BRAVEHEART
INVESTMENT GROUP

Braveheart Investment Group plc
Annual Report and Accounts 2010

Braveheart Investment Group plc makes and manages investments in young emerging British companies. We specialise in building tax efficient portfolios for high net worth clients and institutions. Established in 1997, we have a track record of producing market leading returns for our clients.

Our business is based on the following principles:

Growth, Support, Service and Partnership

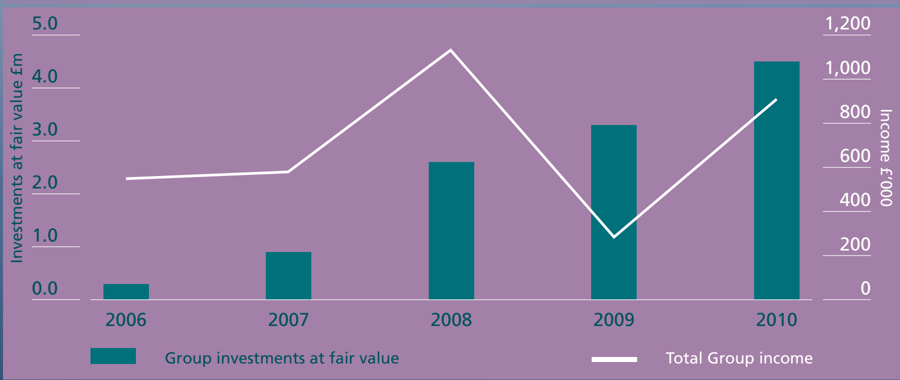
Operational

- Acquired Yorkshire-based Viking Fund Managers Ltd (VFM) (formerly Inkopo Ltd)
- VFM's management service agreement to administer the Yorkshire Association of Business Angels renewed for a further three years
- First investments made by Strathclyde Innovation Fund
- Further investment of £1.70m by Group and its clients made into 13 portfolio companies
- Client exit portfolio showing an internal rate of return of 30% (2009: 33%)
- Overall client portfolio (being both realised and unrealised investments) showing an internal rate of return of 23% (2009: 24%)

Financial

- Investment management and consultancy income increases to £568,000 (2009: £350,000)
- Net unrealised gain on revaluation of portfolio investments of £316,000 (2009: loss of £278,000)
- Total income increases 220% to £918,000 (2009: £287,000)
- Loss before tax decreases 39% to £767,000 (2009: £1.26m)
- Cash balances of £1.47m (2009: £3.22m)
- Net assets per share of 40.25p (2009: 46.03p)

Five year record



Disclaimer
This Annual Report contains certain forward-looking statements which reflect the knowledge of, and information available to, the directors at the date of preparation of this Annual Report. By their nature, these statements involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future and there are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements.

I have pleasure in providing shareholders with my Statement which accompanies the results of the Group for the year ended 31 March 2010.

Financial Markets Environment

During most of the year under review we continued to operate in the hostile market conditions that had been such a feature of 2008/09. We have kept our heads down, worked assiduously with our portfolio companies and taken further steps to implement our strategy of extending the base of our investment business.

In the final quarter of the year we welcomed early signs of recovery as some confidence returned to the equity markets and investors recognised that capitalism had survived the near melt-down of the financial markets. But we anticipate that recovery will be fragile, particularly as the sovereign debt problems of the European market are played out.

Results

Total income for the year ended 31 March 2010, including unrealised revaluation gains, was £918,000 (2009: £287,000).

In this turbulent market, our fee-based income from historic sources suffered some deterioration, but this was more than offset by a maiden contribution from Viking Fund Managers Ltd (VFM), and operating income before net movement on the revaluation of investments and interest income increased to £568,000 (2009: £350,000).

In addition, we recorded a net unrealised gain arising on the revaluation of our portfolio investments of £316,000 (2009: loss of £278,000). Interest income fell sharply to £34,000 (2009: £215,000).

Total operating costs increased to £1.68m (2009: £1.54m) reflecting our expansion, although non-payroll related costs were 39% lower at £455,000 (2009: £742,000) and the loss after tax for the year decreased to £767,000 (2009: £1.25m) which equates to a loss per share of 5.61p (2009: 9.22p).

Cash utilisation rose marginally in the year to £1.75m (2009: £1.59m) and comprised £176,000 (2009: £nil) related to the acquisition of VFM, £557,000 (2009: £1.06m) invested in portfolio companies, and £1.01m (2009: £523,000) used in other operating activities.

During the second half of the year the Board conducted a thorough review of the Group's cost base and steps were taken to effect reductions to ensure that our operations were as tight as was compatible with the provision of a quality client service, the stewardship of our assets, and the safety of our business.

"We have kept our heads down, worked assiduously with our portfolio companies and taken further steps to implement our strategy of extending the base of our investment business."

The Group continues to have a strong financial position with cash balances of £1.47m (2009: £3.22m) and net assets of £5.60m (2009: £6.17m), equivalent to 40.25p per share, at the year end (2009: 46.03p).

Growth Strategy

Experience has demonstrated that our earlier business model, which largely relied upon income linked to the level of client investment, resulted in it being increasingly difficult to cover the costs of managing our own portfolio and those of our clients during periods of low investor activity. Following the acquisition of Yorkshire-based VFM a year ago, we are working on further opportunities to extend our business with the aim of completing the transformation of Braveheart from a strictly Scottish investor in university intellectual property into a more broadly based UK group that invests directly in early stage technology companies, manages the investment of client and third party funds, and uses corporate finance skills to match entrepreneurs with business angels.

Moving forward, we intend that Braveheart's expanded business should have a more diversified income stream, increased skills, and the opportunity to develop a UK-wide client base. Our Chief Executive Officer explains our plans for our enlarged Group in greater detail in his Report.

Investment Portfolio

As noted in my Interim Statement, we have been committed to supporting our promising portfolio companies through the financial turmoil with both infusions of capital and advice where appropriate. As is the nature of our business, some companies have unfortunately failed to survive, but within our investment portfolio there are some increasingly exciting and mature companies as highlighted in our Chief Investment Officer's Report.

Board, Management and Staff

There were no changes in our Board of Directors during the year.

We are fortunate in the quality and the skills of our management and staff who work together as a closely knit team. We place high demands upon our staff, and I should like to thank them for their enthusiasm and commitment during what was a particularly difficult year.

Prospects

We have a demanding year ahead of us as we work towards extending the base of our client income, expanding VFM's fund management reach and building a truly UK-wide investment group with consequent benefits for our fee-based income stream.

At the same time, a number of our portfolio investments are approaching the point where realisation can be targeted and both Braveheart and portfolio company management are focused on that objective. We will use our skills to bring these realisations to fruition, with positive implications for cash flow and liquidity.

Annual General Meeting

The notice regarding the business to be dealt with at the Company's Annual General Meeting, to be held on 16 September 2010, is set out on pages 55 to 59.

In particular I would like to draw your attention to Resolution 7 which authorises the directors to allot up to 10,729,926 new shares without reverting to shareholders for further approval. This authority will allow the Group to pursue its growth strategy through measured M&A activity.

Your directors are unanimously in favour of Resolutions 1-10 (inclusive), which they consider to be in the best interests of the shareholders as a whole.

Accordingly, your directors recommend shareholders to vote in favour of these resolutions, as they intend to do in respect of their own beneficial shareholdings.

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

Garry S Watson
Chairman

My most recent report to shareholders was dated last December. Since then much has happened that will impact both business and personal wealth in the UK:

The crisis in Europe is still unfolding and we are unsure how the Euro will fare in this fight, and of the potential impact on Sterling. Our own sovereign debt is a massive weight on our shoulders and wage earners, tax payers, savers and borrowers alike are all going to feel the pain of reducing this burden over the next few years.

Our financial results as outlined in this report continue to reflect the depressed state of the market. However as a result of our M&A activity during the year (as more fully described below) and the reversal of unrealised revaluation losses on our portfolio last year into gains this year, total income has increased to £918,000 (2009: £287,000) and losses after tax have fallen to £767,000 (2009: £1.25m). We continue to have a strong net asset position of £5.60m (2009: £6.17m) including cash balances of £1.47m (2009: £3.22m). Colin Grant expands on these results in his Chief Financial Officer's report on pages 6 and 7.

Since we listed in March 2007 we have, as planned, spent a large part of the IPO proceeds on our portfolio. We deal principally with early stage technology companies and these types of businesses take time to mature and generate returns for shareholders. Inevitably, the lemons ripen before the pears and this means that losses are shown before gains materialise. After three years our portfolio is maturing in line with expectation and we expect that, subject to the market being receptive, we will be realising a number of investments over the next two years and that shareholders will be pleased with the results.

Last year I talked about prudence and how it was vital to run our business in a conservative way and to plan for the long term. That view has not changed and I can report to you that we have 'stuck to our knitting' whilst running our businesses with an eye on what might be round the corner, rather than what is simply staring us in the face. In everyday terms, this has meant;

- Concentrating on our key portfolio assets
- Controlling costs
- Managing our cash wisely
- Seeking out opportunities for growth
- Working with and integrating the acquisition we made last year

I comment on these individual aspects as follows:

1. Other than our people, our portfolio remains our key asset. During the year we have continued to support our better companies with additional resources and management support particularly in terms of corporate development and re-financings. This means we have provided further funding, by way of equity or loans, to 12 of our companies. Weaker elements of the portfolio, or companies that have not hit their milestones, have been rationalised or closed down. Three businesses fell into these categories: two of these were legacy investments which we acquired when we purchased W L Ventures Ltd (renamed Caledonia Portfolio Realisations Ltd) and one was a directly held investment.

2. Whilst supporting our portfolio is vital, so is our ability to support our investment management clients. However, the appetite for investment from these high net worth clients has diminished in the current market and consequently we pared back our headcount without detracting from the quality of service we provide. Our business might be fairly complex, but we are a relatively small operation, currently 20 staff, and our overhead is simple to review. We shine the spotlight on our cost base on a regular basis to ensure that we are carrying no more cost than is absolutely necessary.

3. We use our cash to support portfolio companies, and wherever possible we 'gear' our money from other sources because this makes our cash go further. In 2009/10 for each £1 invested by Braveheart and its clients we raised in excess of £2.30 from elsewhere. We also use our cash to underpin the overhead cost of supporting the portfolio. In the year under review, with the exception of one modest investment into a Yorkshire-based company, we only invested in companies already in our portfolio.

4. Our London office has been instrumental in identifying M&A possibilities and in the last 12 months we have actively considered a number of such opportunities. We are currently at Heads of Terms with one opportunity and in the event that due diligence is positive, we would anticipate being able to complete this transaction in the near term.

5. Since acquiring Viking Fund Managers Ltd (VFM) (formerly Inkopo Ltd) last June we have worked with them on a number of major initiatives and, as described above, the business has made an important maiden contribution to our results. When we acquired VFM all of its business was carried out within the one entity. We have recently separated the investment management side of the business from the business advisory activity and it is intended that the latter will shortly commence trading as Inkopo Consulting Ltd, utilising the Inkopo brand which is an established name in the market. VFM's investment business spans running investor networks (such as the Yorkshire Association of Business Angels and the Viking Club) and fund management activities (such as the Viking Fund and Viking Loan Fund).

"Our ongoing strategy is to continue to build shareholder value by way of both portfolio development and growth of our investment management business."

Last September we announced that HMG had accredited us as an approved lender under the Enterprise Finance Guarantee Scheme (EFG). At that time EFG had a longstop date of 31 March 2010, and while the outgoing government extended the scheme by a further year the quantum of guarantee was significantly reduced. In the Emergency Budget, the new coalition government extended the quantum of the scheme by 40% but as at the time of writing have remained silent on timing implications. While it is difficult to devote resources to a short term scheme we are hopeful that the scheme will be further extended and we are holding preliminary talks about setting up a dedicated pilot fund for a specialised SME loan vehicle.

We test marketed our Beta EIS Fund in Q4 of our last fiscal year, but given market conditions and the lack of clarity in the political situation, there was limited interest in the EIS market as a whole. Consequently we withdrew our offer. Given that we now have a new government and higher rates of tax, we expect to market a segregated EIS portfolio fund later this year.

We have exclusive relationships with the universities of Strathclyde and Aberdeen. Our specialist dedicated fund for intellectual property commercialisation at Strathclyde, the Strathclyde Innovation Fund, made its first investments during the year and we are seeing a number of opportunities coming forward from that University. We are also working closely with Aberdeen's Research and Innovation department and we anticipate that one of the opportunities, that we have been working on jointly, will come to fruition over the next six months.

Since the acquisition of VFM we have established a management board comprising myself, Carolyn Smith, Colin Grant and the two Yorkshire-based executive directors of VFM, Andrew Burton and Viv Hallam. This group meets monthly and, in addition to operational reporting, provides an important source of feedback on market development and opportunity for our Group plc Board.

Our ongoing strategy is to continue to build shareholder value by way of both portfolio development and growth of our investment management business. In time we plan to build three brands in the market, split into private client investment management, fund management and management advisory services. We can see significant potential for growth in all of these areas.

In closing, I would like to thank shareholders for their continuing support, our private client investors for their resilience in difficult market conditions, and our staff for their loyalty and hard work.

Geoffrey C B Thomson
Chief Executive Officer

Overview

On 5 June 2009, the Company acquired the entire issued share capital of Inkopo Ltd, subsequently renamed Viking Fund Managers Ltd (VFM), a specialist investment business based in Yorkshire.

Accordingly the results for the year ended 31 March 2010 include those of VFM since the acquisition date.

Fee-based income for the year has risen 62% and total income, including unrealised revaluation gains, has risen 220%.

