

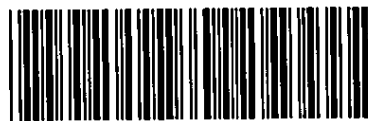
SYNESIS PENSIONS LIMITED

(Company Registration Number: 5692478)

REPORT AND ACCOUNTS

31 December 2006

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SYNESIS PENSIONS LIMITED

REPORT AND ACCOUNTS 2006

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Registered Office

**15 Basinghall Street
London
EC2V 5BR
Company Registration No: 5692478**

SYNESIS PENSIONS LIMITED

BOARD OF DIRECTORS AS AT 31 DECEMBER 2006

D K Newbigging OBE (Chairman)
I F Hudson (Chief Executive)
M G Duffy (Business Development Director)
G H E Hill (Investment Director)
J Shah (Corporate Development Director)

Company Secretary

B W Sweetland

SYNESIS PENSIONS LIMITED

DIRECTORS' REPORT

The directors present the Annual Report and Accounts of Synesis Pensions Limited (the "Company") (formerly Synesis Life Limited) and its subsidiaries (together the "Group") for the period 31 January 2006 to 31 December 2006

PRINCIPAL ACTIVITIES AND FUTURE DEVELOPMENTS

The Group was established in 2006 with the objective of becoming a leading wholesale annuity writer in the UK providing bespoke solutions to the insurance and pension annuity liability transfer marketplace

BUSINESS REVIEW

In May 2006 the Group received funding from three external investors, JP Morgan Chase, Royal Bank of Scotland and Warburg Pincus, took possession of its office in the City of London and set up the appropriate infrastructure

The subsidiary, Synesis Life Limited, submitted an application for Part IV Authorisation to the Financial Services Authority (FSA) in April 2006. In July 2006, the FSA informed Synesis Life Limited that they were minded to provide the necessary authorisations to act as a provider of wholesale solutions to the insurance and pension annuity liabilities transfer marketplace. This in effect means that the FSA are prepared to authorise Synesis Life Limited subject to certain conditions. These have now all been met with the exception of the full capitalisation of Synesis Life Limited. To ensure the most efficient use of capital the intention is that this will take place immediately preceding the first transaction.

The Group's operating model is to outsource where appropriate. The Group believes outsourcing to leading administration providers, asset managers and custodians substantially reduces the operational risk when compared to building internal operations.

Capita Hartshead has been appointed to provide administration and accounting services, F & C Management Limited has been appointed to provide Investment Management Services and JP Morgan Chase Bank NA has been appointed to provide custody services.

Business development activities progressed well in 2006 and the Group is now well positioned as a serious competitor in its chosen market.

Going forward the focus is on further business development activity and completion of the first and subsequent transactions with associated developments in respect of personnel and infrastructure.

FINANCIAL RISKS

At this stage of the Company's development the company does not have significant exposure to financial risks.

Going forward risks will include inflation risk, interest rate risk, market risk, mortality risk, insurance risk, regulatory risk and the normal operational risks associated with this type of business.

CHANGE OF NAME

The Company was incorporated as a private limited company on 31 January 2006 with the name of Glassflask Limited, changing its name on 2 March 2006 to Synesis Life Limited and on 19 April 2006 to Synesis Pensions Limited.

DIVIDENDS

The directors do not recommend the payment of any dividend for the period ended 31 December 2006 due to results for the period showing a loss for the period of £3,878,000.

CREDITOR PAYMENT POLICY

It is the Group's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the Group and its suppliers, provided that all trading terms and conditions have been complied with.

SYNESIS PENSIONS LIMITED

DIRECTORS AND THEIR INTERESTS

The directors, who served in the period except as noted, were as follows

David Kennedy Newbigging	Appointed 3 March 2006
Isabel Frances Hudson	Appointed 3 March 2006
Mark George Duffy	Appointed 3 March 2006
Jayant Shah	Appointed 3 March 2006
Gavin Henry Ellis Hill	Appointed 17 July 2006

Mr D K Newbigging holds 37,660 founder ordinary shares of 20p each in the Company Mrs I F Hudson holds 231,340 founder ordinary shares of 20p each in the Company Mr J Shah holds 134,500 founder ordinary shares of 20p each in the Company Mr G H E Hill holds 69,171 employee ordinary shares of 1p each in the Company Mr M G Duffy has no legal interest or beneficial entitlement to any shares of the Company or any other company within the Group, following transfer by him of 134,500 Founder Ordinary Shares of 20p each in the Company to Zuzuki Investments Limited, a Jersey company, on 24 April 2006

