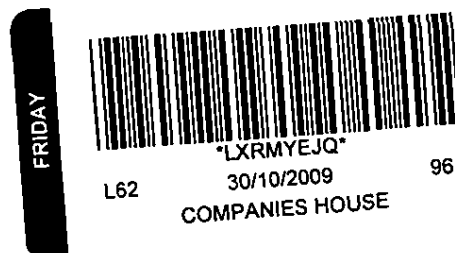


03865384

E-Synergy Limited
Report And Financial Statements
31 December 2008



COMPANY INFORMATION

Directors	J C White A Stevenson R A Brook R A Armstrong P W E Downes
Company secretary	C J Hart
Registered office	6-7 New Bridge Street London EC4V 6AB
Auditor	Rees Pollock 35 New Bridge Street London EC4V 6BW
Bankers	Lloyds TSB Bank plc London WC2E 7JB
Solicitors	Tax & Legal Consultancy Limited Devonshire House 60 Goswell Road London EC1M 7AD
Company number	03865384

DIRECTORS' REPORT
for the year ended 31 December 2008

The directors present their report and the financial statements for the year ended 31 December 2008.

Principal activities

The principal activity of the company during the year was that of management services to support the growth of new companies with new technology.

Business review

Contrary to expectations at the start of the year, the Company's revenues remained largely unchanged compared with the previous year. The Sustainable Technology Fund undershot its revenue targets leading to lower than planned income and a shortfall against profit expectations. Towards the end of the year an agreement was reached to separate the Sustainable Technology Fund into a separate company to be run by its investment executives and sold to the Fund's investors. This was completed in January 2009. E-Synergy retains its carried interest in the Fund.

Profit for 2008 fell, resulting in a loss, before tax, exceptional items and provisions, of £60k (2007 a profit of £55k). Exceptional items and provisions (£115k) included write downs against several investments held by the company itself and write offs against management fees owed to the Company. The worsening economic climate was instrumental in affecting the prospects and the sustainability of several of E-Synergy's portfolio companies.

In early 2008, E-Synergy was awarded a contract for the management of four funds in Northern Ireland totalling £10m, comprising two university funds, the Invest Growth Fund for industrial companies and a proof of concept grant scheme. Completion of negotiations and formal approvals to Ministerial level took far longer than expected, due largely to factors outside E-Synergy's control, and were completed only in March 2009.

Overall, E-Synergy is in a fortunate and strong position, being a leader in the management of early stage public funding aimed at bridging the 'equity gap', and this is an area of increasing priority for the public sector in its efforts to mitigate the effects of the economic downturn.

Marketing of E-Synergy's European Fund in collaboration with the European Space Agency continued during the year, with an initial closing hoped for in 2009, a schedule now considerably delayed by the economic downturn.

Towards the year end, the g2i (Gateway to Investment) investment readiness programme that E-Synergy manages in a consortium for the London Development Agency was extended for a second time, until the end of 2009. E-Synergy will be bidding for a new three year g2i programme due to start in early 2010.

A significant number of other new bids have been submitted in the early part of 2009 or are due to be submitted during the year. These new activities ensure good prospects for a resumed high rate of growth for E-Synergy in 2009/10 and beyond.

Results

The loss for the year, after taxation, amounted to £174,729 (2007 - profit £180,336).

Directors

The directors who served during the year were:

J C White
A Stevenson
R A Brook
R A Armstrong
P W E Downes

DIRECTORS' REPORT

for the year ended 31 December 2008

Statement of directors' responsibilities

The directors are responsible for preparing the Annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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 1985. 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.

Provision of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditor in connection with preparing its report and to establish that the company's auditor is aware of that information.

Auditor

Rees Pollock have expressed their willingness to continue in office.

This report was approved by the board on 2 April 2009 and signed on its behalf.



R A Brook
Director



REES POLLOCK

Chartered Accountants

35 New Bridge Street
London EC4V 6BW
Telephone 020 7778 7200
Fax 020 7329 6408
www.reespollock.co.uk

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF E-SYNERGY LIMITED

We have audited the financial statements of E-Synergy Limited for the year ended 31 December 2008, set out on pages 5 to 17. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of directors' responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' report is consistent with the financial statements.

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

We read the Directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

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

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

Fundamental uncertainty

In forming our opinion we have considered the adequacy of the disclosures made in the financial statements concerning the possible additional liabilities detailed in note 14 to the accounts.

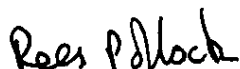
In view of the significance of the uncertainty in relation to these liabilities we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF E-SYNERGY LIMITED

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' report is consistent with the financial statements.



