

Synergy Insurance Services Holdings Limited

Reports and Financial Statements

For the period 1 July 2005 to 30 April 2006

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Synergy Insurance Services Holdings Limited

Reports and Financial Statements

For the period 1 July 2005 to 30 April 2006

Contents

	Page
Officers and professional advisers	3
Directors' report	4 - 6
Auditors' report	7 -8
Profit and loss account	9
Balance sheet	10
Cash flow statement	11
Notes to the financial statements	12 – 18

Synergy Insurance Services Holdings Limited

Officers and professional advisers

Directors

Sir Mark Weinberg

S.M. Wasilewski

D. Oliver

Secretary

S.M. Wasilewski

Auditors

Deloitte & Touche LLP

Chartered Accountants

London

Company Registration Number

05086024

Registered in the United Kingdom

Registered office

2nd Floor

Manfield House

1 Southampton Street

London WC2R 0LR

Synergy Insurance Services Holdings Limited

Directors' report

The directors present their report and the financial statements for the period ended 30 April 2006.

Principal activities

The principal activities of the company comprise the holding of investments in subsidiaries and development and preparation for bringing a new insurance product to market.

Business review

At present the company is concentrating on the development of the necessary distribution, computer systems and business process outsourcing required to meet the expected activity upon, and after, the pilot launch of its product: Synergy MicroCaptive.

The company has not generated any turnover and therefore cannot give a performance estimate, however development continues well along a critical path and aims to be prepared for launch in the Autumn upon the successful acquisition of the insurance company agreement and the raising of capital to complete development.

The Directors expect the general level of activity to increase through the raising of finance to complete operational status and then throughout the middle of this year to launch then market the Synergy MicroCaptive product.

The directors regard investment in systems; research & development; and broker take-on as a prerequisite for success for the short to long-term future.

The loss for the period ended 30 April 2006 was £1,425,989. The directors do not recommend the payment of a dividend in respect of the period ended 30 April 2006.

Financial risk management objectives and policies

The company's activities will expose it to a number of financial risks including credit and liquidity risk.

Credit risk

The company's credit risk is primarily attributable to its debtors. An allowance for impairment is made where there is evidence of a reduction in the recoverability of the cash flows.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations a significant percentage of capital will be held in cash with leading institutions.

Synergy Insurance Services Holdings Limited

Directors' report (continued)

Directors

The directors, who served throughout the year except as noted, were as follows:

Sir Mark Weinberg	appointed 2 February 2006
S.M. Wasilewski	
D. Oliver	
J.N.E. Ginarlis	resigned 12 June 2006

Directors' interests

The directors who held office at 30 April 2006 had the following interests in the shares of the company:

<u>Name of director</u>	<u>Description of shares</u>	<u>30 April 2006</u>	1 July 2005 or
			<u>subsequent date of</u> <u>appointment</u>
S.M. Wasilewski	Ordinary	70	70
D. Oliver	Ordinary	15	15
J.N.E. Ginarlis	Ordinary	15	15

Directors' indemnities

The company has not made any third party indemnity provisions for the benefit of its directors.

Donations

During the year the company made no charitable donations. There were no political donations in the current period.

Synergy Insurance Services Holdings Limited

Directors' report (continued)

Auditors

Each of the persons who is a director at the date of approval of this report confirms that:

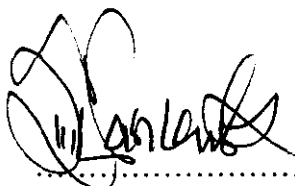
(1) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and

(2) the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Deloitte & Touche LLP has expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board on 23 June 2006 and signed on its behalf by:



.....
S.M. Wasilewski, Director

2nd Floor
Manfield House
1 Southampton Street
London WC2R 0LR

Synergy Insurance Services Holdings Limited

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SYNERGY INSURANCE SERVICES HOLDINGS LIMITED

We have audited the financial statements of Synergy Insurance Services Holdings Limited for the period ended 30 April 2006 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes 1 to 14. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom 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, in accordance with the relevant financial reporting framework, and are properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion, the information given in the directors' report is consistent with the financial statements. We also 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 other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Synergy Insurance Services Holdings Limited

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SYNERGY INSURANCE SERVICES HOLDINGS LIMITED (continued)

Basis of audit opinion

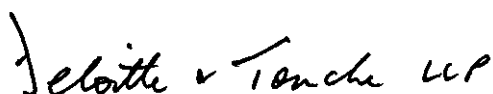
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements 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.

