's auditors are unaware; and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

Ernst & Young LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

Carolyn Smith
Company Secretary

Corporate Governance Statement

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

The Board of Directors

The Board comprises six directors: the Chairman, Garry Watson, three non-executive directors, Edward Cunningham, Shonaig Macpherson and Donald Turner, and two executive directors, the Chief Executive, Geoffrey Thomson and Chief Investment Officer, Carolyn Smith. Certain executive and non-executive directors are clients of Braveheart Ventures Limited, the Company's investment management subsidiary, and all but one of the directors are members of the Company's share option scheme.

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

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

The Board meets at least eight times per annum. It has appointed an audit and risk committee and a remuneration committee, particulars of which appear hereafter. Given the size of the Board, the directors do not consider it appropriate to have a nominations committee, its functions being fulfilled by the Board itself.

Non-executive Directors

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

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

Delegation of Responsibilities by the Board of Directors

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

Audit and Risk Committee

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

Remuneration Committee

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

Attendance at Board and Committee Meetings

The following table summarises the number of board and committee meetings held during the year and the attendance record of individual directors:

	Board	Audit and Risk	Remuneration
No. of meetings in the year	10	3	0*
G S Watson	10		
E B Cunningham	10	3	
A L A S Macpherson	5		
D I Turner	9	3	
G C B Thomson	10		
C Smith	7		

* the Remuneration Committee met once during the calendar year

Share Dealings

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

Investment Authorities

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

Risk Management and Internal Control

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

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

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

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

Communication with Shareholders

The Board has always sought to maintain good communication with its shareholders and, following the admission of its shares to trading on AIM, has reviewed the most effective means of doing so. The Company has particularly close relationships with its investment clients, many of whom are also shareholders, and the Board is convinced that the Company's progress will be enhanced by listening carefully to the views of both shareholders and clients, many of whom are experienced business people and successful entrepreneurs.

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

Directors' Remuneration Report

Remuneration Committee
The Remuneration Committee is comprised entirely of non-executive directors. It is chaired by Edward Cunningham and its other members are Garry Watson and Shonaig Macpherson. The Chief Executive, Geoffrey Thomson, attends by invitation and assists the Committee. The Committee met once during 2006.

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

Determination of Directors' and Senior Management's Salaries
The Remuneration Committee determines these salaries in relation to the tasks and responsibilities involved and the level of comparable salaries in the market place. In particular, the Committee seeks to ensure that salaries are competitive. The Committee takes performance into account through the Company's appraisal process. In its final determination of salaries, the Committee's conclusions are set within what is affordable. The Company does not currently contribute to any pension schemes nor provide any benefits in kind.

Executive Director Service Agreements
Each of the executive directors has a service agreement with the Company. These are rolling agreements that can be terminated by either party giving the other written notice at any time, not less than six months in the case of Geoffrey Thomson and not less than three months in the case of Carolyn Smith.

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

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

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

	Basic salary and fees £	Bonuses £	Total 2007 £	Total 2006 £
Executive directors:				
G C B Thomson	100,000	43,788	143,788	86,750
C Smith	72,500	13,975	86,475	50,000
Non-executive directors:				
G S Watson	7,000	–	7,000	5,000
E B Cunningham	5,000	–	5,000	3,000
D I Turner	5,000	–	5,000	3,000
A L A S Macpherson	5,000	–	5,000	3,000
	194,500	**57,763**	**252,263**	**150,750**