Income comprises investment management revenue, consultancy income, valuation movements on our investment portfolio and finance income. While each revenue stream is reported to, and reviewed by, the Board, given the small number of Group employees and the commonality of resources which generate these revenue streams, separate statements of comprehensive income are not prepared. Segmental information is not therefore available.

Historically, investment management revenue has been generated from portfolio companies, clients and other co-investors and was directly related to the number, value and equity-to-loan note funding mix of investments made in any given period. Now, VFM also generates investment management revenue from funds which it manages.

While the financial environment in which the Group has operated in the last twelve months has remained challenging, and fee-based income from historic sources suffered some degradation, this was more than offset by the contribution from VFM.

VFM also earns consultancy income from the provision of business advisory services to SMEs and local authorities.

The Group makes investments from its own cash resources. These investments have shown considerable resilience during the year and an unrealised revaluation gain has been generated.

Finance income is earned on the Group's surplus cash balances.

Reflecting the Group's expansion, employee numbers and related employee benefits expense have increased although other operating costs have been strictly controlled, resulting in a decreased loss.

Additionally, the Group maintained a strong net asset position at the year end.

Income

Total income for the year ended 31 March 2010 including unrealised revaluation gains was £918,000, an increase from £287,000 in 2009.

Investment management fee income was £483,000 (2009: £350,000) and included £237,000 generated by VFM, offsetting a decline in fees from historic sources due to reduced investment levels and changes in investment mix.

Consultancy income, earned for the first time by the Group from the provision of business advisory services by VFM, was £85,000.

At the start of the year, the Group's own active investment portfolio of 28 companies was valued at £3.26m. During the year the Group assumed one investment of £102,000 on the acquisition of VFM and made cash investments totalling £557,000 (2009: £1.06m) into one new and 12 existing portfolio companies. Of this cash investment, £247,000 (2009: £556,000) was made by way of equity and £310,000 (2009: £508,000) by way of convertible loan notes. No realisations were made in the year and three companies instigated insolvency proceedings. At 31 March 2010 the fair value of the active investment portfolio of 27 companies was £4.53m, resulting in an aggregate unrealised revaluation gain of £611,000 (2009: unrealised revaluation loss of £378,000). This comprises an unrealised gain of £19,000 (2009: unrealised loss £131,000) on listed equity investments, an unrealised gain of £735,000 (2009: unrealised loss of £22,000) on unlisted equity investments and an impairment charge of £143,000 (2009: £225,000) on convertible loan notes.

The Group's investments are held either by the Company, Caledonia Portfolio Realisations Ltd (CPR) (acquired in 2007), Strathclyde Innovation Fund LP (SIF) which made its first investments this year, or VFM. Of the aggregate unrealised revaluation gain described above, £585,000 (2009: unrealised loss of £201,000) related to CPR and was offset in part by an increase in contingent consideration of £295,000 (2009: reduction in contingent consideration of £100,000) payable on future exit values of its portfolio companies.

Finance income was £34,000 (2009: £215,000) reflecting decreasing cash balances throughout the year and low prevailing interest rates.

A summary analysis of the Group's performance is:

	2010 £'000	2009 £'000
Investment management revenue	**483**	350
Consultancy income	**85**	–
Fee-based investment management and consultancy income	**568**	350
Finance income	**34**	215
Net movement arising on the revaluation of investments	**316**	(278)
Total income	**918**	287
Employee benefits expense (including share-based compensation)	**(1,230)**	(800)
Other operating and finance costs	**(455)**	(742)
Total costs	**(1,685)**	(1,542)
Loss before tax	**(767)**	(1,255)
Loss after tax and amount attributable to minority interest	**(776)**	(1,236)
Loss per share	**5.61 pence**	9.22 pence
Opening cash balance	**3,222**	4,809
Increase in portfolio investments	**(557)**	(1,064)
Decrease in relation to acquisition of VFM	**(174)**	–
Utilised in other activities	**(1,017)**	(523)
Closing cash balance	**1,474**	3,222
Net assets	**5,601**	6,170
Net assets per share	**40.25 pence**	46.03 pence

Costs

Total costs were £1.68m, an increase from £1.54m in 2009.

Employee benefits expense (excluding share based compensation of £49,000 (2009: £79,000)) was £1.18m (2009: £721,000) reflecting an increase in average headcount, arising from the acquisition of VFM, to 19 (2009: 11).

Other operating expenses on the other hand decreased to £455,000 (2009: £742,000) as the Group exerted stringent cost control.

The loss after tax and amounts attributable to minority interests was £776,000 (2009: £1.24m), equivalent to a loss per share of 5.61p (2009: 9.22p).

Financial Position

At the year end the Group had cash balances of £1.47m (2009: £3.22m) and negligible borrowings. Net assets were £5.60m (2009: £6.17m), equivalent to 40.25p per share (2009: 46.03p).

The directors continue to believe it appropriate to invest selectively in the strategic expansion of the Group and as a result cash utilisation increased marginally in the year to £1.75m (2009: £1.59m) and comprised £176,000 (2009: nil) relating to the acquisition of VFM , £557,000 (2009: £1.06m) invested in portfolio companies, and £1.01m (2009: £523,000) used in other operating activities.

Notwithstanding our strategic plans, underlying cost control and cash management remain of paramount importance, as evidenced by the reduction in other operating expenses referred to above, and we continue to examine our cost base on a regular basis.

Colin C Grant
Chief Financial Officer

In this economic climate it remains a challenge to raise new money, and this is particularly so for early stage companies. Coupled with more traditional sources of working capital having all but disappeared, equity providers have found themselves having to advance further funds to support their companies through these testing times.

Braveheart has been no exception and we have continued to support our companies, where possible, with both cash and management resources in order to enhance the value of our asset base. We have been encouraged by the resilience of our portfolio companies and you will read below how some of them have progressed throughout the year.

Investment Activity

At the end of the year under review our portfolio comprised investments in 27 companies as detailed on page 10. Twelve of these companies received follow-on funds throughout the year either by way of equity or loan: AppShare, Atlas Genetics, Biopta, Conjunct, Dimensional Imaging, Elonics, NiTech Solutions, NXVision, PSI Electronics, Pyreos, Tayside Flow Technologies and Traak Systems.

Through the acquisition of Viking Fund Managers Ltd (VFM) we added Scensive Technologies to the Group's portfolio and the Group made a new investment in another Yorkshire-based company Phase Focus. Scensive produces biomimetic sensor instruments for research and commercial applications with current products based on the proven Bloodhound® electronic nose. This uses chemical sensor array technology to detect a condition or disease by smell and can be used to detect anything from cancers to screening for pollutives or chemical or bacterial agents. Phase Focus has developed a proprietary process that can generate high definition images of an object without the need for high quality lenses, with applications in areas such as optical, x-ray and electron microscopy.

Two of the portfolio companies – PSI and AppShare – were the first recipients of funding from our dedicated University of Strathclyde fund, the Strathclyde Innovation Fund (SIF).

While there was a reduction in the amount invested by the Group from the previous year, the aggregate investment made into our portfolio companies by the Group and its clients during the year was £1.7m. A further £4.0m was raised from other public and private sources with six of our companies raising in excess of £500,000 each in aggregate.

Portfolio Divestments

Of the 28 companies held in the Group's portfolio at the beginning of the year under review, three companies subsequently entered into insolvency proceedings: Hydrosense and Adaptive Venture Managers in the Caledonia Portfolio Realisations Ltd (CPR) portfolio, and Quantum Filament Technologies.

£5.70m
aggregate investment made into our portfolio companies

27
companies in the Group's portfolio

"..certain of our companies are exhibiting signs of exit potential that may be realised if the right circumstances and market conditions prevail."

Whilst there were no positive realisations throughout the year, certain of our companies are exhibiting signs of exit potential that may be realised if the right circumstances and market conditions prevail. We are devoting management time in the planning and execution of various exit options with our principal aim being to maximise value for all parties.

Portfolio Update

I said last year that a number of our early stage companies were anticipating market launches or working towards the completion of various innovative products or services this year. I am pleased to report that this has borne out: Biopta has launched its new Tissue Connections service building on the experience gained with its niche offering of drug/tissue interaction services; Elonics has commenced delivery of its first product family of RF tuner solutions for the emerging digital TV and radio broadcast market enabling its customers to design smaller, lighter, cheaper and lower power consumer electronics; Pyreos has commenced sales with the award of two long term multi-million pound supply agreements for a subset of the potential opportunities for its infra-red sensor technology; Tayside Flow Technologies gained FDA 510(k) approval for its second product, the access graft, which opens up a new market opportunity; AppShare, a web collaboration software company has commenced pilot studies with a major corporate and will follow this up shortly with a further reference site; and Conjunct has tested the market with what is believed to be the smallest optical transceiver in the world.

Several other companies also continued to demonstrate good organic growth with strong performances year-on-year, for example Bloxx, the web filtering company launched its new email filtering product, Pufferfish produced new versions of the PufferSphere, and Cascade, the quantum cascade laser company, continued to deliver new applications of its technology to a wide and varied customer base.

We have showcased three of our companies on pages 12 to 14.

Portfolio Returns

During the year the Group's own portfolio showed an unrealised gain on revaluation of £611,000 (2009: unrealised revaluation loss of £378,000).

Our rebased client exit portfolio (being a portfolio where all exited investment returns are modelled since Braveheart's inception in 1997) showed an IRR of 30% while the overall client portfolio (modelling both exited and unexited investment returns) is showing a return of 23%.

In summation, this has been a challenging year for some of our companies given the economic conditions but credit must be given to the resolve and commitment of the management of these companies in addressing such pressures. We remain committed to the pursuit of innovation and growth in our companies and in delivering value to our shareholders by identifying and realising the commercial potential in our portfolio.

Carolyn Smith
Chief Investment Officer

The Group's portfolio (including the CPR, VFM and SIF portfolios) comprised 27 companies at the year end:

Portfolio Company	Description of business
Company Portfolio	
AppShare Ltd[1]	Web collaboration software design
Atlas Genetics Ltd	Rapid point-of-care molecular diagnostic equipment
Biopta Ltd	Contract research services for drug and tissue measurement
Cascade Technologies Ltd	Laser-based equipment to detect presence of gases, explosives, etc
Conjunct Ltd	Optical communications components
Convivial London Pubs plc	Purchase and operation of pubs
Design LED Products Ltd	Lighting display technology based on LEDs
Dimensional Imaging Ltd	3D and 4D image capture systems
EctoPharma Ltd[2]	Therapeutic healthcare pesticides and cancer therapeutics
Elonics Ltd	Multi-band radio frequency (RF) IC products
Im-Sense Ltd	Image signal processing technology
MicroStencil Ltd	Manufactures stencils for microelectronics sector
NiTech Solutions Ltd	Designs manufacturing solutions for chemical and process industries
NXVision Ltd	Place-shifting technology
Phase Focus Ltd	Lensless microscope technology
PSI Electronics Ltd[1]	Equipment to pinpoint faults in power cables
Pufferfish Ltd	360° display solutions principally for promotional activities
Pyreos Ltd	Infrared sensor arrays and components for commercial applications
Spiral Gateway Ltd	Low power solutions for integrated circuit design
Tayside Flow Technologies Ltd	Cardiovascular medical devices
The Capital Pub Company plc	Purchase and operation of pubs
Traak Systems Ltd	Intelligent self-learning RFID identification and sensor network solutions
CPR Portfolio	
Bloxx Ltd	Web filtering and internet filtering software
Leading Software Ltd	IT services
Scalar Technologies Ltd	Thin film measurement
Verbalis Ltd	Language translation software
VFM portfolio	
Scensive Technologies Ltd	Biomimetic sensor products for commercial applications

1 Also a SIF portfolio company
2 Also a CPR portfolio company

Our Portfolio: Core Principles

Growth

Providing equity capital to enable companies to achieve their ambitions

We make investments in dynamic young companies with real potential for significant growth, often on a global scale.

The successful commercialisation of intellectual property, coupled with solid financial backing, offers the opportunity for our portfolio companies to realise their true potential in the marketplace.

Support

Offering experienced business people to assist with corporate development

Once an investment has been made we maintain a close relationship with the portfolio company and provide ongoing support, both in terms of follow-on funding and mentoring.

We are able to draw from our client base to match experienced individuals with companies, facilitating sound future development.

Service

Building diversified portfolios for investors and showing market leading returns

Braveheart has a market leading track record in building, managing and exiting bespoke, tax-efficient investment portfolios in unquoted companies.

Our rationale is to take a balanced approach and our portfolio investments represent a variety of companies both in terms of stage and sector.

Partnership

Working with the academic and business communities to deliver economic benefit

We are proud of our partnerships and often co-invest alongside a variety of organisations, from others in the financial sector, to national and regional government bodies.

Our close relationships with universities and innovation centres mean we have access to a varied pipeline of emerging technologies for investment.

Cascade Technologies Ltd

Cascade Technologies has created novel proprietary technology which uses quantum cascade lasers to design and manufacture breakthrough products that create instant DNA-type fingerprints of gases, enabling their presence and quantity to be detected.

Cascade's technology is low maintenance and requires little or no calibration making its products a truly cost effective way of measuring emissions in real time. The technology can be applied to multiple applications such as:

Emissions monitoring in the marine and power generation industries where gases such as SOx, NOx, CO, CO2, CH4, NH3, and general air pollution control may be analysed and monitored thereby complying with environmental regulations;

Process optimisation and the monitoring of gases in industrial processes;

Trace gas detection where the unique physical properties of quantum cascade lasers (QCLs) allow for very high resolution spectroscopy techniques to be used in complex or clean room gas detection and analysis applications;

Defence: using QCLs and patented spectroscopy techniques to develop a new generation of low false alarm and high throughput explosive detection solutions (from portals to handheld).

