Evolution Capital Investment Limited

Directors' Report and Financial Statements
For the year ended 31 December 2009

Registered Number: 3359805

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Evolution Capital Investment Limited

DIRECTORS' REPORT
For the year ended 31 December 2009

The directors of Evolution Capital Investment Ltd ("ECIL" or the "Company") present their report together with the audited financial statements for the year ended 31 December 2009

Principal activities and review of business

ECIL is the wholly owned private equity investment entity for The Evolution Group Plc (the "parent company" or the "group")

The Company does not intend to make any further investments in private equity owned companies but will seek to maximise value from the remaining portfolio of assets held

Given the straight forward nature of the business the Company's directors are of the opinion that analysis using KPI's is not necessary for an understanding of the development, performance or position of the business

The Company is a limited company incorporated and domiciled in the United Kingdom The address of its registered office is 100 Wood Street, London, EC2V 7AN

Results and dividends

The carrying value of the remaining investment portfolio is £99,000 (2008 £47,000) During the year the Company made a profit after taxation of £305,000 (2008 profit £11,000) The directors do not recommend the payment of a dividend (2008 nil)

Going concern

The Parent Company has provided a letter of support to the Company stating that it will undertake to provide adequate financial support to the Company to enable it to meet all of its liabilities as and when they fall due for a period of at least one year from the date of these financial statements It is on the strength of this guarantee and commitment of financial support that the directors deem it appropriate to prepare the financial statements on the assumption that the Company is a going concern

Directors

The directors of the Company who held office since 1 January, unless otherwise stated, are as shown below

	Date of appointment	Date of resignation
Alex Snow	-	-
David Horsley	-	03 April 2009

The directors have no interest in the share capital of the Company

Company Secretary

	Date of appointment	Date of resignation
Tony Lee	-	-

Principal risks and uncertainties

As a non-trading entity, the Company's only risk is exposure to fair value movements on its investment portfolio Before the Company's adoption of International Financial Reporting Standards ("IFRSs") all un-listed investments were fully provided Thus any changes to fair value may now only be realised through reserves Upon disposal of such investments, this fair value uplift would be reversed into the statement of comprehensive income

Further disclosures on the principal risks and uncertainties impacting the Company and on the Company's risk management policies and objectives have been given in note 3 to the financial statements

Evolution Capital Investment Limited

DIRECTORS' REPORT (continued)
For the year ended 31 December 2009

Statement of Directors' Responsibilities

The following statement, which should be read in conjunction with the Independent Auditors' Report set out on page 3, is made with a view to distinguishing for shareholders the respective responsibilities of the Directors and of the independent auditors in relation to the Financial Statements

The Directors are responsible for preparing the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS's) as adopted by the European Union The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the company for that period

In preparing the financial statements on pages 4 to 14, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state that the financial statements comply with IFRSs as adopted by the European Union, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary

The Directors confirm that they have complied with the above requirements in preparing the financial statements

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Directors' disclosures to the auditors

United Kingdom company law (Section 234ZA of the Companies Act 2006) requires each Director to make an individual statement regarding the disclosure of information to the auditors The statement must confirm that as at the date of this report and as far as the Director is aware there is no relevant audit information of which the Company's auditors are unaware, and that the Director has taken all the steps he ought to have taken in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information A Director is deemed to have taken all the steps necessary that he ought to have taken if he has made such enquiries of his fellow Directors and of the Company's auditors for that purpose, and taken such other steps, if any, for that purpose as are required by his duty as a Director of the Company to exercise due care, skill and diligence The Directors of the Company as at the date of this report have provided such a statement to the Company The Company's auditors have been advised that confirmation has been given and should be interpreted in accordance with the provisions of Section 415 of the Companies Act 2006

Auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue in office, and pursuant to section 485 of the Companies Act 2006, a notice will be given of a resolution proposing to re-appoint PricewaterhouseCoopers LLP as the Company's auditors at the Annual General Meeting

BY ORDER OF THE BOARD

Alex Snow
Director
26 April 2010

Evolution Capital Investment Limited

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EVOLUTION CAPITAL INVESTMENT LIMITED

We have audited the Financial Statements of Evolution Capital Investment Limited for the year ended 31 December 2009 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, and the related notes on pages 7 to 14 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

Respective responsibilities of directors and auditors
As explained more fully in the Directors' Responsibilities Statement set out on page 2, 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 Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may comes save where expressly agreed by our prior consent in writing

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements

Opinion on financial statements
In our opinion the Financial Statements

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its profit and cash flows for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the 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

Nicholas Morrison (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom
27 April 2010