Rees Pollock
Chartered Accountants & Registered Auditors

14 April 2009

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2008

	Note	2008 £	As restated 2007 £
TURNOVER	2	1,765,240	1,728,162
Administrative expenses		(1,897,159)	(1,554,594)
Other operating income		-	5,250
		<hr/>	<hr/>
OPERATING (LOSS)/PROFIT	3	(131,919)	178,818
Amounts written off investments		(45,797)	(6,854)
Interest receivable		3,006	8,621
Interest payable	6	(19)	(249)
		<hr/>	<hr/>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(174,729)	180,336
Tax on (loss)/profit on ordinary activities	7	-	-
		<hr/>	<hr/>
(LOSS)/PROFIT FOR THE FINANCIAL YEAR	17	<u>(174,729)</u>	<u>180,336</u>

All amounts relate to continuing operations.

The notes on pages 9 to 17 form part of these financial statements.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 December 2008

	Note	2008 £	As restated 2007 £
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		<u>(174,729)</u>	<u>180,336</u>
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR		(174,729)	<u>180,336</u>
Prior year adjustment	18	<u>119,200</u>	
TOTAL GAINS AND LOSSES RECOGNISED SINCE LAST FINANCIAL STATEMENTS		<u>(55,529)</u>	

The notes on pages 9 to 17 form part of these financial statements.

BALANCE SHEET
as at 31 December 2008

	Note	£	2008 £	£	As restated 2007 £
FIXED ASSETS					
Tangible fixed assets	8		35,944		42,167
Fixed asset investments	9		256,802		266,605
			<u>292,746</u>		<u>308,772</u>
CURRENT ASSETS					
Debtors	10	500,570		404,993	
Cash at bank and in hand		99,698		63,244	
		<u>600,268</u>		<u>468,237</u>	
CREDITORS: amounts falling due within one year	11	(481,936)		(191,202)	
NET CURRENT ASSETS			<u>118,332</u>		<u>277,035</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>411,078</u>		<u>585,807</u>
CAPITAL AND RESERVES					
Called up share capital	16		137,576		137,576
Share premium account	17		571,702		571,702
Profit and loss account	17		(298,200)		(123,471)
SHAREHOLDERS' FUNDS	19		<u>411,078</u>		<u>585,807</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 2 April 2009.



R A Brook
Director

The notes on pages 9 to 18 form part of these financial statements.

CASH FLOW STATEMENT
for the year ended 31 December 2008

	Note	2008 £	2007 £
Net cash flow from operating activities	20	84,545	(95,090)
Returns on investments and servicing of finance	21	2,987	8,372
Capital expenditure and financial investment	21	(51,078)	(63,340)
INCREASE/(DECREASE) IN CASH IN THE YEAR		36,454	(150,058)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT
for the year ended 31 December 2008

	2008 £	2007 £
Increase/(Decrease) in cash in the year	36,454	(150,058)
MOVEMENT IN NET DEBT IN THE YEAR	36,454	(150,058)
Net funds at 1 January 2008	63,244	213,302
NET FUNDS AT 31 DECEMBER 2008	99,698	63,244

The notes on pages 9 to 17 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2008

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

1.2 Going concern

The directors have prepared budgets that show that the company will have sufficient resources to meet its liabilities as they fall due for a period of at least twelve months from the signing of these accounts. Consequently the directors believe that the going concern basis is appropriate and the accounts have been prepared under that assumption. No estimate has been prepared of the effect should this assumption prove to be incorrect.

1.3 Consolidated accounts

The company has taken advantage of the exemption available to small companies from producing consolidated accounts.

1.4 Turnover

Turnover comprises revenue recognised by the company in respect of services supplied, exclusive of Value Added Tax.

1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Leasehold improvements	-	over the life of the lease
Fixtures & fittings	-	over 5 years
Office equipment	-	over 3 years

1.6 Operating leases

Rentals under operating leases are charged on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

1.7 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2008

1. ACCOUNTING POLICIES (continued)

1.8 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the profit and loss account.

1.9 Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

1.10 Investments

Investments held as fixed assets are stated at fair value.

The valuations of investments are conducted by the Board. In valuing investments the Board applies guidelines issued by the British Venture Capital Association (BVCA). The following valuation methodology has been used in reaching the fair value of investments, all of which are in early stage companies.

Investments are valued at cost, unless there has been a significant round of new equity finance in which case the investment is valued at the price paid by an independent third-party. Where subsequent events or changes to circumstances indicate that impairment may have occurred, the carrying value is reduced to reflect the estimated extent of impairment.

All investments in portfolio companies are held as a means to benefit from increases in their marketable value and not as a medium through which the business of the company is carried out. Therefore in accordance with Financial Reporting Standard 9 'Associates and Joint Ventures', they are not accounted for as associates.