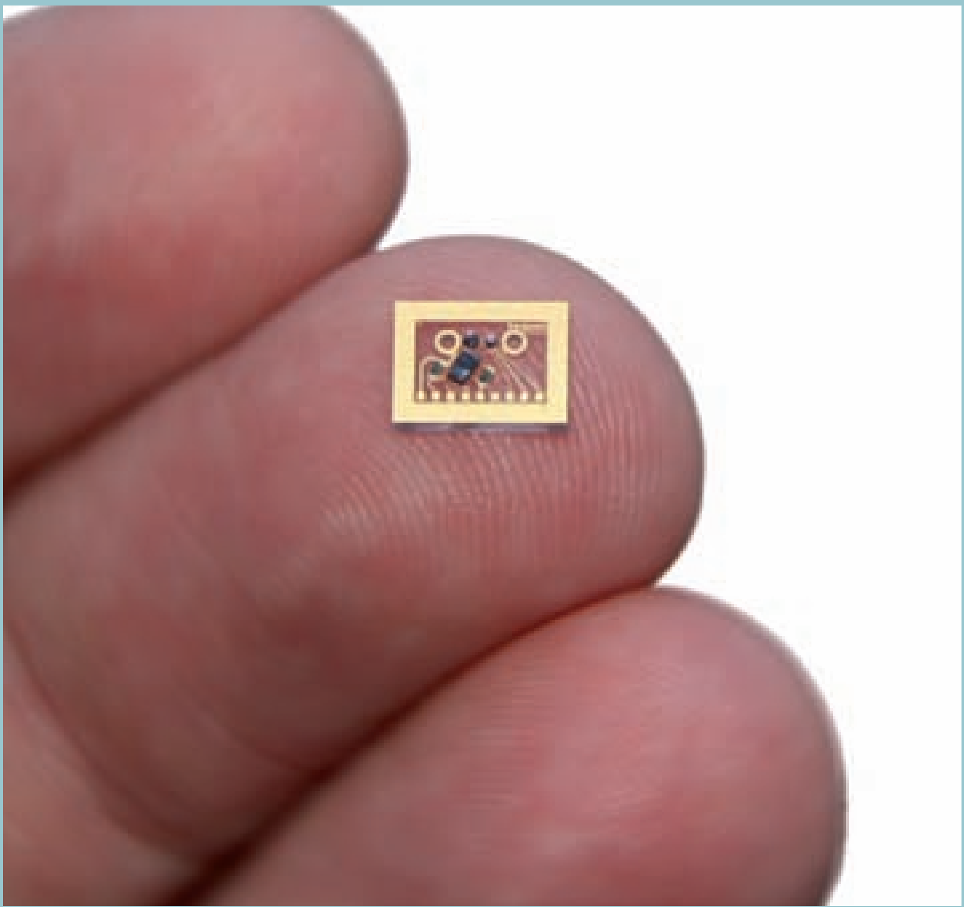
Conjunct Ltd

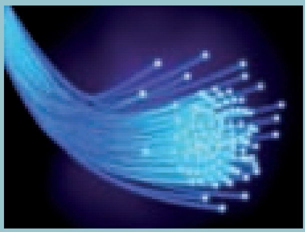
As computer speeds increase and the demand for data continues to rise, manufacturers are under increasing pressure to produce fibre-based networks. Data centres are migrating from a combination of fibre and copper to all fibre-based networks.

Such fibre networks require optical input and output ports, also known as transceivers, which convert electronic signals into optical signals suitable for transmission over fibre. This is the critical point at which complexity lies in the network.

Conjunct was formed in 2004 to address this ever-increasing need for higher-bandwidth and higher-speed optical data and communications transmission devices. Using state-of-the-art knowledge and expertise in disruptive technology for short range, high speed optical communications, the Company has designed and developed a proprietary integrated transceiver module, called Fibre-Lyte. Fibre-Lyte is believed to be the world's smallest and most compact transceiver fitting into a package less than 1.0 cm square and under 0.2 cm thick. It has particular application in Active Optical Cables, data storage systems and in high data rate transceivers deployed in data communications which cover distances of 500m or less.

Conjunct now expects to have a 40Gbs product available for trials with a number of potential customers this year.





Dimensional Imaging Ltd

Dimensional Imaging is a double spin-out from the universities of Edinburgh and Glasgow. The company provides a range of 3D surface image capture systems and software using its world-leading DI3D™ passive stereophotogrammetry technology.

Accurate, high-resolution 3D, full-colour surface images of the face, torso and limbs can be captured and the technology is used to reduce costs, increase efficiency and improve treatment and planning in a number of different fields.

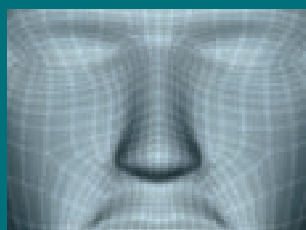
DI3D™ has been used in:

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;

Visual perception to analyse the reaction to different stimuli in psychological experiments;

Entertainment industry applications where the Company has worked closely with many of the world's top games developers on titles and visual effects using the Company's technology to create high quality and realistic facial animation for games characters at speeds that can reduce production costs dramatically.

Dimensional Imaging has also recently introduced ground-breaking 4D (3D video) surface image capture systems and 4D facial animation software which so far has had applications in the research and academic field.



The directors present their report together with the audited financial statements for the year ended 31 March 2010.

Principal Activities

The Group's principal activities during the year continued to be the commercialisation of intellectual property through investments made from the Group's own resources and on behalf of private clients and other co-investors, and the provision of investment management services.

Results and Dividends

The financial statements of the Group and the Company for the year to 31 March 2010 are set out on pages 27 to 54.

The Group's consolidated loss for the year after taxation was £767,155 (2009: £1,253,229), which has been transferred to reserves.

The directors do not recommend payment of a dividend for the year (2009: £nil).

Directors and their Interests

The names of the directors who held office during the financial year are listed on page 61.

Biographical details of the directors who held office at the end of the financial year are shown on page 19.

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

Directors' Interests in Shares

The directors at 31 March 2010 and their interests in the share capital in the Company (all of which are held beneficially, other than 39,062 shares held by Garry Watson's spouse, 13,750 shares held in trust for Garry Watson's children, 10,000 shares held in trust for Garry Watson's grandchildren and options to acquire ordinary shares which are detailed in the analysis of options included in the Directors' Remuneration Report), are as follows:

	At 31 March 2010		At 31 March 2009	
Directors	**Ordinary shares**	**Options over ordinary shares**	Ordinary shares	Options over ordinary shares
G S Watson	**328,177**	**33,454**	328,177	66,907
G C B Thomson	**2,750,890**	**261,732**	2,750,890	294,207
C Smith	**231,680**	**171,191**	231,680	184,660
C C Grant	**–**	**100,600**	–	64,000
E B Cunningham	**493,275**	**13,360**	493,275	26,719
J K Brown	**–**	**–**	–	–
J H Delmar–Morgan	**–**	**–**	–	–

No notification of any change in the above interests has been received in the period from 31 March 2010 to the date of this report.

Business Review and Future Developments

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

A review of the business and the future developments of the Group is presented in the Chairman's Statement on pages 2 and 3, the Chief Executive Officer's Report on pages 4 and 5, the Chief Financial Officer's Report on pages 6 and 7 and the Chief Investment Officer's Report on pages 8 to 10, all of which forms part of this Directors' Report by reference.

Key Performance Indicators (KPIs)

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

	2010	2009
Net assets (£m)	**5.60**	6.17
Cash balance (£m)	**1.47**	3.22
Loss after tax attributable to equity holders (£m)	**(0.78)**	(1.24)
Investments made by Group (£m)	**0.56**	1.06
Investments made by Group (number of companies)	**13**	16
Net movement on revaluation of Group investments (£m)	**0.32**	(0.29)
Returns achieved on client exit portfolio (% to date)	**30.4**	33.4

Principal Risks and Uncertainties, and Financial Instruments

Through its operations the Group is exposed to a number of risks. The Group's risk management objectives and policies are described in the Corporate Governance Statement on pages 20 to 22.

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

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

Share Capital

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

At 31 March 2010 the Company had 13,915,832 allotted, called up and fully paid ordinary shares of 2p each.

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

There are no specific restrictions on the size of a holding or on the transfer of shares, which are both governed by the general provisions of the Company's Articles of Association (the Articles) and prevailing legislation.

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

Articles of Association

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

Appointment and Replacement of Directors

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

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

Significant Shareholdings

As at 31 March 2010, 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	19.77
Kenmore Private Equity Ltd	2,500,000	17.97
Uberior Investments plc[1]	1,338,410	9.62
Securities Services Nominees Ltd[2]	503,411	3.62
E B Cunningham	493,275	3.54
K J Campbell	454,500	3.27

1 A subsidiary of Lloyds Banking Group plc
2 Beneficial owner being A M Threipland

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

The directors are required to prepare financial statements for each financial year which give a true and fair view of the financial position of the Company and of the Group and the financial performance of the Group 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;
4 state that the Company and Group have complied with IFRS, subject to any material departures disclosed and explained in the financial statements;
5 prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business; and
6 make judgements and estimates that are reasonable and prudent.

The directors are responsible for keeping adequate 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 2006. 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.

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

Creditor Payment Policy
The Group's policy is to:
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 2010 was 30 days (2009: 22 days).

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

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

Annual General Meeting
Notice of the Annual General Meeting is set out on pages 55 to 59. Information relating to certain of the resolutions is given or referred to in the notes forming part of the notice.

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

On behalf of the Board

Colin C Grant
Company Secretary
2 July 2010

Board of Directors

Left to right: **J Kenneth Brown, Jeremy H Delmar-Morgan, Colin C Grant, Garry S Watson, Geoffrey C B Thomson, Carolyn Smith, Edward B Cunningham**

Management Board

Geoffrey C B Thomson

Carolyn Smith

Colin C Grant

Andrew T G Burton

Vivian D Hallam

Garry S Watson OBE CA
Chairman
Garry 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 of Places for People Group, one of the largest UK providers of mixed tenure housing, and Chairman of its Governance Committee. He is also a Director of Save & Invest Group Ltd, the Scottish financial services business. Garry has been associated with the Group since 1997 and joined the Group Board on the Company's inception in 2003.

Geoffrey C B Thomson (m)
Chief Executive Officer
One of the founders of Braveheart, Geoffrey is a well known business angel and deal maker. Geoffrey has written columns on investment for various national broadsheets and regularly speaks at business events in Scotland. Other than Braveheart, he is a director of NESTech (the challenge fund of the universities of St Andrews, Dundee, and Aberdeen), and sits on the advisory board of EPSRC (a steering body for innovation in UK Biotechnology). Geoffrey's contribution to Scottish businesses was recognised by the receipt of a special Ernst & Young Entrepreneur of the Year (Scotland) award in 2008. Geoffrey joined the Group Board on the Company's inception in 2003.

Carolyn Smith BA Hons ACIS (m)
Chief Investment Officer
Carolyn has an honours degree in accountancy from the University of Stirling and is a Chartered Secretary. She spent five years working in insolvency before moving to business development and investment. After five years working in private equity with LINC Scotland, the national association for business angels in Scotland, she joined Braveheart as Chief Investment Officer in 2000 and was appointed to the Group Board in 2006.

Colin C Grant BCom CA (m)
Chief Financial Officer and Company Secretary
Colin joined the Group Board as Chief Financial Officer in October 2008, bringing with him experience of public markets and venture backed technology companies. Prior to joining Braveheart he was Chief Financial Officer and Company Secretary and before that Chief Operating Officer for Digital Bridges Ltd, a leading global provider of mobile entertainment software applications. Previous to that he worked as Finance Director and Company Secretary at VISION Group plc, a LSE-listed university spin-out company which pioneered CMOS imaging.

Edward B Cunningham CBE
Senior non-executive Director
Edward has UK and international industry experience. Latterly he was Director, Industry and Enterprise Development with the Scottish Development Agency. He has been chairman of a number of 3i-invested companies as well as other companies including the Scottish Exhibition and Conference Centre. He has also been a Director of TSB Bank Scotland and Watson & Philip. He is currently chairman of two companies, and on the board of two other companies and one charitable trust. Edward has been associated with the Group since 1999 and joined the Group Board on the Company's inception in 2003.

J Kenneth Brown BA CA
Non-executive Director
Ken is a non-executive director of two listed groups and one private company, a member of the Court of the University of Glasgow, and provides advisory services to clients in real estate and renewable energy. He has extensive experience as finance director of listed and private groups in real estate, consumer goods, manufacturing and construction. He is a chartered accountant. Ken joined the Group Board in 2007.

Jeremy H Delmar-Morgan MA MSI
Non-executive Director
Jeremy is Chairman of Allenby Capital, The Brendoncare Foundation and of Eagle Crown Productions Ltd and is a Director of London Symphony Orchestra and Sefton Resources Inc. Previously Jeremy was a partner in Hoblyn, Dix & Maurice and a Director of Vickers Da Costa before joining Teather & Greenwood in 1979 where he went on to become Chairman. He subsequently joined Hichens, Harrison & Co as Chairman in 2004. Jeremy joined the Group Board in 2008.

(m) Member of Management Board

MANAGEMENT BOARD

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

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

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

The Board of Directors

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

Biographical details of the current directors are set out on page 19. Executive and non-executive directors are subject to re-election at intervals of no more than three years. The letters of appointment of all directors are available for inspection at the Company's registered office during normal business hours.