Evolution Capital Investment Limited

STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31/12/2009 £'000	Year ended 31/12/2008 £'000
Profit on disposal of available-for-sale investments	4	**313**	20
Operating expenses	5	**(8)**	(9)
Profit before tax		**305**	11
Tax expense	8	**-**	-
Profit for the year		**305**	11
Other comprehensive income			
Fair value changes taken to equity during the year on available-for-sale financial assets	10	**52**	(84)
Other comprehensive income for the year		**52**	(84)
Total comprehensive income / (expense) for the year		**357**	(73)

The notes on pages 7 to 14 form an integral part of these financial statements

Evolution Capital Investment Limited

BALANCE SHEET

	Note	31/12/2009 £'000	31/12/2008 £'000
ASSETS			
Current assets			
Trade and other receivables	9	**107**	86
Available-for-sale financial assets	10	**99**	47
Total current assets		**206**	133
Total assets		**206**	133
LIABILITIES			
Current liabilities			
Trade and other payables	11	**47**	331
Total current liabilities		**47**	331
Total liabilities		**47**	331
Net Assets		**159**	(198)
EQUITY			
Capital and reserves attributable to equity shareholders			
Share capital	12	**-**	-
Fair value and other reserves		**99**	47
Retained earnings / (deficit)		**60**	(245)
Total equity		**159**	(198)

The notes on pages 7 to 14 form an integral part of these financial statements

The financial statements on pages 4 to 6 were approved by the Board of Directors on 26 April 2010 and were signed on its behalf by

Alex Snow
Director
26 April 2010

Registered Number 3359805

Evolution Capital Investment Limited

STATEMENT OF CHANGES IN EQUITY
As at 31 December 2009

2009	Fair value and other reserves £'000	Retained (deficit) / earnings £'000	Total equity £'000
Balance at 1 January	**47**	**(245)**	**(198)**
Profit for the period	-	305	305
Revaluation of available-for-sale investments	52	-	52
Total comprehensive income for the period	52	305	357
Balance at 31 December	**99**	**60**	**159**

2008	Fair value and other reserves £'000	Retained (deficit) / earnings £'000	Total equity £'000
Balance at 1 January	**131**	**(256)**	**(125)**
Profit for the period	-	11	11
Revaluation of available-for-sale investments	(84)	-	(84)
Total comprehensive (expense) / income for the period	(84)	11	(73)
Balance at 31 December	**47**	**(245)**	**(198)**

Evolution Capital Investment Limited

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2009

1. ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below These policies have been consistently applied to the years presented

Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets

The Company has not prepared a Cashflow Statement since it did not have any cash flows during the year nor does it have any bank accounts All transactions undertaken by the Company are carried out through the intercompany accounts with the Evolution Group Plc (the "Parent Company" or the "Group") undertakings with no cash settlement taking place

A summary of the Company's accounting policies is set out below, together with an explanation of where changes have been made to previous policies on the adoption of new accounting standards in the year

Significant accounting policies

Financial assets and liabilities

Fair value of financial instruments

For available-for-sale investments that are quoted in active markets, fair values are determined by reference to the current quoted bid/offer price Where available-for-sale investments are not quoted in active markets, as in the case of the majority of the Company's portfolio, fair valuation represents a significant challenge for the Company In the majority of cases, there is a lack of evidence as to trading activity with which to base a valuation on Furthermore where evidence may exist, the investments are not generating meaningful revenues, nor do they have material contracts in the pipeline This makes the use of traditional valuation techniques (such as discounted cash flow models) very difficult The Directors', having previously fully provided against the historical valuation of these investments, review evidence of trading and other available market information, on a case by case basis, when considering whether or not the valuation remains appropriate

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate The amount of the provision is recognised in the statement of comprehensive income within operating expenses

Trade and other payables

Trade and other payables are initially recognised at fair value, which is the agreed market price at the time goods or services are provided The Company accrues for all goods and services consumed but as yet unbilled at amounts representing management's best estimate of fair value

1. ACCOUNTING POLICIES (continued)

Current and deferred taxes

Current taxes are computed on a basis of the tax laws enacted or substantially enacted at the Balance Sheet date

Deferred taxes are computed using the liability method Under this method, deferred tax assets and liabilities are determined based on temporary differences between the financial reporting and tax bases of assets and liabilities and are measured using enacted rates and laws that will be in effect when the differences are expected to reverse The deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit nor loss Valuation allowances are established against deferred tax assets where it is more likely than not that some portion or all of the asset will not be realised

In principle, deferred tax liabilities are recognised for all taxable temporary differences and 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 Such assets and liabilities are not recognised if the temporary difference arises from goodwill, negative goodwill or from the acquisition of an asset, which does not affect either taxable or accounting income

1. ACCOUNTING POLICIES (continued)

Group Recharge

The Company's Parent company, The Evolution Group Plc, through the normal course of business incurs costs on behalf of its subsidiaries These costs are recharged, where relevant, to the Company