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

Past Share Options

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

		Option	Exercise price	At 1 April 2006 No.	Exercised during the year No.	At 31 March 2007 No.
G S Watson	(a)	D1	£2.275	8,250	(8,250)	–
	(b)	D2	£2.975	8,250	(8,250)	–
	(c)	E2	£0.77	6,399	(6,399)	–
				22,899	(22,899)	–
E B Cunningham	(a)	D1	£2.275	8,250	(8,250)	–
	(b)	D2	£2.975	8,250	(8,250)	–
	(c)	E2	£0.77	6,398	(6,398)	–
				22,898	(22,898)	–
G C B Thomson	(d)	C	£0.10	334,900	(334,900)	–
	(a)	D1	£2.275	50,000	(50,000)	–
	(b)	D2	£2.975	50,000	(50,000)	–
	(e)	E	£0.77	7,511	(7,511)	–
	(c)	E2	£0.77	15,000	(15,000)	–
	(f)	F	£0.77	7,142	(7,142)	–
	(g)	G	£3.85	8,292	(8,292)	–
				472,845	(472,845)	–
D I Turner	(a)	D1	£2.275	6,750	(6,750)	–
	(b)	D2	£2.975	6,750	(6,750)	–
	(c)	E2	£0.77	6,398	(6,398)	–
				19,898	(19,898)	–
A L A S Macpherson	(g)	G	£2.00	5,000	(5,000)	–
C Smith	(a)	D1	£2.275	7,500	(7,500)	–
	(b)	D2	£2.975	7,500	(7,500)	–
	(e)	E	£0.77	3,819	(3,819)	–
	(c)	E2	£0.77	15,000	(15,000)	–
	(f)	F	£0.77	4,285	(4,285)	–
	(g)	G	£3.85	5,183	(5,183)	–
				43,287	(43,287)	–

At the date of exercise, the Company's share price was deemed to be £1.33 per share.

The options were exercisable between the following dates:

Option	Exercise period
(a)	26 Aug 2003 – 26 Aug 2007
(b)	26 Aug 2003 – 26 Aug 2007
(c)	15 Dec 2004 – 15 Dec 2009
(d)	12 Dec 2002 – 12 Dec 2012
(e)	11 May 2004 – 11 May 2009
(f)	19 Apr 2005 – 19 Apr 2010
(g)	31 Mar 2006 – 31 Mar 2011

Statement of Directors' Responsibilities

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

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

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and of the Group and enable them to ensure that the financial statements comply with the Companies Act 1985 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditors' Report

to the members of Braveheart Investment Group plc

We have audited the Group and Parent Company financial statements (the 'financial statements') of Braveheart Investment Group plc for the year ended 31 March 2007, which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statement of Changes in Equity and the related notes 1 to 19. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report or for the opinions we have formed.

Respective responsibilities of directors and auditors

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

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

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements are properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Operating and Financial Review that is cross referenced from the Business Review section of the Directors' Report.

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

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman's Statement, Operating and Financial Review, Corporate Governance Statement, the Directors' Remuneration Report and Notice of Annual General Meeting. We consider the implications for our report if we become aware of any apparent misstatement or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

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

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

Opinion

In our opinion:

- the Group and Parent Company financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the Group's and the Parent Company's affairs as at 31 March 2007 and of the Group's loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the financial statements.

Ernst & Young LLP
Registered Auditor
Edinburgh
31 July 2007

Group Income Statement

For the year ended 31 March 2007

	Notes	2007 £	2006 £
Revenue	3	538,686	519,458
Realised profit on the disposal of investments	11	78,152	5,060
Unrealised profit/(loss) on the revaluation of investments	11	(82,372)	10,105
Finance revenue	5	48,713	17,009
Total income		**583,179**	**551,632**
Staff costs	4	(472,400)	(265,269)
Other operating costs		(274,430)	(150,802)
Total costs		**(746,830)**	**(416,071)**
Profit/(loss) before taxation		**(163,651)**	**135,561**
Tax (charge)/credit	7	6,755	(14,301)
Profit/(loss) for the period		**(156,896)**	**121,260**

Earnings/(loss) per share		Pence	Pence
– basic	9	(0.016)	0.020
– diluted	9	(0.016)	0.015