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

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

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

Non-executive Directors

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

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

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

Delegation of Responsibilities by the Board of Directors

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

Audit and Risk Management Committee

The Audit and Risk Management Committee comprises Ken Brown (its Chairman), Edward Cunningham and Jeremy Delmar-Morgan and has primary responsibility for monitoring the quality of internal controls and ensuring that the financial performance of the Group is properly measured and reported. It receives reports from the executive management and auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Group. The Audit and Risk Management Committee meets not less than three times in each financial year and has unrestricted access to the Group's auditors.

Remuneration Committee

The Remuneration Committee comprises Edward Cunningham (its Chairman), Ken Brown and Garry Watson. The Remuneration Committee reviews the performance of the executive directors and employees and makes recommendations to the Board on matters relating to their remuneration and terms of employment. The Remuneration Committee also considers and approves the granting of share options pursuant to the share option plan.

Nominations Committee

The Nominations Committee meets as and when required. It comprises Edward Cunningham (its Chairman) and Garry Watson and is responsible for the identification and nomination of candidates for the roles of Chairman, Chief Executive Officer, other executive directors and non-executive directors, the nomination of all directors of subsidiary companies and succession planning in relation to the aforementioned posts. It is also concerned with matters relating to corporate governance, insofar as they may relate to concerns or complaints from shareholders concerning the conduct of Board directors, and bringing any such issue to the attention of the Board.

Attendance at Board and Committee Meetings

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

	Board		Audit and Risk Management		Remuneration		Nominations	
	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend
G S Watson	9	9	–	–	1	1	1	1
G C B Thomson	9	9	–	–	–	–	–	–
C Smith	9	9	–	–	–	–	–	–
C C Grant	9	9	–	–	–	–	–	–
E B Cunningham	9	9	3	3	1	1	1	1
J K Brown	9	9	3	3	1	1	–	–
J H Delmar-Morgan	9	9	3	3	–	–	–	–

Share Dealings

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

Investment Authorities

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

Risk Management and Internal Control

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

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

Activity	Risk	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	Effective communications with shareholders and road shows. Robust compliance.
	Disaster recovery	Secure off-site storage of data. Two networks.
Financial	Liquidity, market and credit risk	Appropriate authority and investment levels as set by Treasury and Investment Policies.
	Inappropriate controls and accounting policies	Audit and Risk Management Committee.

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

The directors have established procedures, as represented by this statement, for the purpose of providing a system of internal control. An internal audit function is not considered necessary or practical due to the size of the 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.

Going Concern

The directors have reviewed the Group's and 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.

Communication with Shareholders

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

Investors also have access to current information on the Company though its website, www.braveheartinvestmentgroup.co.uk, and via Andrew McInroy, its Investor Relations Officer, who is available to answer investor relations enquiries.

Remuneration Committee

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

Remuneration Policy

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

Determination of Director and Senior Management Salaries

The Remuneration Committee determines directors' and senior managements' 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. During the year salaries at Viking Fund Managers Ltd (VFM), acquired in June 2009, were aligned with those then current elsewhere in the Group, and contribution to certain VFM employee arrangements continued. Otherwise, the Group did not increase any salaries during the year, nor contribute to any pension schemes nor pay any bonuses.

Executive Director Service Agreements

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

Non-executive Directors

The fees payable to the Chairman and the non-executive directors are first reviewed by the Remuneration Committee, taking into account market rates, following which it submits recommendations to the Board for approval. The Company did not increase non-executive directors' fees during the year.

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:

	Current Basic Salary and/or fees p.a £	Total 2010 £	Total 2009 £
Executive directors:			
G C B Thomson	113,400	141,750	141,750
C Smith	84,000	105,000	105,000
C C Grant (appointed 15 October 2008)	80,000	100,000	47,436
Non-executive directors:			
G S Watson	11,025	15,750	15,750
E B Cunningham	7,350	10,500	10,500
J K Brown	7,350	10,500	10,500
J H Delmar-Morgan (appointed 3 June 2008)	7,350	10,500	8,683
D I Turner (resigned 10 September 2008)	–	–	4,500
A L A S Macpherson (resigned 10 September 2008)	–	–	4,500
		394,000	348,619

The Company did not contribute to any director's pension scheme nor pay any bonuses to directors during the year (2009: £nil). During the year the Company paid private medical insurance premiums of £1,214, £373 and £975 (2009: £899, £316 and £222) in respect of Geoffrey Thomson, Carolyn Smith and Colin Grant.

Share Option Scheme

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

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

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

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

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

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

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

Share Options

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

	Date of grant	At 1 April 2009	No of options granted in year	No of options exercised in year	No of options lapsed in year	At 31 March 2010	Exercise price	Date first exercisable	Expiry date
Employment Options granted under Part A									
G Thomson	25 June 2008	26,086	–	–	–	26,086	£1.15	25 June 2011	24 June 2018
C Smith	18 June 2007	18,237	–	–	–	18,237	£1.645	18 June 2010	17 June 2017
C Grant	8 December 2008	28,902	–	–	–	28,902	£0.35	8 December 2011	7 December 2018
	18 June 2009	–	30,160	–	–	30,160	£0.295	18 June 2012	17 June 2019
		28,902	30,160	–	–	59,062			
Employment Options granted under Part B									
G Thomson	18 June 2007	24,948	–	–	–	24,948	£1.645	18 June 2010	17 June 2017
	25 June 2008	14,377	–	–	–	14,377	£1.15	25 June 2011	24 June 2018
	18 June 2009	–	42,753	–	–	42,753	£0.295	18 June 2012	17 June 2019
		39,325	42,753	–	–	82,078			
C Smith	18 June 2007	243	–	–	–	243	£1.645	18 June 2010	17 June 2017
	25 June 2008	28,902	–	–	–	28,902	£1.15	25 June 2011	24 June 2018
	18 June 2009	–	31,669	–	–	31,669	£0.295	18 June 2012	17 June 2019
		29,145	31,669	–	–	60,814			

	Date of grant	At 1 April 2009	No of options granted in year	No of options exercised in year	No of options lapsed in year	At 31 March 2010	Exercise price	Date first exercisable	Expiry date
Performance Options granted under Part B									
G Watson	18 June 2007	66,907	–	–	(33,453)	33,454	£1.645	18 June 2010	17 June 2017
E Cunningham	18 June 2007	26,719	–	–	(13,359)	13,360	£1.645	18 June 2010	17 June 2017
G Thomson	18 June 2007	168,673	–	–	(84,336)	84,337	£1.645	18 June 2010	17 June 2017
	25 June 2008	60,123	–	–	(60,123)	–	£1.15	–	–
	18 June 2009	–	69,231	–	–	69,231	£0.295	18 June 2010	17 June 2019
		228,796	69,231	–	(144,459)	153,568			
C Smith	18 June 2007	101,204	–	–	(50,602)	50,602	£1.645	18 June 2010	17 June 2017
	25 June 2008	36,074	–	–	(36,074)	–	£1.15	–	–
	18 June 2009	–	41,538	–	–	41,538	£0.295	18 June 2010	17 June 2019
		137,278	41,538	–	(86,676)	92,140			
C Grant	8 December 2008	35,098	–	–	(35,098)	–	£0.35	–	–
	18 June 2009	–	41,538	–	–	41,538	£0.295	18 June 2010	17 June 2019
		35,098	41,538	–	(35,098)	41,538			

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

Date of grant	Performance Condition	Percentage of the grant to which the Performance Condition applies to
18 June 2007	The Company's market capitalisation exceeds the benchmark price by 50% for 5 consecutive business days at any time before the 1st anniversary of date of grant.	33.33%
	The Company's market capitalisation exceeds the benchmark price by 100% for 5 consecutive business days at any time before the 2nd anniversary of date of grant.	33.33%
	The Company's market capitalisation exceeds the benchmark price by 150% for 5 consecutive business days at any time before the 3rd anniversary of date of grant.	33.33%
25 June 2008, 8 December 2009 and 18 June 2009	The Company's market capitalisation exceeds the benchmark price by 25% for 5 consecutive business days at any time before the 1st anniversary of date of grant.	100.00%

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

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

	2010 £	2009 £
Expense arising from equity-settled share-based payments transactions	**31,147**	54,415

Additional information on share options is provided at note 21.

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 2010 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statement of Financial Position, the Consolidated and Parent Company Statement of Cash Flows, the Consolidated and Parent Company Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 March 2010 and of the Group's loss for the year then ended;
- the parent Company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Robert Hannah
Senior Statutory Auditor
For and on behalf of Grant Thornton UK LLP
Statutory Auditor
Chartered Accountants
EDINBURGH
2 July 2010

Consolidated Statement of Comprehensive Income

for the year ended 31 March 2010

	Notes	2010 £	2009 £
Revenue	3	568,241	350,335
Unrealised profit/(loss) on the fair value movements of investments	12	611,186	(377,815)
Movement on contingent consideration	13	(295,392)	100,206
Finance revenue	5	33,541	214,675
Total income		917,576	287,401
Employee benefits expense	4	(1,230,188)	(800,341)
Other operating costs		(452,769)	(741,070)
Finance costs	6	(1,774)	(991)
Total costs		(1,684,731)	(1,542,402)
Loss before tax		(767,155)	(1,255,001)
Tax	8	–	1,772
Total loss and total comprehensive loss for the year		(767,155)	(1,253,229)
Loss attributable to:			
Equity holders of the parent		(775,513)	(1,235,902)
Minority interest		8,358	(17,327)
		(767,155)	(1,253,229)
		Pence	Pence
Loss per share - basic and diluted	10	(5.61)	(9.22)

All revenues and losses arise from continuing operations.

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

Consolidated Statement of Financial Position

as at 31 March 2010

	Notes	2010 £	2009 £
ASSETS			
Non-current assets			
Goodwill	15	**327,064**	–
Property, plant and equipment	11	**31,367**	44,034
Investments at fair value through profit or loss	12	**4,530,747**	3,260,512
		4,889,178	3,304,546
Current assets			
Trade and other receivables	16	**101,907**	99,804
Cash and cash equivalents	17	**1,473,943**	3,221,844
		1,575,850	3,321,648
Total assets		**6,465,028**	6,626,194
LIABILITIES			
Current liabilities			
Trade and other payables	18	**(126,036)**	(172,693)
Contingent consideration	19	**(592,819)**	(209,511)
Deferred income		**(20,230)**	(22,585)
Borrowings	23	**(10,696)**	(9,875)
		(749,781)	(414,664)
Non-current liabilities			
Contingent consideration	19	**(78,822)**	–
Borrowings	23	**(35,205)**	(41,078)
		(114,027)	(41,078)
Total liabilities		**(863,808)**	(455,742)
Net assets		**5,601,220**	6,170,452
EQUITY			
Called up share capital	20	**278,316**	268,078
Share premium account		**140,783**	–
Retained earnings		**5,191,090**	5,919,701
Equity attributable to owners of the Parent		**5,610,189**	6,187,779
Minority interest		**(8,969)**	(17,327)
Total equity		**5,601,220**	6,170,452

Registered number: SC247376
Approved for issue by the Board of Directors on 2 July 2010 and signed on its behalf by:

Garry S Watson
Chairman

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

Company Statement of Financial Position
as at 31 March 2010

	Notes	2010 £	2009 £
ASSETS			
Non-current assets			
Investments at fair value through profit or loss	12	**3,124,654**	2,735,489
Investment in subsidiaries	13	**2,296,205**	1,233,705
		5,420,859	3,969,194
Current assets			
Trade and other receivables	16	**348,880**	292,015
Cash and cash equivalents	17	**1,377,327**	2,769,303
		1,726,207	3,061,318
Total assets		**7,147,066**	7,030,512
LIABILITIES			
Current liabilities			
Trade and other payables	18	**(270,813)**	(188,870)
Contingent consideration	19	**(592,819)**	(209,511)
		(863,632)	(398,381)
Non-current liabilities			
Contingent consideration	19	**(78,822)**	–
		(78,822)	–
Total liabilities		**(942,454)**	(398,381)
Net assets		**6,204,612**	6,632,131
EQUITY			
Called up share capital	20	**278,316**	268,078
Share premium account		**140,783**	–
Retained earnings		**5,785,513**	6,364,053
Equity attributable to owners of the Parent		**6,204,612**	6,632,131

Registered number: SC247376
Approved for issue by the Board of Directors on 2 July 2010 and signed on its behalf by:

Garry S Watson
Chairman

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

Consolidated Statement of Cash Flows

for the year ended 31 March 2010

	2010 £	2009 £
Operating activities		
Loss before tax	**(767,155)**	(1,255,001)
Adjustments to reconcile loss before tax to net cash flow from operating activities		
Depreciation of property, plant and equipment	**13,333**	12,399
Share-based payments expense	**46,902**	78,669
(Increase)/decrease on the fair value movements of investments	**(611,186)**	377,815
Loss on disposal of property, plant and equipment	**–**	1,615
Interest income	**(33,541)**	(214,675)
Decrease in trade and other receivables	**198,414**	367,652
Increase/(decrease) in trade and other payables	**115,551**	(47,934)
Net cash flow from operating activities	**(1,037,682)**	(679,460)
Investing activities		
Acquisition of subsidiaries (net of cash acquired)	**(124,349)**	–
Net cash and cash equivalents acquired on acquisition	**(52,137)**	–
Increase in investments	**(557,400)**	(1,063,732)
Purchase cost of property, plant and equipment	**–**	(31,314)
Interest received	**33,541**	214,675
Net cash flow from investing activities	**(700,345)**	(880,371)
Financing activities		
Capital element of hire purchase contract	**(9,874)**	(27,195)
Net cash flow from financing activities	**(9,874)**	(27,195)
Net decrease in cash and cash equivalents	**(1,747,901)**	(1,587,026)
Cash and cash equivalents at the beginning of the year	**3,221,844**	4,808,870
Cash and cash equivalents at the end of the year	**1,473,943**	3,221,844