Changes in accounting policies and disclosures

a) New and amended standards adopted by the Company

The Company has adopted the following new and amended IFRS's as of 1 January 2009

- IAS 1 (revised), 'Presentation of financial statements' – effective 1 January 2009 The revised standard prohibits the presentation of items of income and expenses in the statement of changes in equity, requiring 'non owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income The change in accounting policy only impacts presentation
- IFRS 7, 'Financial instruments – Disclosures' (amendment) – effective 1 January 2009 The amendment requires enhanced disclosures about fair value measurement and liquidity risk In particular the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy,

b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

The following standards, interpretations and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 January 2010 or later periods, but the Company has not early adopted them

- IFRIC 17, 'Distribution of non-cash assets to owners' is required to be adopted for the Company for the financial year ending 31 December 2010 This interpretation provides guidance on accounting arrangements whereby an entity distributes non-cash assets to shareholders whether as a distribution of reserves or as dividends IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable This is not expected to have a material impact on the Company,
- IFRS 5 (amendment), 'Non-current assets held-for-sale and discontinued operations' is required to be adopted for the Company for the financial year ending 31 December 2010 The amendment clarifies that all of a subsidiary's assets and liabilities as held-for-sale if a partial disposal will result in loss of control This is not expected to have a significant impact on the Company,
- IAS 1 (amendment), 'Presentation of financial assets' is required to be adopted for the Company for the financial year ending 31 December 2010 The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the Company could be required by the counterparty to settle in shares at any time This is not expected to have a material impact on the Company, and
- IAS 38 (amendment), 'Intangible assets' is required to be adopted for the Company for the financial year ending 31 December 2010 The amendment defines a prepayment as being recognised only if payment has been made in advance of receiving the right to goods or receipt of services The Company is assessing the implications of this change but currently does not expect it to have a material impact

2. CRITICAL ESTIMATES AND JUDGEMENTS

The preparation of the Financial Statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the year Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates There are no areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Statements

3. FINANCIAL RISK MANAGEMENT

Through its normal operations, the Company is exposed to a number of risks, the most significant of which is equity market risk

Risk Management Framework

The Company's Board is responsible for approving all risk management policies and for determining the overall risk profile for the Company As the Company's un-listed portfolio is fully provided the company is exposed to minimal risk

Risk Committee

A sub-committee of the Parent Company, the Risk Committee, is responsible for setting the risk management policies applied by the Company

The purpose of the Risk Committee is to monitor and assess all types of risk within the Company and to ensure that internal controls are properly established so that the Company's risk exposure is commensurate with the wishes of the Board In addition, the Risk Committee tracks external market events and tries to evaluate their impact on the Company The Risk Committee meets at least monthly and is chaired by the Chief Risk Officer

Risk Department

The Risk Department has day-to-day responsibility for monitoring, mitigating and reporting risks within the Group and for escalating issues to senior management The Risk Department follows the guidelines laid down by the Credit Policy, the Credit Limit Book, the Trading Policy Statement and the Operational Risk Policy as approved by the Group Board, the Audit Committee and the Risk Committee The Treasury Department is responsible for hedging foreign exchange risk and for managing liquidity

Equity Price Risk

The Company is exposed to equity market risk in respect of its equity holdings This comprises available-for-sale financial assets

The Board continues to review the performance of existing available-for-sale financial assets in the Company's portfolio and realises these investments when deemed appropriate Note 10 summarises the available-for-sale investments at the year-end date and the disposals and fair value movements made in the year The Company does not seek to hedge this exposure

Credit Risk

The Company has no exposure to any third party credit risk and all receivables are with other Group companies The Company has financial assets subject to credit risk in the form of available-for-sale investments of £99,000 (2008 £47,000) At the balance sheet date these are neither past due nor impaired

Interest Rate Risk

The Company has no interest rate exposure and therefore no interest rate risk

Management of Liquidity Risk

The Company seeks to manage its liquidity risk to ensure sufficient liquidity is available to meet foreseeable needs and maintain profitability The Company is fully supported by its Parent Company, The Evolution Group Plc for any day to day cash requirements through the use of intercompany recharges However due to the Company's principal activities, its only cash requirements are to settle its audit and taxation expenses The Company deems there is sufficient liquidity for the near future The Company's liabilities in the form of trade and other payables are due to be settled within 1 year

Capital Risk Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain an optimal capital structure

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2009

4. PROFIT ON DISPOSAL OF AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2009 £'000	2008 £'000
Proceeds on disposal of available-for-sale financial assets	313	20
Fair value of investments at date of disposal	-	-
	313	20
Reversal of fair value reserve on disposal	-	-
Profit on disposal of available-for-sale financial assets	313	20

During 2009 the Company's holding in RF Engines of 200,334 shares was sold, realising a profit of £291,265 In addition liquidation dividends for Photo Therapeutics were received (£21,389) The investment in both of these companies had previously been fully provided for