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

Group Balance Sheet

As at 31 March 2007

	Notes	2007 £	2006 £
ASSETS			
Non-current assets			
Property, plant and equipment	10	26,217	29,072
Investments at fair value through profit or loss	11	896,156	311,431
Deferred tax asset	7	5,056	25,838
Current assets			
Trade and other receivables	14	61,602	165,258
Current tax asset		24,577	–
Cash and cash equivalents	15	6,481,751	746,461
Total assets		**7,495,359**	**1,278,060**
LIABILITIES			
Current liabilities			
Trade and other payables	16	(242,370)	(88,981)
Current tax liability		–	(24,888)
Deferred income		(38,770)	(35,808)
Total liabilities		**(281,140)**	**(149,677)**
Net assets		**7,214,219**	**1,128,383**
EQUITY			
Called up share capital	17	268,078	127,692
Share premium account		7,001,588	896,593
Retained earnings		(55,447)	104,098
Total equity		**7,214,219**	**1,128,383**

Approved for issue by the Board of Directors on 27 July 2007 and signed on its behalf by:

Garry S Watson
Chairman

Company Balance Sheet

As at 31 March 2007

	Notes	2007 £	2006 £
ASSETS			
Non-current assets			
Investments at fair value through profit or loss	11	896,156	311,431
Investment in subsidiary	12	224,190	224,190
Current assets			
Trade and other receivables	14	46,160	4,477
Cash and cash equivalents	15	6,160,316	510,128
Total assets		**7,326,822**	**1,050,226**
LIABILITIES			
Current liabilities			
Trade and other payables	16	(86,167)	(16,739)
Current tax liability		(15,301)	(2,157)
Total liabilities		**(101,468)**	**(18,896)**
Net assets		**7,225,354**	**1,031,330**
EQUITY			
Called up share capital	17	268,078	127,692
Share premium account		7,001,588	896,593
Retained earnings		(44,312)	7,045
Total equity		**7,225,354**	**1,031,330**

Approved for issue by the Board of Directors on 27 July 2007 and signed on its behalf by:

Garry S Watson
Chairman

Group Cash Flow Statement

For the year ended 31 March 2007

	2007 £	2006 £
Operating activities		
Profit/(loss) before tax	(163,651)	135,561
Adjustments to reconcile profit before tax to net cash flows from operating activities		
Depreciation of property, plant and equipment	7,662	7,535
Share-based payments expense	–	17,185
(Increase)/decrease on the revaluation of investments	82,372	(10,105)
Loss on disposal of property, plant and equipment	1,344	163
Interest income	(48,713)	(17,009)
Increase in investments	(667,097)	(256,068)
Decrease/(increase) in trade and other receivables	103,656	(51,738)
Increase in trade and other payables	156,549	60,337
Tax paid	(24,577)	–
Net cash flows from operating activities	**(552,455)**	**(114,139)**
Investing activities		
Purchase cost of property, plant and equipment	(6,151)	(9,982)
Interest received	48,713	17,009
Net cash flows used in investing activities	**42,562**	**7,027**
Financing activities		
Proceeds from issue of shares	6,968,350	739,290
Transaction costs of issue of shares	(722,969)	(39,508)
Repayment of capital element of hire purchase contract	(198)	(1,086)
Net cash flows used in financing activities	**6,245,183**	**698,696**
Net increase in cash and cash equivalent	5,735,290	591,584
Cash and cash equivalent as at 1 April	746,461	154,877
Cash and cash equivalent as at 31 March	**6,481,751**	**746,461**

Company Cash Flow Statement

For the year ended 31 March 2007

	2007 £	2006 £
Operating activities		
Profit/(loss) before tax	(38,213)	8,793
Adjustments to reconcile profit before tax to net cash flows from operating activities		
(Increase)/decrease on the revaluation of investments	82,372	(10,105)
Interest income	(36,721)	(10,357)
Increase in investments	(667,097)	(256,068)
(Increase) in trade and other receivables	(41,683)	(4,214)
Increase in trade and other payables	69,428	13,352
Net cash flows from operating activities	**(631,914)**	**(258,599)**
Investing activities		
Interest received	36,721	10,357
Net cash flows used in investing activities	**36,721**	**10,357**
Financing activities		
Proceeds from issue of shares	6,968,350	739,290
Transaction costs of issue of shares	(722,969)	(39,508)
Net cash flows used in financing activities	**6,245,381**	**699,782**
Net increase in cash and cash equivalent	5,650,188	451,540
Cash and cash equivalent as at 1 April	510,128	58,588
Cash and cash equivalent as at 31 March	**6,160,316**	**510,128**