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

Company Statement of Cash Flows
for the year ended 31 March 2010

	2010 £	2009 £
Operating activities		
Loss before tax	**(578,540)**	(567,850)
Adjustments to reconcile loss before tax to net cash flow from operating activities		
Decrease on the fair value movements of investments	**63,235**	177,403
Interest income	**(30,825)**	(205,141)
(Increase)/decrease in trade and other receivables	**(56,865)**	313,507
Increase in trade and other payables	**81,943**	37,712
Net cash flow from operating activities	**(521,052)**	(244,369)
Investing activities		
Acquisition of subsidiaries	**(124,349)**	–
Investment in subsidiaries	**(325,000)**	(750,000)
Increase in investments	**(452,400)**	(1,057,732)
Interest received	**30,825**	205,141
Net cash flow from investing activities	**(870,924)**	(1,602,591)
Net decrease in cash and cash equivalents	**(1,391,976)**	(1,846,960)
Cash and cash equivalents at the beginning of the year	**2,769,303**	4,616,263
Cash and cash equivalents at the end of the year	**1,377,327**	2,769,303

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

Consolidated Statement of Changes in Equity

for the year ended 31 March 2010

	Attributable to owners of the Parent					
	Share capital £	Share premium £	Retained earnings £	Total £	Minority interest £	Total equity £
Group At 1 April 2008	268,078	7,008,838	68,096	7,345,012	–	7,345,012
Reduction in share premium account	–	(7,008,838)	7,008,838	–	–	–
Share-based payments	–	–	78,669	78,669	–	78,669
Transactions with owners	–	(7,008,838)	7,087,507	78,669	–	78,669
Loss and total comprehensive loss for the year	–	–	(1,235,902)	(1,235,902)	(17,327)	(1,253,229)
At 1 April 2009	**268,078**	**–**	**5,919,701**	**6,187,779**	**(17,327)**	**6,170,452**
Issue of new share capital	10,238	140,783	–	151,021	–	151,021
Share-based payments	–	–	46,902	46,902	–	46,902
Transactions with owners	10,238	140,783	46,902	197,923	–	197,923
Loss and total comprehensive loss for the year	–	–	(775,513)	(775,513)	8,358	(767,155)
At 31 March 2010	**278,316**	**140,783**	**5,191,090**	**5,610,189**	**(8,969)**	**5,601,220**

	Share capital £	Share premium £	Retained earnings £	Total £
Company At 1 April 2008	268,078	7,008,838	(76,935)	7,199,981
Reduction in share premium account	–	(7,008,838)	7,008,838	–
Transactions with owners	–	(7,008,838)	7,008,838	–
Loss and total comprehensive loss for the year	–	–	(567,850)	(567,850)
At 1 April 2009	**268,078**	**–**	**6,364,053**	**6,632,131**
Issue of new share capital	10,238	140,783	–	151,021
Transactions with owners	10,238	140,783	–	151,021
Loss and total comprehensive loss for the year	–	–	(578,540)	(578,540)
At 31 March 2010	**278,316**	**140,783**	**5,785,513**	**6,204,612**

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

1 Corporate information
The Group and Company financial statements of Braveheart Investment Group plc (the Company) for the year ended 31 March 2010 were authorised for issue by the Board of Directors on 2 July 2010 and the statements of financial position 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 2006. The address of the registered office is detailed at the back of this report. The nature of the Group's operations and its principal activities are set out in the Directors' Report. The Company is registered in Scotland. The Company's ordinary shares are traded on the London Stock Exchange (Alternative Investment Market) (AIM).

2 Accounting policies
(a) Basis of preparation
The Group and Company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union as they apply to financial statements for the year ended 31 March 2010 and as applied in accordance with the provisions of the Companies Act 2006. The principal accounting policies adopted by the Group and by the Company are set out in the following notes.

The Company has taken advantage of the provision of section 408 of the Companies Act 2006 not to publish its own Statement of Comprehensive Income. The amount of loss for the financial year dealt with in the financial statements of the Company is set out in note 9 to the accounts.

The financial statements have been prepared on a historical cost basis, except where otherwise indicated. The financial statements are presented in sterling and all values are rounded to the nearest pound (£) except where otherwise indicated.

The Group's business activities (together with the factors likely to affect its future development, performance and position) and its financial position are set out in the Chairman's Statement on pages 2 and 3, the Chief Executive Officer's Report on pages 4 and 5, the Chief Financial Officer's Report on pages 6 and 7 and the Chief Investment Officer's Report on pages 8 to 10. The Group's risk management objectives and policies are described in the Corporate Governance Statement on pages 20 to 22. Further information regarding the Group's financial risk management objectives and policies, including those in relation to credit risk, liquidity risk and market risk, is provided in note 25 to the financial statements. The Group's capital management objectives are stated below on page 37.

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

(b) Changes in accounting policy and disclosures
The following new, amended and revised standards and interpretations became effective and were adopted during the year commencing 1 April 2009:

Amendments to IAS 1 Presentation of Financial Statements: A revised presentation.
This required certain classification and presentational changes to the Company's primary financial statements. The amendment does not change the recognition or measurement of transactions and balances in the financial statements.

Amendments to IFRS 7 Financial Instruments: Disclosures
The application of this amendment has resulted in changes to the disclosures provided in respect of financial instruments, including an analysis of financial assets and financial liabilities that are measured at fair value in the statement of financial position, into a three-level fair value hierarchy. The amendment does not change the recognition or measurement of transactions and balances in the financial statements.

IFRS 8 Operating Segments
IFRS 8 is a disclosure standard only, requiring disclosure based on information presented to the Board on the financial performance of the Group's operating segments. The adoption of this standard has had no material impact on the financial statements as presented given that the business is regarded as, and financial performance (prepared in accordance with the accounting policies outlined herein) is reported to the Board in respect of, one segment due to the nature of services provided and the methods used to provide these services.

The adoption of the above new, amended and revised standards and interpretations did not result in changes to previously published financial information and accordingly no additional comparable statement of financial position is presented.

The following new, amended and revised standards and interpretations also became effective during the year commencing 1 April 2009, but had no impact on the Company's financial statements:

IFRS 2	Share-based payment: Vesting Conditions and Cancellations (Amendment)
IAS 1 & IAS 32	Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation (Amendment)
IAS 23	Borrowing Costs (Amendment)
	Improvements to IFRS (2009)
IFRIC 13	Customer Loyalty Programmes
IFRIC 15	Agreements for the Construction of Real Estate
IFRIC 16	Hedges of a Net Investment in a Foreign Operation
IAS 39 & IFRIC 9	Embedded Derivatives (Amendment)

(c) Basis of consolidation

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

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

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

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

(d) Use of estimates and assumptions

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Where management's judgement has been applied, this is noted in the relevant accounting policy.

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

Fair value of unquoted investments

Unquoted investments have been valued by the directors in compliance with the principles of the International Private Equity and Venture Capital Guidelines. The use of such valuation techniques requires the directors to make certain judgements including making assessments of future revenue and earnings of portfolio companies, appropriate multiples to apply, and marketability and other risk discounts and provisions, and hence they are subject to uncertainty. The fair value of unquoted investments at 31 March 2010 was £4,495,726 (2009: £3,244,860).

Share-based payments

The Group measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they were granted. Judgement is required in determining the most appropriate valuation model for a grant of equity instruments depending on the terms and conditions of the grant. Management are also required to use certain assumptions in determining the most appropriate inputs to the valuation model including expected life of the option, volatility, risk free rate and dividend yield. The assumptions and models used are fully disclosed in note 21.

Contingent consideration

Under IFRS 3: Business combinations, contingent consideration is included in the cost of a business combination to the extent that it is deemed probable and can be measured reliably. This requires management to assess the probability and to estimate the financial impact of events on which consideration is contingent.

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

(e) Revenue recognition and segmental reporting
The Group earns fee income from the services it provides to its clients. Revenue is recognised at the fair value of the consideration received or receivable, excluding rebates. Fees earned for the provision of an ongoing service are recognised as that service is provided. Deal fees and facilitation fees are earned on individual transactions and related revenue is recognised on completion of the underlying transaction.

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

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

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

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

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

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

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

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

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

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

(i) Impairment
Assets that have an indefinite useful life are not subject to amortisation but are tested for impairment annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

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

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

(j) Financial assets

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

Investments at fair value through profit or loss

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

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

Unlisted equity investments are measured at fair value by the directors in compliance with the principles of the International Private Equity and Venture Capital Guidelines, updated and effective September 2009, as recommended by the European Venture Capital Association. The fair value of unlisted equity investments is determined using one of the valuation methodologies set out in the guidelines. These include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; earnings or profit multiples; indicative offers; discounted cash flow analysis and pricing models.

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

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

In calculating fair value, the directors have also taken account of rights which when exercised either enhance or diminish the value of the investment. These rights are reviewed on a regular basis to assess whether they are likely to be exercised. The extent of any impact on the value of the investments has been calculated on the basis that all quantifiable rights are, or are likely to be exercisable, or that occur automatically on certain events taking place, such as exit and liquidation preferences on realisation.

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

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, and comprise trade and other receivables, other financial assets and cash and cash equivalents.

Trade receivables

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

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and short term bank deposits.

(k) Financial liabilities

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

(l) The Company's investment in its subsidiaries

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

(m) Contingent consideration

Contingent consideration is recognised at fair value when it is probable and can be measured reliably.

(n) Leases

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

Hire purchase contracts, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased assets, are capitalised at the commencement of the lease at the fair value of the leased assets or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the statement of comprehensive income.

(o) Share capital

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

The Group's capital management objectives are:

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

The Group continuously monitors rolling cash flow forecasts to ensure sufficient cash is available for anticipated cash requirements. Investments are subject to detailed selection criteria and are monitored carefully by the Board.

Braveheart Ventures Ltd, a Group investment management subsidiary, is subject to external capital requirements imposed by the Financial Services Authority and as such must ensure that it has sufficient capital to satisfy these requirements. The Group ensures it remains compliant with these requirements as described in the financial statements of Braveheart Ventures Ltd.

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

(p) Share-based payments

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

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

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

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

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

(q) Business combinations

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

(r) New standards and interpretations not yet applied

The International Accounting Standards Board and the International Financial Reporting Interpretations Committee have issued the following standards and interpretations with an effective date after the date of these financial statements:

International Accounting Standards (IAS/IFRS)		Effective for accounting periods commencing on or after
IFRS 2	Share-Based Payment: Group Cash-Settled Share-Based Payment Transactions (Amendment)	1 January 2010
IFRS 3	Business Combinations (Revised 2008)	1 July 2009
IFRS 9*	Financial Instruments	1 January 2013
IAS 24	Related Party Disclosure (Revised 2009)	1 January 2011
IAS 27	Consolidated and Separate Financial Statements (Revised 2008)	1 July 2009
IAS 32	Classification of Rights Issue (Amendment)	1 February 2010
IAS 39	Financial Instruments: Recognition and Measurement - Eligible Hedged Items (Amendment)	1 July 2009
	Improvements to IFRS	1 July 2009

International Financial Reporting Interpretations Committee (IFRIC)		Effective for accounting periods commencing on or after
IFRIC 14	Prepayments of a Minimum Funding Requirement	1 January 2011
IFRIC 17	Distributions of Non-Cash Assets to Owners	1 July 2009
IFRIC 18	Transfers of Assets from Customers	1 July 2009
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010

* Not yet endorsed by the EU as at the date of approval of these financial statements.

The key features of the revised IFRS 3 include a requirement for acquisition–related costs to be expensed and not included in the purchase price, and for contingent consideration to be recognised at fair value on the acquisition date (with subsequent changes recognised in the statement of comprehensive income and not as a change to goodwill). The standard also changes the treatment of non-controlling interests (formerly minority interests) with an option to recognise these at full fair value as at the date control is obtained, with gains and losses recognised in the statement of comprehensive income. The revised standard will not require the restatement of the Group's previous business combination.

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

IAS 24 revised simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. This is not expected to have a material impact on the Group's financial statements.

IAS 27 revised no longer restricts the allocation to minority interest of losses incurred by a subsidiary to the amount of the non-controlling equity investment in the subsidiary. A partial disposal of equity interest in a subsidiary that does not result in a loss of control will be accounted for as an equity transaction and will have no impact on goodwill nor will it give rise to any gain or loss. Where there is loss of control of a subsidiary, any retained interest will have to be re-measured to fair value, which will impact the gain or loss recognised on disposal.

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

3 Revenue

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

	2010 £	2009 £
Investment management	**483,438**	350,335
Consultancy	**84,803**	–
	568,241	350,335

During the year £113,600 (2009: £nil) was generated by customers representing greater that 10% of the Group's combined investment management and consultancy revenue.

The business is regarded as, and financial performance is reported to the Board in respect of, one segment due to the nature of services provided and the methods used to provide these services.

4 Employee benefits expense

	2010 £	2009 £
Salaries	**1,048,348**	642,434
Social security costs	**119,792**	79,238
Pension costs	**15,146**	–
Expense of share-based payments	**46,902**	78,669
	1,230,188	800,341

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

	No.	No.
	19	11

The average number of persons (including executive directors) employed by the Group during the year was 19 (2009: 11), all of whom were involved in management and administrative activities. The Company had no employees in the year ended 31 March 2010 (2009: nil).

During the year Braveheart Ventures Ltd recharged £360,350 (2009: £264,283) to the Company in respect of employee benefits expense.