2. TURNOVER

The turnover and operating profit for the year was derived from the company's principal continuing activity. With the exception of £15,073 receivable from another EU country, all turnover arose within the United Kingdom.

3. OPERATING (LOSS)/PROFIT

The operating (loss)/profit is stated after charging:

	2008 £	2007 £
Depreciation of tangible fixed assets:		
- owned by the company	21,301	15,450
Auditors' remuneration	7,333	7,667
Auditors' remuneration - non-audit	6,200	3,000
Operating lease rentals:		
- other operating leases	44,295	27,753
	<u> </u>	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2008

4. STAFF COSTS

Staff costs, including directors' remuneration, were as follows:

	2008	2007
	£	£
Wages and salaries	642,041	451,081
Social security costs	70,445	47,987
Other pension costs	32,671	16,375
	<u>745,157</u>	<u>515,443</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2008	2007
	No.	No.
Number of administrative staff	<u>16</u>	<u>15</u>

The average monthly number of Full Time Equivalent employees, including directors, during the year was as follows:

	2008	2007
	£	£
Number of full time equivalent administrative staff	<u>12</u>	<u>9</u>

5. DIRECTORS' REMUNERATION

	2008	2007
	£	£
Emoluments	<u>57,864</u>	<u>60,345</u>
Company pension contributions to money purchase pension schemes	<u>2,400</u>	<u>3,600</u>

During the year retirement benefits were accruing to 1 director (2007 - 1) in respect of money purchase pension schemes.

In addition to the above the directors were paid consultancy fees of £272,195 (2007: £196,791) as detailed in note 23.

6. INTEREST PAYABLE

	2008	2007
	£	£
Other similar charges payable	<u>19</u>	<u>249</u>

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2008

7. TAXATION

Factors affecting tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK (21%). The differences are explained below:

	2008 £	As restated 2007 £
(Loss)/profit on ordinary activities before tax	(174,729)	180,336
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 21% (2007 - 20%)	(36,693)	36,067
Effects of:		
Expenses not deductible for tax purposes	13,837	8,751
Timing differences on fixed assets	1,184	(610)
Movement in tax losses	21,672	(42,403)
Group relief	-	(1,653)
Taxed at other rate	-	(152)
Current tax charge for the year (see note above)	-	-

Factors that may affect future tax charges

At the year end the company had unrelieved trading losses of £378,130 (2007: £274,930 restated). The potential deferred tax asset (at 21%, 20% in 2007) of £69,208 (2007: £50,524 restated) has not been recognised due to uncertainty over future trading profits.

8. TANGIBLE FIXED ASSETS

	Office equipment £	Fixtures & fittings £	Leasehold improvements £	Total £
Cost				
At 1 January 2008	31,875	27,760	24,106	83,741
Additions	4,464	6,682	3,932	15,078
At 31 December 2008	36,339	34,442	28,038	98,819
Depreciation				
At 1 January 2008	13,938	17,679	9,957	41,574
Charge for the year	10,065	3,491	7,745	21,301
At 31 December 2008	24,003	21,170	17,702	62,875
Net book value				
At 31 December 2008	12,336	13,272	10,336	35,944
At 31 December 2007	17,937	10,081	14,149	42,167

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2008

9. FIXED ASSET INVESTMENTS

	Shares in group undertakings £	Unlisted investments £	Total £
Cost or valuation			
At 1 January 2008 (as previously stated)	999	169,389	170,388
Prior year adjustment	-	119,200	119,200
At 1 January 2008 (as restated)	999	288,589	289,588
Additions	-	35,994	35,994
At 31 December 2008	999	324,583	325,582
Impairment			
At 1 January 2008	-	22,983	22,983
Charge for the year	-	45,797	45,797
At 31 December 2008	-	68,780	68,780
Net book value			
At 31 December 2008	999	255,803	256,802
At 31 December 2007 (as restated)	999	265,606	266,605

10. DEBTORS

	2008 £	2007 £
Trade debtors	193,596	265,927
Amounts owed by group undertakings	113,560	-
Amounts owed by associated company	-	11,000
Other debtors	156,545	793
Prepayments and accrued income	36,869	127,273
	500,570	404,993

11. CREDITORS: Amounts falling due within one year

	2008 £	2007 £
Trade creditors	334,161	125,217
Amounts owed to group undertakings	999	999
Amounts owed to participating interest	1	1
Social security and other taxes	12,998	12,169
Other creditors	1,013	4,059
Accruals and deferred income	132,764	48,757
	481,936	191,202

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2008

12. PENSION COMMITMENTS

The company makes contributions to employee's personal pension plans. Payments into these are charged to the profit and loss account as they arise. During the year £32,671 (2007: £16,375) was charged to the profit and loss account. No payments were outstanding at the year end.