Statement of Changes in Equity

For the year ended 31 March 2007

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

Group	Share Capital £	Share Premium £	Retained Earnings £	Total £
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 payments	–	–	17,185	17,185
Share-based payments – deferred tax	–	–	10,399	10,399
Balance as at 31 March	**127,692**	**896,593**	**104,098**	**1,128,383**

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

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

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

Company	Share Capital £	Share Premium £	Retained Earnings £	Total £
Balance at 1 April	114,914	209,589	171	324,674
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	–	–	6,874	6,874
Balance as at 31 March	**127,692**	**896,593**	**7,045**	**1,031,330**

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

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

Notes to the Financial Statements

For the year ended 31 March 2007

1 Corporate information

The Group's and Company's financial statements of Braveheart Investment Group plc (the 'Company') for the year ended 31 March 2007 were authorised for issue by the Board of the directors on 27 July 2007 and the balance sheets were signed on the Board's behalf by Garry Watson.

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

The effect of the Group's conversion from UK GAAP to International Financial Reporting Standards (date of transition being 1 April 2003) has already been communicated to shareholders in its Placing and Admission to AIM document in March 2007.

2 Accounting policies

(a) Basis of preparation

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

The Company has taken advantage of the provision of s230 of the Companies Act 1985 not to publish its own Income Statement. The amount of loss for the financial period dealt with in the financial statements of the Company is set out in note 8 to the accounts.

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

(b) Basis of consolidation

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

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

(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.

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) 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. Interest income is interest earned on bank deposit accounts.

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

(e) 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 are 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 13.

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

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

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.

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

Depreciation has been provided on the following basis annually:

Computer equipment	33.3% reducing balance
Fixtures and fittings	20.0% reducing balance

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

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

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.

Notes to the Financial Statements continued

For the year ended 31 March 2007

(i) Impairment of financial assets

The Group assesses at each balance sheet date whether a financial asset is impaired. If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

(j) The Company's investment in its subsidiary

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

(k) 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.

(l) Cash and cash equivalents

Cash and short term deposits in the balance sheet comprise cash at bank and in hand and short term deposits 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.

(m) Trade receivables

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

(n) New standards and interpretations not yet applied

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

International Accounting Standards (IAS/IFRS)	Effective date
IFRS 7 Financial Instruments: Disclosures	1 January 2007
IAS 1 Amendment – Presentation of Financial Statements: Capital Disclosures	1 January 2007
IFRIC 8 Scope of IFRS 2	1 May 2006
IFRIC 9 Reassessment of Embedded Derivatives	1 June 2006

3 Revenue

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

	Group 2007 £	Group 2006 £
Deal fees	460,448	434,371
Client subscriptions	78,238	71,187
Facilitation fee	–	13,900
	538,686	**519,458**

4 Employee benefits expense

	Group 2007 £	Group 2006 £
Salaries	423,132	223,531
Social security costs	49,268	24,553
Expense of share-based payments	–	17,185
	472,400	**265,269**

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

	No.	No.
	8	6

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

The remuneration of the Directors, who are key management personnel of the Group, is set out in the Directors' Remuneration Report on pages 20 to 21.