The remuneration of the directors, who are key management personnel of the Group, is set out below in aggregate in accordance with IAS 24 'Related Party Disclosures':

	2010 £	2009 £
Short term employee benefits	**346,750**	294,186
Share-based payment expense	**31,147**	54,415
	377,897	348,601

Further information about the remuneration of individual directors is provided in the Directors Remuneration Report on pages 23 to 25.

5 Finance revenue

	2010 £	2009 £
Bank interest receivable	**24,202**	192,111
Interest on loan notes	**9,339**	22,564
	33,541	214,675

6 Finance costs

	2010 £	2009 £
Finance charges payable under hire purchase contract	**1,774**	991

7 Loss before tax

Loss for the year has been arrived at after charging:

	2010 £	2009 £
Depreciation of property, plant and equipment	**13,333**	12,399
Lease payments recognised as an operating lease (office rent)	**78,747**	39,924
Loss on the disposal of plant, property and equipment	**–**	1,615
Auditors remuneration:		
- audit of parent company	**21,500**	21,300
- audit of subsidiary companies	**20,000**	19,000
- audit related regulatory reporting	**3,000**	3,000
- taxation compliance	**6,250**	4,500

8 Tax on loss on ordinary activities

	2010 £	2009 £
UK corporation tax	**–**	–
Deferred tax	**–**	(1,772)
Tax in the statement of comprehensive income	**–**	(1,772)

Reconciliation of total tax:

	2010 £	2009 £
Loss before tax	**(767,155)**	(1,255,001)
Tax at the rate of 21% (2009: 21%)	**(161,102)**	(263,550)
Disallowed expenses	**115,263**	41,325
Unrealised (profit)/loss on the fair value movement of investments	**(170,213)**	41,756
Increase in unutilised tax losses	**213,157**	179,456
Other adjustments	**2,895**	(759)
Total tax reported in the statement of comprehensive income	**–**	(1,772)

Deferred tax

The deferred tax included in the statement of financial position is as follows:

	2010 £	2009 £
Deferred tax liability		
Accelerated capital allowances	–	2,372
Total deferred tax liability	–	2,372
Deferred tax asset		
Trade losses	–	(2,372)
Total deferred tax asset	–	(2,372)
Total deferred tax as reported in the statement of financial position	–	–

The Group has potential deferred tax assets in respect of:

- excess management expenses of £870,616 arising from Braveheart Investment Group plc;
- excess management expenses of £939,182 arising from Caledonia Portfolio Realisations Ltd;
- unutilised trading losses of £1,106,538 in Braveheart Ventures Ltd; and
- unutilised trading losses of £46,765 in Viking Fund Managers Ltd.

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

9 Loss of the Parent Company

	2010 £	2009 £
Loss of the Parent Company only	(578,540)	(567,850)

10 Loss per share

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

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

	2010 £	2009 £
Loss for the year attributable to equity holders of the parent	(775,513)	(1,235,902)
	No.	No.
Weighted average number of ordinary shares in issue:		
For basic loss per ordinary share	13,824,665	13,403,895
Dilutive effect of exercisable options	–	–
For diluted loss per ordinary share	13,824,665	13,403,895

11 Property, plant and equipment

Group	Fixtures & fittings £	Computer equipment £	Total £
Cost			
At 1 April 2008	29,101	37,269	66,370
Additions	6,049	25,265	31,314
Disposals	(2,403)	(13,959)	(16,362)
At 31 March 2009	**32,747**	**48,575**	**81,322**
Additions	–	666	666
At 31 March 2010	**32,747**	**49,241**	**81,988**
Accumulated depreciation			
At 1 April 2008	16,162	23,474	39,636
Charge for year	3,226	9,173	12,399
Disposals	(1,722)	(13,025)	(14,747)
At 31 March 2009	**17,666**	**19,622**	**37,288**
Charge for year	3,017	10,316	13,333
At 31 March 2010	**20,683**	**29,938**	**50,621**
Net Book Value			
At 31 March 2010	**12,064**	**19,303**	**31,367**
At 31 March 2009	15,081	28,953	44,034

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

Included within the net book value of computer equipment is £12,763 (2009: £19,144) relating to an asset held under a hire purchase agreement. The depreciation of computer equipment charged to the financial statements in the year in respect of this asset amounted to £6,381 (2009: £4,565).

12 Investments at fair value through profit or loss

	Level 1	Level 2		Level 3		
Group	Equity investments in quoted companies £	Equity investments in unquoted companies £	Debt investments in unquoted companies £	Equity investments in unquoted companies £	Debt investments in unquoted companies £	Total £
At 1 April 2009	15,652			3,017,026	227,834	3,260,512
Additions at Cost	–	–	–	348,533	310,516	659,049
Conversions	–	–	–	100,872	(100,872)	–
Change in Fair Value	19,369	–	–	734,870	(143,053)	611,186
At 31 March 2010	**35,021**	**–**	**–**	**4,201,301**	**294,425**	**4,530,747**

	Level 1	Level 2		Level 3		
Company	Equity investments in quoted companies £	Equity investments in unquoted companies £	Debt investments in unquoted companies £	Equity investments in unquoted companies £	Debt investments in unquoted companies £	Total £
At 1 April 2009	15,652	–	–	2,498,003	221,834	2,735,489
Additions at Cost	–	–	–	141,884	310,516	452,400
Conversions	–	–	–	100,872	(100,872)	–
Change in Fair Value	19,369	–	–	54,449	(137,053)	(63,235)
At 31 March 2010	**35,021**	**–**	**–**	**2,795,208**	**294,425**	**3,124,654**

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

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

Unlisted equity investments are measured at fair value by the directors in compliance with the principles of the International Private Equity and Venture Capital Guidelines, updated and effective September 2009, as recommended by the European Venture Capital Association. The fair value of unlisted equity investments is determined using one of the valuation methodologies set out in the guidelines. These include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; earnings or profit multiples; indicative offers; discounted cash flow analysis and pricing models.

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

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

All unquoted investments have been classified within Level 3, their respective valuations having been calculated using a number of valuation techniques and assumptions. The use of reasonably possible alternative assumptions has no material effect on the fair valuation of the related investments. The change in Level 3 fair value during the year includes a loss on equity investments of £29,418 and a loss on debt investments of £68,500 relating to three companies who entered insolvency proceedings. Otherwise, all Level 3 fair value movements during the year relate to investments still held at the year end.

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

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

The above shareholding, which is held by Caledonia Portfolio Realisations Ltd (CPR), represents a 20% aggregate shareholding in Verbalis. Neither CPR or the Company is represented on the Board or within management of Verbalis and, in the opinion of the directors, this shareholding does not entitle the Company to exert a significant or dominant influence over the portfolio company.

13 Investment in subsidiaries

Company	£
Cost	
At 1 April 2008	583,911
Additions: BVL (note 24)	750,000
Impairment in investment value: CPR	(100,206)
At 31 March 2009	**1,233,705**
Additions: BVL (note 24)	325,000
Additions: VFM (note 14)	511,014
Increase in investment value: CPR	295,392
Impairment in investment value: VFM (note 15)	(68,906)
At 31 March 2010	**2,296,205**

The Company has the following interests in subsidiary undertakings:

Name	Country of Incorporation	Nature of Business	% Interest
Braveheart Ventures Ltd (BVL)	Scotland	Investment management	100%
Caledonia Portfolio Realisations Ltd (CPR)	Scotland	Investment management	100%
Caledonia LP Ltd	Scotland	Investment management	100%
Strathclyde Innovation Fund GP Ltd	Scotland	Investment management	100%
Caledonia Portfolio Ltd	Scotland	Dormant	100%
Viking Fund Managers Ltd (VFM)	England	Investment management & business advisory services	100%
Inkopo Consulting Ltd	England	Dormant	100%

CPR is an unlisted company based in Scotland specialising in making investments in technology businesses. The acquisition of CPR included contingent consideration based on future exit values of its investment portfolio.

At 31 March 2010 an unrealised revaluation gain in respect of CPR portfolio investments has resulted in an increase of £295,392 (2009: reduction of £100,206) in both the contingent consideration liability and the value of the Company's investment in CPR.

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

Name	Place of Business	% Interest
Strathclyde Innovation Fund LP (SIF)	Scotland	89.29%

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

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

Name	Country of Incorporation	Nature of Business	% Interest
Ridings Holdings Ltd (RHL)	England	Fund management	25%

This holding is classified as an investment held by a venture capital organisation, and is measured at a fair value of £nil (2009: £nil) in accordance with IAS 39 Financial Instruments: Recognition and Measurement. For the 15 months ended 31 March 2010 RHL generated a profit after tax of £12,191 (12 months ended 31 December 2008: loss after tax of £34) and at 31 March 2010 had share capital and reserves of £11,664 (31 December 2008: deficit of £527).

14 Business combination

On 5 June 2009 the Company acquired 100% of the issued share capital of VFM (formerly Inkopo Ltd), a company based in the UK. The total cost of the acquisition includes the components stated below:

	£
Purchase price:	
Initial consideration	226,021
Contingent consideration	235,643
Total purchase price	461,664
Legal and professional fees	42,750
Other costs	6,600
Total cost of acquisition	**511,014**

£75,000 of the initial consideration was settled in cash. The balance of the initial consideration was settled by the issue of 511,937 ordinary shares. Contingent consideration will be based on (i) VFM's turnover for the years ending 31 March 2010 and 31 March 2011, and (ii) the attainment by VFM of certain other non-turnover based operating targets benefitting the Group. It is expected that contingent consideration will be settled in shares. Contingent consideration has been fair valued in accordance with IFRS 3. At initial recognition, consideration settled, or to be settled, in shares was fair valued by reference to the Company's share price at the acquisition date.

The allocation of the acquisition costs to the assets and liabilities of VFM at the acquisition date is as follows:

	Carrying value £	Fair value £
Property, plant and equipment	667	667
Investments	151,621	101,649
Trade and other receivables	112,589	112,589
Cash and cash equivalents	(52,137)	(52,137)
Trade and other payables	(47,724)	(47,724)
Net assets	165,016	115,044
Fair value of cost of acquisition		511,014
Goodwill		**395,970**

From the date of acquisition, VFM has contributed £97,089 loss to the net loss of the Group. Had the acquisition taken place at the start of the period, the consolidated income for the period would have been £980,886 and the loss for the period would have been £766,886.

The goodwill that arose on the acquisition can be attributed to revenue synergies expected to be derived from the combination and the value of the personnel of VFM, which cannot be recognised as an intangible asset under IAS 38.

15 Goodwill

	£
At 1 April 2008 and 31 March 2009	–
Arising on initial recognition of acquisition of VFM (note 14)	395,970
Reduction in period	(68,906)
At 31 March 2010	**327,064**

At initial recognition, contingent consideration to be settled in shares was fair valued by reference to the Company's share price at the acquisition date. The reduction in goodwill in the period since acquisition is primarily due to a decrease in the fair value of contingent consideration resulting from a decrease in the Company's share price.

At the end of the reporting period, the Group assessed the recoverable amount of the above goodwill associated with the VFM cash-generating unit (part of the Group's only operating segment), and determined that goodwill was not impaired. The recoverable amount was assessed by reference to the cash-generating unit's value in use based on internally prepared and approved ten year cash flow projections (a reasonable measurement period in an investment management business) assuming 4% inflationary growth rates and applying a discount factor of 9% per annum.

16 Trade and other receivables

	Group 2010 £	Group 2009 £	Company 2010 £	Company 2009 £
Trade receivables	**83,398**	48,479	**–**	–
Prepayments and accrued income	**18,509**	29,925	**7,434**	22,177
Amounts due from related parties	**–**	–	**326,190**	248,438
Other receivables	**–**	21,400	**15,256**	21,400
	101,907	99,804	**348,880**	292,015

Due to the short term maturity of trade receivables, the directors consider the carrying amounts to approximate their fair value. All receivables are non-interest bearing and unsecured.

17 Cash and cash equivalents

	Group 2010 £	Group 2009 £	Company 2010 £	Company 2009 £
Cash at bank and on hand	**1,473,943**	3,221,844	**1,377,327**	2,769,303

Cash balances are held with Bank of Scotland plc and The Royal Bank of Scotland plc and earn interest at floating rates based on daily bank deposit rates.

18 Trade and other payables

	Group 2010 £	Group 2009 £	Company 2010 £	Company 2009 £
Trade payables	**13,124**	24,549	**418**	3,625
Amounts due to related parties	**–**	–	**226,542**	113,100
Other taxes and social security	**39,771**	45,949	**–**	–
Accruals	**73,141**	102,195	**43,853**	72,145
	126,036	172,693	**270,813**	188,870

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

19 Contingent consideration

Short term contingent consideration of £592,819 (2009: £209,511) comprises (i) £87,916 (2009: £nil) being the fair value of the consideration due at 31 March 2010 in respect of the acquisition of VFM, and will be satisfied by the issue of 390,737 ordinary shares of 2p each in the Company and (ii) £504,903 (2009: £209,511) being the sum due on future exit values of the CPR portfolio (see note 13).

Long term contingent consideration of £78,822 (2009: £nil) represents the fair value of the currently estimated remaining balance after (i) above due on the acquisition of VFM.

20 Share capital

	2010 £	2009 £
Authorised 33,645,000 ordinary shares of 2p each (2009: 33,645,000 ordinary shares of 2p each)	**672,900**	672,900
Allotted, called up and fully paid 13,915,832 ordinary shares of 2p each (2009: 13,403,895 ordinary shares of 2p each)	**278,316**	268,078

On 5 June 2009, the Company issued 511,937 ordinary shares of 2p each. The new ordinary shares were issued together with a cash payment of £75,000 as initial consideration for the acquisition of the entire issued share capital of VFM (see note 14).