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 30 April 2006 and of its loss for the period 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.



Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
London

23 June 2006

Synergy Insurance Services Holdings Limited

Profit and loss account

For the period 1 July 2005 to 30 April 2006

	Notes	2006 £	2005 £
Turnover	1	-	-
Administrative expenses		(1,423,888)	-
		<hr/>	<hr/>
Operating loss	2	(1,423,888)	-
Interest payable	5	(3,103)	-
Interest receivable and similar income		1,002	-
		<hr/>	<hr/>
Loss on ordinary activities before taxation		(1,425,989)	-
Taxation on loss on ordinary activities	6	-	-
		<hr/>	<hr/>
Loss on ordinary activities after taxation			
and retained loss for the period	12	(1,425,989)	-
		<hr/>	<hr/>

All operations are continuing.

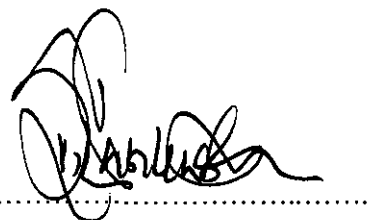
The company has no recognised gains or losses other than the loss included in the profit and loss account and therefore no separate statement of total recognised gains and losses has been presented.

Synergy Insurance Services Holdings Limited

Balance sheet as at 30 April 2006

	Notes	2006 £	2005 £
Fixed assets			
Tangible assets	7	10,547	-
Investment in subsidiary	8	10,100	100
		<u>20,647</u>	<u>100</u>
Current assets			
Debtors	9	171,248	100
Cash at bank and in hand		72,383	-
		<u>243,631</u>	<u>100</u>
Creditors – Amounts falling due within one year	10	(1,690,167)	(100)
Net current liabilities		<u>(1,446,536)</u>	<u>-</u>
Net (Liabilities)/Asset		<u>(1,425,889)</u>	<u>100</u>
Capital and reserves			
Called up share capital	11	100	100
Profit and loss account	12	(1,425,989)	-
Shareholders' Equity Funds		<u>(1,425,889)</u>	<u>100</u>

Approved by the Board on 23 June 2006 and signed on its behalf by:



S.M. Wasilewski, Director

Synergy Insurance Services Holdings Limited

Cash flow statement

For the period 1 July 2005 to 30 April 2006

	2006 £	2005 £
Net cash outflow from operating activities:		
Operating loss	(1,423,888)	-
Depreciation charges	960	-
Increase in debtors	(171,148)	(100)
Increase in creditors	701,964	100
	<hr/>	<hr/>
Net cash outflow from operating activities	(892,112)	-
Returns on investments and servicing of finance		
Interest received	1,002	-
Interest paid	(3,103)	-
Capital expenditure and financial investment		
Purchase of fixed asset	(11,507)	-
Acquisitions and disposals:		
Investment in subsidiary	(10,000)	(100)
	<hr/>	<hr/>
Cash outflow before management of liquid resources and financing	(915,720)	(100)
Financing:		
Loan from Director	500,000	100
	<hr/>	<hr/>
Decrease in cash in period	(415,720)	-

Synergy Insurance Services Holdings Limited

Notes to the financial statements

For the period 1 July 2005 to 30 April 2006

1 Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the period.

Basis of accounting

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

Under section 229 of the Companies Act 1985, the company is exempt from having to prepare consolidated financial statements as its subsidiary is not trading and therefore its inclusion is not material. Accordingly the company's financial statements present information about it as an individual undertaking and not about its group.

Turnover

Turnover represents amounts receivable for licence fees net of VAT and other sales related taxes.

Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Synergy Insurance Services Holdings Limited

Notes to the financial statements

For the period 1 July 2005 to 30 April 2006 (continued)

A net deferred tax asset is regarded as recoverable only to the extent that, on the basis of all available evidence, 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 is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful life, as follows:

IT Equipment	4 years/25% per annum
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Investment in subsidiary

Investments in subsidiary undertakings are stated at cost except where, in the opinion of the directors, there has been a diminution in value, in which case they are stated at directors' valuation.