5 Finance revenue

	Group 2007 £	Group 2006 £
Bank interest receivable	47,539	17,009
Income from investments	1,174	–
	48,713	**17,009**

6 Profit/(loss) for the year

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

	Group 2007 £	Group 2006 £
Depreciation of property, plant and equipment	7,662	7,535
Lease payments recognised as an operating lease (office rent)	45,000	38,898
Loss on the disposal of plant, property and equipment	1,344	163
Auditors remuneration:		
– audit	28,250	6,000
– audit of the parent company	3,000	3,000
– taxation compliance	6,540	2,500
– corporate finance services	32,770	–
– other services	–	5,043

Notes to the Financial Statements continued

For the year ended 31 March 2007

7 Taxation on profit on ordinary activities

	Group 2007 £	Group 2006 £
UK corporation tax	(17,138)	24,888
Deferred tax	10,383	(10,587)
Tax charge/(credit) in the income statement	**(6,755)**	**14,301**
Tax relating to items charged or credited to equity		
Deferred tax: share-based payments	10,399	(10,399)
Current tax: share-based payments	(7,750)	–
Tax charge/(credit) in equity	**2,649**	**(10,399)**
Reconciliation of total tax charge		
Profit before tax	(163,651)	135,561
Tax on profit on ordinary activities at the rate of 19%	(31,094)	25,757
Expenses not deductible for tax purposes	12,645	1,149
Tax relief on share-based payments	–	(10,689)
Unprovided deferred tax	13,493	2,066
Reduction in unutilised tax losses	–	(5,141)
Prior year adjustment	(311)	–
Other	(1,488)	1,159
Total tax reported in the income statement	**(6,755)**	**14,301**

Deferred tax

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

	2007 £	2006 £
Deferred tax liability		
Accelerated capital allowances	1,747	3,160
Revaluation of investments	–	2,157
Total deferred tax liability	1,747	5,317
Deferred tax asset		
Short term timing differences	(6,803)	(6,803)
Share-based payments	–	(24,352)
Total deferred tax asset	(6,803)	(31,155)
Total deferred tax as reported in the balance sheet	**(5,056)**	**(25,838)**

8 Profit/(loss) attributable to members of the parent company

	2007 £	2006 £
Profit/(loss) of the parent company only	**(51,357)**	**6,874**

9 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 in issue:

	2007 £	2006 £
Profit/(loss) for the year	(156,896)	121,260
Weighted average number of ordinary shares in issue:		
For basic earnings per ordinary share	9,412,875	6,011,900
Dilutive effect of exercisable options	–	1,827,935
	9,412,875	**7,839,835**

The weighted average number of ordinary shares in issue in 2006 has been adjusted to reflect the subdivision (ordinary shares of 10p each were subdivided into 2p ordinary shares) that occurred on 16 May 2006.

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.

10 Property, plant and equipment

	Fixtures & fittings £	Computer equipment £	Group Total £
At 1 April 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	6,121	6,151
Disposals	(1,094)	(1,963)	(3,057)
At 31 March 2007	**27,572**	**30,328**	**57,900**
Accumulated depreciation			
At 1 April 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 year	3,715	3,947	7,662
Disposals	(599)	(1,114)	(1,713)
At 31 March 2007	**13,059**	**18,624**	**31,683**
Net Book Value			
At 31 March 2007	**14,513**	**11,704**	**26,217**
At 31 March 2006	18,693	10,379	29,072

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

Notes to the Financial Statements continued

For the year ended 31 March 2007

11 Investments at fair value through profit or loss

	Unlisted £	AIM Listed £	Total £
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	519,722	205,433	725,155
Transfers	(70,141)	70,141	–
Disposals – Proceeds	–	(136,210)	(136,210)
– Gain on disposal	–	78,152	78,152
Cost at 31 March 2007	740,792	226,377	967,169
Unrealised gain/(loss) on the revaluation of assets	(20,481)	(50,532)	(71,013)
Valuation at 31 March 2007	**720,311**	**175,845**	**896,156**

12 Investment in subsidiary

The Company holds an investment in its subsidiary company Braveheart Ventures Ltd, totalling £224,190 and consisting of 100% of the issued 10p ordinary share capital and 100% of the issued redeemable preference shares. Braveheart Ventures Ltd is a company registered in Scotland.

13 Share-based payments

The Group operated an unapproved share option scheme. The C options were originally granted in Braveheart Ventures Ltd 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.