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

21 Share-based payments

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

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

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

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

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

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

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

During the year ended 31 March 2009, on 25 June 2008, 139,077 Employment Options and 150,306 Performance Options were granted, and on 8 December 2008, 65,896 Employment Options and 56,116 Performance Options were granted. No Employment Options vested or were exercised, and 23,365 lapsed. No Performance Options vested or were exercised, and 312,183 lapsed, the majority due to the related Performance Condition not having been met.

During the current year ended 31 March 2010, on 18 June 2009, 291,826 Employment Options and 292,500 Performance Options were granted. No Employment Options vested or were exercised, and 28,314 lapsed. No Performance Options have vested or were exercised, and 443,899 lapsed, the majority due to the related Performance Condition not having been met.

The movement in share options is summarised below:

Date of grant	At 1 April 2008	Weighted average exercise price	No of options granted in year	No of options exercised in year	No of options lapsed in year	At 31 March 2009	Exercise price	Weighted average exercise price	Date first exercisable	Expiry date
Employment Options granted under Part A										
18 June 2007	56,120		–	–	(11,457)	44,663	£1.645		18 June 2010	17 June 2017
25 June 2008	–		95,798	–	(11,908)	83,890	£1.15		25 June 2011	24 June 2018
8 December 2008	–		65,896	–	–	65,896	£0.35		8 December 2011	7 December 2018
	56,120	£1.645	161,694	–	(23,365)	194,449		£0.99		
Employment Options granted under Part B										
18 June 2007	25,191		–	–	–	25,191	£1.645		18 June 2010	17 June 2017
25 June 2008	–		43,279	–	–	43,279	£1.15		25 June 2011	24 June 2018
	25,191	£1.645	43,279	–	–	68,470		£1.33		
Performance Options granted under Part B										
18 June 2007	762,443		–	–	(306,171)	456,272	£1.645		18 June 2009	17 June 2017
25 June 2008	–		150,306	–	(6,012)	144,294	£1.15		25 June 2009	24 June 2018
8 December 2008	–		56,116	–	–	56,116	£0.35		8 December 2009	7 December 2018
	762,443	£1.645	206,422	–	(312,183)	656,682		£1.43		

Date of grant	At 1 April 2009	Weighted average exercise price	No of options granted in year	No of options exercised in year	No of options lapsed in year	At 31 March 2010	Exercise price	Weighted average exercise price	Date first exercisable	Expiry date
Employment Options granted under Part A										
18 June 2007	44,663		–	–	(6,468)	38,195	£1.645		18 June 2010	17 June 2017
25 June 2008	83,890		–	–	(9,480)	74,410	£1.15		25 June 2011	24 June 2018
8 December 2008	65,896		–	–	–	65,896	£0.35		8 December 2011	7 December 2018
18 June 2009	–		217,404	–	(12,366)	205,038	£0.295		18 June 2012	17 June 2019
	194,449	£0.99	217,404	–	(28,314)	383,539		£0.605		
Employment Options granted under Part B										
18 June 2007	25,191		–	–	–	25,191	£1.645		18 June 2010	17 June 2017
25 June 2008	43,279		–	–	–	43,279	£1.15		25 June 2011	24 June 2018
18 June 2009	–		74,422	–	–	74,422	£0.295		18 June 2012	17 June 2019
	68,470	£1.33	74,422	–	–	142,892		£0.792		
Performance Options granted under Part B										
18 June 2007	456,272		–	–	(236,566)	219,706	£1.645		18 June 2010	17 June 2017
25 June 2008	144,294		–	–	(144,294)	–	£1.15		–	–
8 December 2008	56,116		–	–	(56,116)	–	£0.35		–	–
18 June 2009	–		292,500	–	(6,923)	285,577	£0.295		18 June 2010	17 June 2019
	656,682	£1.43	292,500	–	(443,899)	505,283		£0.882		

No options were exercisable at 31 March 2010. The weighted average exercise price of the total number of options granted and not exercised at 31 March 2010 was £0.766 (2009: £1.33) and the weighted average contractual life of the options was 3,112 days (2009: 3,181 days).

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

Date of grant	Performance Condition	Percentage of the grant to which the Performance Condition applies
18 June 2007	The Company's market capitalisation exceeds the benchmark price by 50% for five consecutive business days at any time before the 1st anniversary of date of grant.	33.33%
	The Company's market capitalisation exceeds the benchmark price by 100% for five consecutive business days at any time before the 2nd anniversary of date of grant.	33.33%
	The Company's market capitalisation exceeds the benchmark price by 150% for five consecutive business days at any time before the 3rd anniversary of date of grant.	33.33%
25 June 2008, 8 December 2008 and 18 June 2009	The Company's market capitalisation exceeds the benchmark price by 25% for five consecutive business days at any time before the 1st anniversary of date of grant.	100.00%

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

The option exercise price is the closing mid-market price on AIM of an ordinary share of 2p in Braveheart Investment Group plc on the last business day prior to the date of the grant.

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

	2010 **£**	2009 £
Expense arising from equity-settled share-based payments transactions	**46,902**	78,669

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

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

	Options granted in year ended 31 March			
	2010		2008 - 2009	
	Employment Options	**Performance Options**	Employment Options	Performance Options
Valuation method	**Black-Scholes**	**Trinomial**	Black-Scholes	Trinomial
Risk free interest rate	**2.3%**	**2.3%**	2.0 - 4.5%	2.0 - 4.5%
Expected life (average years)	**3**	**2**	3	2
Expected volatility	**40%**	**40%**	28 - 33%	28 - 33%
Dividend yield	**0%**	**0%**	0%	0%

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

22 Operating lease commitments

The Group entered into a commercial lease on its office premises in Perth in June 2005 for a five year period, and the lease has been extended for a further five years. VFM entered into a one year commercial lease on its office premises in November 2009. Renewals are at the option of the lessor. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum rentals payable under operating leases are as follows:

	2010 **£**	2009 £
Future minimum payments due:		
Not later than one year	**47,180**	48,730
In two to five years	**140,000**	5,122
	187,180	53,852

23 Borrowings

The Group entered into a hire purchase contract for the purchase of computer equipment in November 2008. The asset is included under computer equipment in note 11. The effective interest rate is 7.6%

Future minimum rentals payable under the hire purchase contract are as follows:

	2010 **£**	2009 £
Future minimum payments due:		
Not later than one year	**10,696**	9,875
In two to five years	**6,625**	17,320
	17,321	27,195

At 31 March 2010 SIF had received £28,580 (2009: £23,758) from limited partners unrelated to the Group to cover partnership obligations. Such sums are treated as long terms loans from limited partners.

24 Related party disclosures

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

	2010 £	2009 £
Caledonia Portfolio Realisations Ltd	**50,453**	50,453
Caledonia LP Ltd	**238,167**	197,985
Viking Fund Managers Ltd	**37,570**	–
	326,190	248,438

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

	2010 £	2009 £
Braveheart Ventures Ltd	**226,542**	113,100

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

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

During the year, the Company subscribed for 3,250,000 redeemable preference shares (2009: 7,500,000) of 10p each in Braveheart Ventures Ltd at an aggregate cost of £325,000 (2009: £750,000).

Group entities have a limited partnership interest (note 13) and act as General Partner to Strathclyde Innovation Fund LP.

Certain executive and non-executive directors are clients of Braveheart Ventures Ltd. Investment transactions executed on their behalf are carried out on the same commercial terms as all other clients of Braveheart Ventures Ltd. Fees arising during the year from such transactions were as follows: Garry Watson £503 (2009: £1,370) and Edward Cunningham £nil (2009: £1,023).

Andrew Burton is a director of VFM. During the year, VFM paid rent totalling £20,783 (2009: £30,000) in respect of business premises owned personally by Mr and Mrs Burton. No amounts were outstanding as at 31 March 2010.

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

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

The carrying values of all of the Group and Company's financial instruments approximate their fair values at 31 March 2010 and 31 March 2009. The Accounting Policies described in note 2 outline how the financial instruments are measured.

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

	Financial instruments			
Group	Designated at fair value through profit or loss £	Loans and receivables £	Non-financial assets & financial assets outwith the scope of IAS 39 £	Total £
2010				
Investments	4,530,747	–	–	4,530,747
Trade and other receivables	–	84,943	16,964	101,907
Cash and cash equivalents	–	1,473,943	–	1,473,943
	4,530,747	**1,558,886**	**16,964**	**6,106,597**
2009				
Investments	3,260,512	–	–	3,260,512
Trade and other receivables	–	69,879	29,925	99,804
Cash and cash equivalents	–	3,221,844	–	3,221,844
	3,260,512	**3,291,723**	**29,925**	**6,582,160**

Company	Financial instruments Designated at fair value through profit or loss £	Loans and receivables £	Non-financial assets & financial assets outwith the scope of IAS 39 £	Total £
2010				
Investments	3,124,654	–	2,296,205	5,420,859
Trade and other receivables	–	326,190	22,690	348,880
Cash and cash equivalents	–	1,377,327	–	1,377,327
	3,124,654	**1,703,517**	**2,318,895**	**7,147,066**
2009				
Investments	2,735,489	–	1,233,705	3,969,194
Trade and other receivables	–	269,838	22,177	292,015
Cash and cash equivalents	–	2,769,303	–	2,769,303
	2,735,489	**3,039,141**	**1,255,882**	**7,030,512**

Group	Other financial liabilities at amortised cost £	Liabilities outwith the scope of IAS 39 £	Total £
2010			
Trade and other payables	86,265	39,771	126,036
Contingent consideration	504,903	166,738	671,641
Borrowings	28,580	17,321	45,901
	619,748	**223,830**	**843,578**
2009			
Trade and other payables	126,744	45,949	172,693
Contingent consideration	209,511	–	209,511
Borrowings	23,758	27,195	50,953
	360,013	**73,144**	**433,157**

Company	Other financial liabilities at amortised cost £	Liabilities outwith the scope of IAS 39 £	Total £
2010			
Trade and other payables	270,813	–	270,813
Contingent consideration	504,903	166,738	671,641
	775,716	**166,738**	**942,454**
2009			
Trade and other payables	188,870	–	188,870
Contingent consideration	209,511	–	209,511
	398,381	**–**	**398,381**

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

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

Credit risk

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

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

Group	Neither past due nor impaired £	Less than 3 months £	3 to 12 months £	More than 1 year £	Total £
2010					
Trade receivables	57,137	21,987	2,916	1,358	83,398
Other receivables	3,979	–	–	–	3,979
	61,116	**21,987**	**2,916**	**1,358**	**87,377**
2009					
Trade receivables	31,432	2,300	14,747	–	48,479
Other receivables	34,863	–	–	–	34,863
	66,295	**2,300**	**14,747**	**–**	**83,342**

Company	Neither past due nor impaired £	Less than 3 months £	3 to 12 months £	More than 1 year £	Total £
2010					
Amounts due from related parties	326,190	–	–	–	326,190
Other receivables	17,690	–	–	–	17,690
	343,880	**–**	**–**	**–**	**343,880**
2009					
Amounts due from related parties	248,438	–	–	–	248,438
Other receivables	36,077	–	–	–	36,077
	284,515	**–**	**–**	**–**	**284,515**

The Group considers its exposure to credit risk is negligible.

Liquidity risk

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

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

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

Group	On demand £	Less than 3 months £	3 to 12 months £	More than 1 year £	Total £
2010					
Trade and other payables	84,581	1,543	141	–	86,265
Other liabilities	20,230	–	10,696	35,205	66,131
	104,811	**1,543**	**10,837**	**35,205**	**152,396**
2009					
Trade and other payables	126,112	632	–	–	126,744
Other liabilities	22,585	–	9,875	41,078	73,538
	148,697	**632**	**9,875**	**41,078**	**200,282**

Company	On demand £	Less than 3 months £	3 to 12 months £	More than 1 year £	Total £
2010					
Trade and other payables	44,271	–	–	–	44,271
Amounts due to related parties	226,542	–	–	–	226,542
	270,813	**–**	**–**	**–**	**270,813**
2009					
Trade and other payables	75,770	–	–	–	75,770
Amounts due to related parties	113,100	–	–	–	113,100
	188,870	**–**	**–**	**–**	**188,870**

Market Risk

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

Equity price risk

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

It is estimated that the maximum effect of a 10% fall in market prices to which the Group is exposed would be an increase in the loss before tax for the 12 months to 31 March 2010 of £423,632 (2009: £303,268).

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

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

	Fixed rate £	Variable rate £	Interest free £	Total £
2010				
Financial assets				
Investments: equity	–	–	4,236,322	4,236,322
Investments: loan notes	294,425	–	–	294,425
Cash and cash equivalents	–	1,473,943	–	1,473,943
Other financial assets	–	–	101,907	101,907
	294,425	**1,473,943**	**4,338,229**	**6,106,597**
Financial liabilities				
Contingent consideration	–	–	671,641	671,641
Other financial liabilities	–	17,321	174,846	192,167
	–	**17,321**	**846,487**	**863,808**

	Fixed rate £	Variable rate £	Interest free £	Total £
2009				
Financial assets				
Investments: equity	–	–	3,032,678	3,032,678
Investments: loan notes	227,834	–	–	227,834
Cash and cash equivalents	–	3,221,844	–	3,221,844
Other financial assets	–	–	99,804	99,804
	227,834	**3,221,844**	**3,132,482**	**6,582,160**
Financial liabilities				
Contingent consideration	–	–	209,511	209,511
Other financial liabilities	–	27,195	219,036	246,231
	–	**27,195**	**428,547**	**455,742**

It is estimated that the maximum effect of a one percentage point (100 basis points) fall in interest rates to which the Group is exposed would be an increase in loss before tax for the twelve months to 31 March 2010 of £14,739 (2009: £32,215).