5. OPERATING EXPENSES

The following items have been included in arriving at operating profit

	2009 £'000	2008 £'000
Operating expenses		
Auditors' remuneration (note 6)	8	9
	8	9

6. AUDITORS' REMUNERATION

During the year the Company obtained the following services from the Company's auditors at costs as detailed below

	2009 £'000	2008 £'000
Audit services:		
Fees payable to the auditors for the audit of the annual accounts	5	6
Fees payable to the Company's auditor and its associates for other services:		
Services relating to taxation	3	3
	8	9

Taxation services include compliance services such as tax return preparation and advisory services such as consultation on tax matters

7. EMPLOYEES AND DIRECTORS

Average employee numbers during the year were nil (2008 nil)

The Directors did not receive any emoluments in respect of their services to the Company during the year (2008 £nil)

8. TAX EXPENSE

	2009 £'000	2008 £'000
Current tax:		
Corporation tax	-	-
Tax expense	-	-

The tax assessed for the year is lower (2008 lower) than the average rate of corporation tax in the UK (28%)

Factors affecting the tax charge for the year are explained below

	2009 £'000	2008 £'000
Profit before tax	**305**	11
Profit multiplied by the average rate of corporation tax in the UK of 28% (2008 28 5%)	**85**	3
Effects of		
Losses utilised in the year	**(85)**	(3)
Total tax expense	-	-

There is a potential deferred tax asset at 31 December 2009 of £6,221,000 (2008 £6,416,000), relating to provisions against investments and losses carried forward. The decrease can be explained by the disposal of two company investments and the subsequent utilization of part of the deferred tax asset The potential deferred tax assets is not recognised within the accounts as the Company is uncertain as to whether future profits will arise on its legacy portfolio investments

9. TRADE AND OTHER RECEIVABLES

	2009 £'000	2008 £'000
Amounts due from group undertakings	**107**	86
	107	86

Amounts owed by group undertakings are unsecured, interest free and have no fixed date of repayment

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2009

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2009 £'000	2008 £'000
At 1 January	47	131
Revaluation surplus / (deficit) transferred to equity	52	(84)
At 31 December	99	47
Current	99	47
Available for sale investments include the following		
Listed securities		
- Equity securities – Non - UK	99	47
	99	47

The Company does not have any investments greater than 20% of the issued share capital in any company
The Company's investments are stated at fair value with any unrealised movements passing through fair value reserves Upon disposal, any fair value reserve element relating to the disposed asset is reversed through the statement of comprehensive income

11. TRADE AND OTHER PAYABLES

	2009 £'000	2008 £'000
Amount due to group undertakings	36	322
Accruals	11	9
	47	331

The Group undertakings above relate to The Evolution Group Plc ("EVG") and Evolution Group Services Limited ("EVGS") Amounts owed to group undertakings are unsecured, interest free and have no fixed date of repayment

12. SHARE CAPITAL

	2009 £	2008 £
Authorised·		
1,000 (2008 1,000) ordinary shares of £1 each	1,000	1,000
Allotted and paid:		
2 (2008 2) ordinary shares of £1 each	2	2

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2009

13. CASH FLOW FROM OPERATING ACTIVITES

Reconciliation of operating profit to net cash from operating activities

	2009	2008
Cash generated from operating activities	£'000	£'000
Profit before tax	305	11
Changes in working capital		
(Increase) in trade and other receivables	(21)	(20)
(Decrease) / increase in trade and other payables	(284)	9
Cash generated from operating activities	-	-

14. CAPITAL COMMITMENTS AND CONTINGENCIES

There were no contingent liabilities at 31 December 2009 (2008 nil)

The Company had no capital commitments at 31 December 2009 (2008 nil)

15. POST BALANCE SHEET EVENTS

There were no post balance sheet events

16 RELATED PARTY TRANSACTIONS

i) Intra-group trading

The following table shows the balances owed to or by other Group undertakings at year end

	2009	2008
	£'000	£'000
Evolution Securities Limited	**107**	86
The Evolution Group Plc	**(15)**	(308)
Evolution Group Services Limited	**(21)**	(14)
	71	(236)

In addition the Company, by virtue of it being a subsidiary of The Evolution Group Plc, transacts routinely with the group service company, Evolution Group Services Limited ("EVGS") As a result all operating expenses are settled by EVGS with subsequent intercompany recharging

ii) Key management compensation

There is no compensation paid to key management for their services to this Company Key management are defined as the Directors of the Company

17. ULTIMATE HOLDING COMPANY

The ultimate holding company and the controlling party is The Evolution Group Plc, a company incorporated in Great Britain and registered in England and Wales The Evolution Group Plc's statutory accounts are available from the Secretary, 9th Floor, 100 Wood Street, London, EC2V 7AN