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

The share options were awarded annually by the Board (taking account of recommendations from the Remuneration Committee following its establishment) based on the performance of the individual employee. All option schemes were established with the objective of providing incentive 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 under the above schemes.

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

	2007 £	2006 £
Expense arising from equity-settled share-based payments transactions	–	17,185

	2007 No.	2006 No.
Number of share options:		
Outstanding at the beginning of the year	605,656	563,186
Granted during the year	–	42,570
Exercised during the year	(605,656)	(100)
Outstanding at the end of the year	–	605,656
Exercisable at the end of the year	–	605,656

	2007 £	2006 £
Weighted average exercise price of share options:		
Outstanding at the beginning of the year	0.96	0.92
Granted during the year	–	1.55
Exercised during the year	0.96	0.96
Outstanding at the end of the year	–	0.96
Exercisable at the end of the year	–	0.96

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

All remaining options were exercised on 7 April 2006 and the share price at the date of exercise was deemed to be £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:

	C option	D1 option	D2 option	E option	E2 option	F option	G option
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

The options had no performance conditions attached and vested 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.

14 Trade and other receivables

	Group 2007 £	Group 2006 £	Company 2007 £	Company 2006 £
Trade receivables	26,663	132,346	–	–
Amounts due from subsidiary undertaking	–	–	18,406	3,355
Prepayments and accrued income	34,939	32,912	27,754	1,122
	61,602	**165,258**	**46,160**	**4,477**

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

15 Cash and cash equivalents

	Group 2007 £	Group 2006 £	Company 2007 £	Company 2006 £
Cash at bank and on hand	**6,481,751**	**746,461**	**6,160,316**	**510,128**

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

Notes to the Financial Statements continued

For the year ended 31 March 2007

16 Trade and other payables

	Group 2007 £	Group 2006 £	Company 2007 £	Company 2006 £
Trade and other payables	9,516	861	–	–
Amounts due to subsidiary undertaking	–	–	2,667	6,739
Other taxes and social security	84,450	46,409	–	–
Accruals	148,404	41,711	83,500	10,000
	242,370	**88,981**	**86,167**	**16,739**

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

17 Share Capital

	2007 £	2006 £
Authorised		
2,000,000 ordinary shares of 10p each	–	200,000
33,645,000 ordinary shares of 2p each	672,900	–
Allotted, called up and fully paid		
1,276,919 ordinary shares of 10p each	–	127,692
13,403,895 ordinary shares of 2p each	268,078	–

During the year ended 31 March 2006, 127,782 ordinary shares of 10p were issued, with an aggregate nominal value of £12,778, 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 an option agreement.

All remaining share options were exercised on 7 April 2006 for a total consideration of £582,719.

In accordance with the 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.

On 30 March 2007, the Company issued 3,991,020 shares of 2p each on admission to the Alternative Investment Market of the London Stock Exchange with an aggregate nominal value of £79,820 for a total consideration of £6,385,631.

18 Operating lease commitments

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

Future minimum rentals payable under operating leases are as follows:

	2007 £	2006 £
Lease expiring:		
in more than five years	**45,000**	**45,000**

19 Financial risk management objectives and policies (Group and Company)

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

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

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

Credit risk

The Group has no significant concentration of credit risk.

Interest rate risk

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

Interest rate risk profile of financial assets and liabilities

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

Year ended 31 March 2007

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

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

Year ended 31 March 2006

Floating rate	Within 1 year £	1-2 years £	2-3 years £	3-4 years £	4-5 years £	Total £
Cash	746,461	–	–	–	–	746,461

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 12 months to 31 March 2007 of £5,626 (2006:£6,371).

Liquidity risk

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

Market price risk

The Group is exposed to market price risk due to its investment portfolio. The performance of the Group is partly dependent on the market price of the investments within the portfolio. The Group monitors its exposure to market risk through sensitivity analysis. It is estimated that the maximum effect of a 10 per cent fall in market prices to which the Group is exposed would be a reduction in profit before tax for the twelve months to 31 March 2007 of £17,341 (2006:£490).