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

26 Ultimate controlling party
There is no ultimate controlling party.

27 Post-reporting date events
No adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorisation.

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 Cherrybank Centre, Cherrybank Gardens, Perth, PH2 0PF on Thursday 16 September 2010 at 12.30pm to consider the following resolutions:

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

Resolution 1
THAT the audited accounts of the Company for the financial year ended 31 March 2010 and the reports of the directors and auditors thereon be received.

Resolution 2
THAT Grant Thornton UK LLP be re-appointed as auditors of the Company to hold office until the conclusion of the next general meeting of the Company before which audited accounts are laid.

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

Resolution 4
THAT Geoffrey Charles Byars Thomson, who retires by rotation under article 107.1 of the Company's existing Articles of Association, be re-elected as a director of the Company.

Resolution 5
THAT John Kenneth Brown, who retires by rotation under article 107.1 of the Company's existing Articles of Association, be re-elected as a director of the Company.

Resolution 6
THAT the definition of 'Eligible Employee' contained within Part B to the Rules of the Braveheart Investment Group plc Share Option Plan (the Unapproved Share Option Plan) be amended so as to include a consultant or contractor of or to the Company or companies within the Group.

Resolution 7
THAT the directors be generally and unconditionally authorised for the purposes of section 551 of the Companies Act 2006 (the CA 2006) to allot or grant rights to subscribe for Relevant Securities comprising equity securities (as defined by section 560 of the CA 2006) up to an aggregate nominal amount of £214,598.52 (representing approximately 75% of the issued ordinary share capital of the Company as at 12 August 2010) provided that this authority shall, unless renewed, varied or revoked by the Company, expire on 16 September 2013 save that the Company may, before such expiry, make offers or agreements which would or might require Relevant Securities to be allotted and the directors may allot Relevant Securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired.

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

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

Resolution 8
That, subject to the passing of resolution 7 above, the directors, pursuant to the general authority conferred on them, be empowered pursuant to section 570 of the CA 2006 to allot for cash equity securities (as defined in section 560 of the CA 2006) as if section 561 of the CA 2006 did not apply to such allotment provided that this power shall be limited to the allotment of equity securities wholly for cash up to an aggregate nominal value of £94,423.34 (being approximately 33% of the issued share capital of the Company as at 12 August 2010) and shall expire on 16 September 2011 or, if earlier, the date of the next annual general meeting of the Company, save that the Company may, before such expiry, make offers or agreements which would or might require equity securities to be allotted and the directors may allot equity securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired.

Resolution 9
THAT the Articles of Association of the Company be amended by the deletion of all of the provisions of the Company's Memorandum of Association which, by virtue of section 28 of the CA 2006 are treated as provisions of the Company's Articles of Association.

Resolution 10
THAT the Articles of Association produced to the meeting and initialled by the Chairman for the purposes of identification be and are hereby adopted as the Articles of Association of the Company in substitution for and to the exclusion of the existing Articles of Association.

BY ORDER OF THE BOARD
Colin C Grant
Company Secretary

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

Dated: 12 August 2010

Explanations of the Resolutions proposed

Explanation of Resolution 1: The directors are required by law to present to the shareholders of the Company at a general meeting the audited accounts of the Company for the financial year ended 31 March 2010 and the reports of the directors and auditors thereon. The report of the directors and the audited accounts have been approved by the directors, and the report of the auditors has been approved by the auditors. A copy of each of these documents may be found in the annual report of the Company.

Explanation of Resolution 2: The auditors are responsible for examining the annual accounts of the Company and forming an opinion as to whether or not they give a true and fair view of its results and 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.

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

Explanation of Resolution 4: Geoffrey Thomson, a director of the Company, is retiring by rotation pursuant to the requirements of the Company's Articles of Association and is making himself available for re-election. Biographical details for Mr Thomson are shown on page 19 of the annual report.

Explanation of Resolution 5: Ken Brown, a director of the Company, is retiring by rotation pursuant to the requirements of the Company's Articles of Association and is making himself available for re-election. Biographical details for Mr Brown are shown on page 19 of the annual report.

Explanation of Resolution 6: Periodically and on an ad hoc basis the Company or companies within the Group may choose, rather than take on a permanent employee, to engage a consultant or contractor, and this resolution allows the Company to align the interests of such consultant or contractor with those of the Company by incentivising them through the grant of share options.

Explanation of Resolution 7: It is being proposed to renew the authority of the directors of the Company to allot Relevant Securities (or rights in respect thereof) in connection with section 551 of the CA 2006. The directors are seeking authority to issue up to 10,729,926 shares, having an aggregate nominal value of £214,598.52, representing approximately 75% of the issued share capital of the Company as at 12 August 2010, such authority to expire on 16 September 2013.

The directors wish to continue the strategy for the growth of the group as outlined in the Chairman's Statement and the Chief Executive's Report through prudent acquisitions which do not require recourse to cash resources and are therefore seeking authority to allot shares to enable them to pursue this strategy.

Relevant securities means:

- Shares in the company other than shares allotted pursuant to:
    - an employee share scheme (as defined by section 1166 of the CA 2006);
    - a right to subscribe for shares in the Company where the grant of the right itself constituted a Relevant Security; or
    - a right to convert securities into shares in the Company where the grant of the right itself constituted a Relevant Security.
- Any right to subscribe for or to convert any security into shares in the Company other than rights to subscribe for or convert any security into shares allotted pursuant to an employee share scheme (as defined by section 1166 of the CA 2006). References to the allotment of Relevant Securities in the resolution include the grant of such rights.

Explanation of Resolution 8: This resolution, which will be proposed as a special resolution, supplements the directors' authority to allot shares proposed by Resolution 7. Section 561 of the CA 2006 requires a company proposing to allot equity securities to offer them first to existing shareholders in proportion to their existing shareholdings. If passed, this requirement will not apply to allotments of shares for cash up to a total nominal value of £94,423.34 being approximately 33% of the issued share capital of the Company at 12 August 2010. This authority enables the directors to raise additional equity capital through an issue of shares for cash. This authority will expire after one year or at the date of the next annual general meeting, whichever is the earlier.

Explanation of Resolution 9: The Company's constitution is currently set out in the Memorandum and Articles of Association. The Company's Memorandum contains, amongst other things, the objects clause which sets out the scope of the activities the Company is authorised to undertake. The CA 2006 significantly reduces the constitutional significance of a company's Memorandum of association. Under the CA 2006, the objects clause and all other provisions which are contained in the Memorandum are deemed, for companies incorporated before 1 October 2009, to be contained in the company's Articles of Association.

Further, the CA 2006 states that, unless a company's Articles provide otherwise, a company's objects are unrestricted. This effectively removes the requirement for a company to have an objects clause. For this reason the Company is proposing to remove its objects clause, together with all other provisions of its Memorandum which, by virtue of the CA 2006, are now treated as forming part of its Articles of Association and Resolution 9 would approve this step.

A consequence of Resolution 9 will also be to remove the statement, currently set out in the Memorandum, regarding the limited liability of its members. The new Articles of Association to be adopted pursuant to Resolution 10 now contain an express statement regarding the limited liability of the members.

Explanation of Resolution 10: The implementation of the final parts of the CA 2006 and the introduction of certain changes to the CA 2006 by The Companies (Shareholders' Rights) Regulations 2009 (the Shareholders' Rights Regulation) mean that the Articles of Association of the Company do not benefit from certain provisions of the CA 2006 or, in certain cases, conflict with the current law. The directors therefore propose to amend the Articles of Association in respect of the following matters:

Authorised Share Capital
The CA 2006 abolishes the requirement for a company to have an authorised share capital. The new Articles of Association to be adopted pursuant to Resolution 10 reflect this. The directors will still be limited as to the number and nominal value of the shares in the Company that they can allot at any time as the CA 2006 continues to require the directors to have authority to allot shares, save in respect of shares allotted pursuant to employee share schemes.

Registration of share transfers
The existing Articles of Association of the Company permit the directors to refuse to register a transfer of shares in certain circumstances and to give reasons for such refusal. The new Articles of Association provide for the directors to provide such other information regarding the reasons for refusal as the transferee reasonably requests.

The existing Articles of Association permit the directors to suspend the registration of transfers of shares for up to 30 days. Under the CA 2006 share transfers are required to be registered as soon as possible. Accordingly, to ensure the new Articles of Association of the Company to be adopted pursuant to Resolution 10 are consistent with the CA 2006 and the Uncertified Securities Regulations, the power of the directors to suspend the registration of share transfers has been preserved but the time period during which registration may be suspended is limited to a maximum of ten working days in any calendar year, and remains subject to the consent of the operator of the CREST system for so long as the Company hold shares in CREST. Any decision to suspend the registration of share transfers would be taken only in exceptional circumstances after due and careful consideration with the Company's nominated adviser and with the consent of the operator of the CREST system for so long as the Company hold shares in CREST.

Voting by Proxies
The Shareholders' Rights Regulations amended the CA 2006 so that it now provides that multiple proxies appointed by a member each have one vote on a show of hands, unless any proxy is appointed by more than one member and has been instructed by such different members to vote in different ways, in which case that proxy has one vote for and one vote against. The new Articles of Association to be adopted pursuant to Resolution 10 reflect these changes in the law.

Voting by Corporate Representative
The Shareholders' Rights Regulations have also amended the CA 2006 so that it now provides for multiple representatives to be appointed by the same corporate member and provided they vote the shares in the same way, whether on a show of hands or a poll, those votes will be taken in to account but where they vote the shares of the corporate member in different ways, those votes will not be counted. The new Articles of Association to be adopted pursuant to Resolution 10 also reflect these changes in the law.

Voting Record Dates
Under CA 2006, as amended by the Shareholders Rights Regulation, a company must determine the right of members to vote at a general meeting by reference to its register of members not more that 48 hours before holding the meeting, not taking into account any part of a day which is not a working day.

Accordingly, the new Articles of Association to be adopted pursuant to Regulation 10 reflect these changes in the law.

Other voting matters
Under the CA 2006, as amended by the Shareholder Rights Regulations, there is now a requirement for a proxy or corporate representative of a member to vote in accordance with the instructions given by that member. The new Articles of Association to be adopted pursuant to Resolution 10 clarify that the Company, nor any of its officers, are obliged to verify whether a proxy or corporate representative has voted in accordance with instructions and that the vote will not be invalidated by any failure by a proxy or corporate representative to vote in accordance with instructions.

Vacation of office by directors
The existing Articles of Association of the Company specify certain circumstances in which a director must vacate his office. The new Articles of Association to be adopted pursuant to Resolution 10 update these provisions to reflect the approach taken on incapacity caused by both mental and physical illness in the Companies (Model Articles) Regulations 2008 model articles for public companies.

Change of Company name

Under the Companies Act 1985 a company could only change its name by way of a special resolution of the members. The CA 2006 allows a company to change its name by other means provided for in its Articles of Association. To take advantage of this, the new Articles of Association to be adopted pursuant to Resolution 10 enable the directors to pass a resolution to change the Company's name.

It should be noted that the directors have no intention at present of changing the Company's name and any such decision in the future would be taken carefully having due regard to the expectations of the members and the goodwill attaching to the name.

Statutory references and incidental changes

The new Articles of Association to be adopted pursuant to Resolution 10 also contain a number of other minor and consequential changes to update a number of statutory references and changes in terminology following the commencement of the final parts of the CA 2006.

Notes:

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

2. To be valid, a form of proxy (other than an electronic communication appointing a proxy) together with the power of attorney or other authority (if any) under which it is signed (or a copy of such authority certified notarially) must be lodged at the office of the Company's registrars, Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU by 12.30pm on 14 September 2010, or not less than 48 hours before the time appointed for holding any adjourned meeting.

3. Pursuant to Regulation 41 of the Uncertificated Securities Regulation 2001, the Company has specified that only those shareholders registered in the register of members of the Company as at 6.00pm on 14 September 2010 or, in the event that this meeting is adjourned, in the register of members 48 hours before the time of any adjourned meeting, will be entitled to vote, or to appoint one or more proxies to vote on their behalf, at this meeting in respect of the number of shares registered in their names at that time. Changes to entries on the register of members after 6.00pm on 14 September 2010 or, in the event that this meeting is adjourned, in the register of members 48 hours before the time of any adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the meeting.

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

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

6. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ('EUI') specifications and must contain the information required for such instructions, as described in the CREST Manual. The message regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by 12.30pm on 14 September 2010. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

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

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

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

10. Copies of the existing Articles of Association of the Company and the proposed amended Articles of Association will be available for inspection at the Company's registered office from 12 August 2010 to (and including) the date of the Meeting during normal business hours on any day (Saturdays, Sundays and public holidays excepted) and will also be available at the Registered Office for at least 15 minutes before the Meeting until its conclusion.

Notes

Directors, Secretary, Registered Office and Advisers

Directors	Garry S Watson OBE CA, *Chairman* (n) (r) Geoffrey C B Thomson, *Chief Executive Officer* Carolyn Smith BA Hons ACIS, *Chief Investment Officer* Colin C Grant BCom CA, *Chief Financial Officer* Edward B Cunningham CBE FRSE, *Non-executive Director* (a) (n) (r) J Kenneth Brown BA CA, *Non-executive Director* (a) (r) Jeremy H Delmar-Morgan MA MSI, *Non-executive Director* (a) *(a) Member of Audit and Risk Management Committee* *(n) Member of Nominations Committee* *(r) Member of Remuneration Committee*
Secretary	Colin C Grant BCom CA
Registration Number	SC247376
Registered Office	The Cherrybank Centre Cherrybank Gardens Perth PH2 0PF Telephone +44 (0) 1738 587555
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Pentland House
8 Lochside Avenue
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