13. OPERATING LEASE COMMITMENTS

At 31 December 2008 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	2008	2007
	£	£
Expiry date:		
Between 2 and 5 years	29,394	29,394

14. CONTINGENT LIABILITIES

The company is in discussion with Her Majesty's Revenue and Customs in relation to tax matters and it is therefore possible that there may be additional tax liabilities that are not recognised in the accounts.

15. RELATED PARTY TRANSACTIONS

During the year the company received £232,180 (2007: £244,216) in respect of management and advisory fees from the East Midlands Early Growth Fund Limited, an entity under common control. At the year end, £5,750 (2007: £5,750) was due from E-Synergy Early Growth Fund Limited, an entity under common control, and £nil (2007: £44,063) was due from East Midlands Early Growth Fund Limited.

16. SHARE CAPITAL

	2008	2007
	£	£
Authorised		
400,000 Ordinary shares of £1 each	400,000	400,000
Allotted, called up and fully paid		
137,576 Ordinary shares of £1 each	137,576	137,576

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2008

17. RESERVES

	Share premium account £	Profit and loss account £
At 1 January 2008 (as previously stated)	571,702	(242,671)
Prior year adjustment (note 18)		119,200
At 1 January 2008 (as restated)		(123,471)
Loss for the year		(174,729)
At 31 December 2008	<u>571,702</u>	<u>(298,200)</u>

18. PRIOR YEAR ADJUSTMENT

The financial statements for the year ended 31 December 2007 included a material omission relating to shares received in lieu of exit options. The comparatives in these financial statements have been restated accordingly by £119,200 being the value attributable to these shares in respect of the fees due.

19. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2008 £	As restated 2007 £
Opening shareholders' funds	466,607	405,471
Prior year adjustments (note 18)	119,200	
Opening shareholders' funds (as restated)	<u>585,807</u>	
(Loss)/profit for the year	(174,729)	180,336
Closing shareholders' funds	<u>411,078</u>	<u>585,807</u>

20. NET CASH FLOW FROM OPERATING ACTIVITIES

	2008 £	As restated 2007 £
Operating (loss)/profit	(131,919)	178,818
Depreciation of tangible fixed assets	21,301	15,450
Decrease in debtors	6,985	4,250
Increase in amounts owed by group undertakings	(113,560)	-
Decrease in amounts owed by associates	11,000	-
Increase/(decrease) in creditors	290,738	(174,408)
Increase in fixed asset investments (prior year adjustment)	-	(119,200)
Net cash inflow/(outflow) from operations	<u>84,545</u>	<u>(95,090)</u>

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2008

21. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT

	2008 £	2007 £
Returns on investments and servicing of finance		
Interest received	3,006	8,621
Interest paid	(19)	(249)
	<hr/>	<hr/>
Net cash inflow from returns on investments and servicing of finance	2,987	8,372
	<hr/>	<hr/>
	2008 £	2007 £
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(15,078)	(22,836)
Acquisition of investments	(36,000)	(63,675)
Disposal of investments	-	23,171
	<hr/>	<hr/>
Net cash outflow from capital expenditure	(51,078)	(63,340)
	<hr/>	<hr/>

22. ANALYSIS OF CHANGES IN NET DEBT

	1 January 2008 £	Cash flow £	31 December 2008 £
Cash at bank and in hand:	63,244	36,454	99,698
	<hr/>	<hr/>	<hr/>
Net funds	63,244	36,454	99,698
	<hr/>	<hr/>	<hr/>

23. TRANSACTIONS WITH DIRECTORS

During the year the company engaged the services of, and incurred costs from, the following businesses:

	2008 £	2007 £
Stevenson Engineering Research Limited	47,541	75,665
Netstrike Limited	32,046	11,000
John White Limited	78,472	73,121
Merribrook Limited	40,590	37,005
Seven Acres Consultants	59,198	-

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2008

TRANSACTIONS WITH DIRECTORS (continued)

In each case the businesses are owned and run by directors who served in the year as follows:

Stevenson Engineering Research Limited	A Stevenson
Netstrike Limited	R A Armstrong
John White Limited	J White
Merribrook Limited	R Brook
Seven Acres Consultants	P W E Downes

At the year end the following amounts were owed to the above by the company:

	2008	2007
	£	£
Stevenson Engineering Research Limited	-	7,607
Netstrike Limited	18,442	1,665
John White Limited	27,308	7,901
Merribrook Limited	16,547	3,729
Seven Acres Consultants	59,198	-

In addition to the above the company paid fees of £14,258 to P W E Downes, a director.

24. CONTROLLING PARTY

The directors consider themselves to be the ultimate controlling party of the company by virtue of the fact that no single shareholder exerts dominant influence over the company.