Foreign currency risk

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

Fair values of financial assets

The fair value of cash deposits is not materially different from book value. The fair values of quoted investments are based on open market values and are carried at this amount according to the Group's accounting policy. The directors have estimated the fair value of unlisted investments in accordance with the 'International private equity and venture capital valuations' guidelines.

Notice of Annual General Meeting

Braveheart Investment Group plc ('the Company')
(Registered in Scotland with company number: SC247376)

NOTICE IS HEREBY GIVEN that an Annual General Meeting of the Company will be held at the Royal Perth Golfing Society & County and City Club, 1 Atholl Crescent, Perth, PH1 5NG on Wednesday 12 September 2007 at 12.30 pm to consider the following:

ORDINARY BUSINESS

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

Resolution 1 THAT the audited accounts of the Company for the financial year ended 31 March 2007 and the reports of the directors and auditors thereon, be received;

Explanation of Resolution 1: The directors are required by law to present to the shareholders of the Company at a general meeting the audited accounts of the Company for the financial year ended 31 March 2007 and the reports of the directors and auditor thereon. The report of directors and the audited accounts have been approved by the directors, and the report of the auditors has been approved by the auditors. A copy of each of these documents may be found in the annual report of the Company.

Resolution 2 THAT Ernst & Young LLP be re-appointed as auditors of the Company to hold office until the conclusion of the next general meeting of the Company before which audited accounts are laid;

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

Resolution 3 THAT the directors be authorised to determine the remuneration of the auditors;

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

Resolution 4 THAT Garry Sanderson Watson be re-elected as a director of the Company;

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

Resolution 5 THAT Geoffrey Charles Byars Thomson be re-elected as a director of the Company;

Explanation of Resolution 5: Geoffrey Thomson, Chief Executive Officer of the Company, is retiring by rotation pursuant to the requirements of the Company's Articles of Association and is making himself available for re-election. Biographical details for Mr Thomson are shown on page 15 of the annual report.

Resolution 6 THAT Donald Ian Turner be re-elected as a director of the Company;

Explanation of Resolution 6: Donald Turner, a non-executive director of the Company, is retiring by rotation pursuant to the requirements of the Company's Articles of Association and is making himself available for re-election. Biographical details for Mr Turner are shown on page 15 of the annual report.

Resolution 7 THAT John Kenneth Brown be appointed as a director of the Company;

Explanation of Resolution 7: Mr Brown has been Finance Director of Kenmore Property Group since 1999 during which time its gross assets have grown from £40m to £1.7bn and its profits from £1m to £30m. He has extensive experience of negotiating corporate acquisitions and disposals, of structuring joint venture and property fund arrangements and of arranging both equity and debt finance. Earlier, Mr Brown was Group Finance Director of Eclipse Blinds plc and before that Group Finance Director of Ayrshire Metal Products plc.

Registered office:	BY ORDER OF THE BOARD
The Cherrybank Centre	Carolyn Smith
Cherrybank Gardens	Company Secretary
Perth	
PH2 0PF	Dated: 16 August 2007

Notes:

1. A member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.
2. To be valid, a form of proxy (other than an electronic communication appointing a proxy) together with the power of attorney or other authority (if any) under which it is signed (or a copy of such authority certified notarially) must be lodged at the office of the Company's registrars, Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU by 12.30 pm on 10 September 2007, or not less than 48 hours before the time appointed for holding any adjourned meeting.
3. Pursuant to Registration 41 of the Uncertificated Securities Regulation 2001, the Company has specified that only those shareholders registered in the register of members of the Company as at 12.30 pm on 10 September 2007 or, in the event that this meeting is adjourned, in the register of members 48 hours before the time of any adjourned meeting, will be entitled to vote, or to appoint one or more proxies to vote on their behalf, at this meeting in respect of the number of shares registered in their names at that time. Changes to entries on the register of members after 12.30 pm on 10 September 2007 or, in the event that this meeting is adjourned, in the register of members 48 hours before the time of any adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the meeting.

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