Synergy Insurance Services Holdings Limited

Notes to the financial statements

For the period 1 July 2005 to 30 April 2006 (continued)

2 Operating Loss

	2006	2005
	£	£
Operating loss is stated after charging:		
Depreciation	960	-
Auditors' remuneration – audit fee	13,000	-
	<u> </u>	<u> </u>

3 Staff costs

	2006	2005
	£	£
Wages and salaries	288,910	-
Social security costs	35,436	-
	<u> </u>	<u> </u>
	324,346	-
	<u> </u>	<u> </u>

Number

The average number of employees, including directors, employed by the company in the period was:	4	-
	<u> </u>	<u> </u>

4 Directors

	2006	2005
	£	£
Total emoluments	197,730	-
	<u> </u>	<u> </u>

The emolument of the highest paid director was £110,984.

5 Interest payable

	2006	2005
	£	£
Bank	3,103	-
	<u> </u>	<u> </u>

Synergy Insurance Services Holdings Limited

Notes to the financial statements

For the period 1 July 2005 to 30 April 2006 (continued)

6 Taxation

	2006	2005
	£	£
(a) Analysis of tax credit on ordinary activities		
Current tax	-	-
Total tax credit on loss on ordinary activities	-	-

(b) Factors affecting corporation tax credit for the period

The tax assessed for the period is lower than that resulting from applying the standard rate of corporation tax in the UK: 30%. The differences are explained below:

	2006	2005
	£	£
Loss on ordinary activities before tax	(1,425,989)	-
Tax on loss on ordinary activities at standard UK corporation tax rate of 30%	427,797	-
Effects of:		
Expenses not deductible for tax purposes	(19,603)	-
Timing differences	(408,193)	-
Tax credit for the period	-	-

A deferred tax asset has not been recognised as there is insufficient evidence that this asset will be recovered.

Synergy Insurance Services Holdings Limited

Notes to the financial statements

For the period 1 July 2005 to 30 April 2006 (continued)

7 Tangible fixed assets

	IT Equipment
Cost	
At 1 July 2005	-
Purchased during period	11,507
	<hr/>
At 30 April 2006	11,507
	<hr/>
Accumulated Depreciation	
At 1 July 2005	-
Charged during period	960
	<hr/>
At 30 April 2006	960
	<hr/>
Net Book Value	
At 1 July 2005	-
	<hr/>
At 30 April 2006	10,547
	<hr/>

8 Investment in subsidiary

	2006	2005
	£	£
Cost of shares	10,100	100
	<hr/>	<hr/>

This investment represents the cost of 100% of the ordinary share capital of Synergy Insurance Services (UK) Limited, a company registered in the United Kingdom. The company is currently dormant.

9 Debtors - Amounts falling due within one year

	2006	2005
	£	£
VAT Recoverable	164,539	-
Other debtors	100	100
Prepayments and accrued income	6,609	-
	<hr/>	<hr/>
	171,248	100
	<hr/>	<hr/>

Synergy Insurance Services Holdings Limited

Notes to the financial statements

For the period 1 July 2005 to 30 April 2006 (continued)

10 Creditors – Amounts falling due within one year

	2006	2005
	£	£
Bank loans and overdrafts	488,103	-
Trade creditors	632,021	-
Director's loan	500,100	100
Taxation and social security	25,593	-
Accruals and deferred income	44,350	-
	<u>1,690,167</u>	<u>100</u>

11 Share capital

	2006	2005
	£	£
Authorised		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted, called up and fully paid		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
The company is controlled by a director	%	%
S.M. Wasilewski	70	70

Synergy Insurance Services Holdings Limited

Notes to the financial statements

For the period 1 July 2005 to 30 April 2006 (continued)

12 Profit and loss account

	2006 £
At 1 July 2005	-
Retained loss for the period	(1,018,370)
	<hr/>
At 30 April 2006	(1,018,370)
	<hr/>

13 Commitments and contingent liabilities

Sir Mark has introduced an initial funding of £500,000 on the understanding that no interest will be paid. On the introduction of new capital, his loan together with an additional guarantee of £1,000,000 will be converted to share capital in the company.

Additionally, there is an agreement to meet the funding costs of West Hill Corporate Finance Limited for at least £500,000 once the company has received new capital.

14 Related party transactions

During the course of the year it was necessary to engage an independent actuary to review information for credit and econometric analysis. The professional chosen, Con Keating, as an academic did not have an appropriate corporate structure and the facilities of Steersman K Ltd, 85% owned by Mr Wasilewski, were put at his disposal for this instance only.