STATEMENT OF DISCLOSURE OF INFORMATION

Each of the persons who was 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 Group's auditors are unaware, and
- (2) the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Group'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

AUDITORS

PricewaterhouseCoopers LLP were appointed on 28th July 2006 and have expressed their willingness to continue in office as auditors, a resolution to reappoint them will be proposed at Group's first AGM

STATEMENT OF DIRECTORS' RESPONSIBILITIES

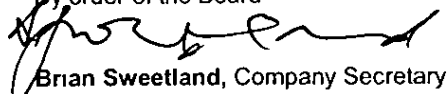
The directors are responsible for preparing the Annual Report and the financial statements The directors have chosen to prepare the accounts for the Company and the group in accordance with International Financial Reporting Standards Generally Accepted Accounting Practice

Company law requires the directors to prepare such financial statements for each financial period which give a true and fair view, of the state of affairs of the Company and of the group and of the profit or loss of the group for that period and comply with IFRS and the Companies Act 1985 In preparing those financial statements, the directors are required to

- (a) select suitable accounting policies and then apply them consistently,
- (b) make judgements and estimates that are reasonable and prudent,
- (c) state whether applicable accounting standards have been followed, and
- (d) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business

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

By order of the Board


Brian Sweetland, Company Secretary

SYNESIS PENSIONS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SYNESIS PENSIONS LIMITED

We have audited the group and parent company financial statements of Synesis Pensions Limited for the period ended 31 December 2006 which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group Cash Flow Statements and the Group and Parent Company Statement of Change in Shareholders' Equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union 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). This report, including the opinion, has been prepared for and only for the Group's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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 come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been 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 Group has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read 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 Group's and Company's circumstances, consistently applied and adequately disclosed.

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

OPINION

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 December 2006 and of its loss and cash flows for the period then ended,
- the parent Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 December 2006 and of its profit and cash flows 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.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

13 July 2007

SYNESIS PENSIONS LIMITED

Balance Sheet

As at 31 December 2006

	Notes	Group 2006 £'000	Company 2006 £'000
Assets			
Non-current assets			
Investment in subsidiary	6	-	13
Current assets			
Trade and other receivables	7	161	33
Cash and cash equivalents		1,658	153
Total assets		<u>1,819</u>	<u>199</u>
Equity			
Capital and reserves attributable to equity holders of the Company			
Share capital	10	108	108
Share premium	10	83	83
Retained earnings		(3,878)	2
Total equity		<u>(3,687)</u>	<u>193</u>
Liabilities			
Current liabilities			
Trade and other payables	8	579	6
Borrowings	9	4,927	-
Total liabilities		<u>5,506</u>	<u>6</u>
Total equity and liabilities		<u>1,819</u>	<u>199</u>

The notes on pages 10 to 15 are an integral part of these financial statements

The accounts were approved by the Board of Directors on 3 July 2007 and were signed on its behalf by



Isabel Hudson
Director

SYNESIS PENSIONS LIMITED

Income Statement

Consolidated income statement for period ended 31 December 2006

Continuing operations		Group
	Notes	2006 £'000
Revenue	1	-
Administrative expenses		(3,728)
Operating loss	2	<u>(3,728)</u>
Finance income	3	42
Finance costs	9	(192)
Loss before tax		<u>(3,878)</u>
Taxation	5	-
Loss for the period		<u><u>(3,878)</u></u>

The notes on pages 10 to 15 are an integral part of these financial statements

SYNESIS PENSIONS LIMITED

Statement of changes in equity

Consolidated statement of changes in equity

Group	Notes	£'000 Share capital	£'000 Share premium	£'000 Retained earnings	£'000 Total equity
Balance at 6 February 2006		-	-	-	-
Loss for the period	10	-	-	(3,878)	(3,878)
Total recognised income and expense for 2006		-	-	(3,878)	(3,878)
Issue of share capital	10	108	83	-	191
Balance at 31 December 2006		108	83	(3,878)	(3,687)

Company	Notes	£'000 Share capital	£'000 Share premium	£'000 Retained earnings	£'000 Total equity
Balance at 31 January 2006		-	-	-	-
Profit for the period	10	-	-	2	2
Total recognised income and expense for 2006		-	-	2	2
Issue of share capital	10	108	83	-	191
Balance at 31 December 2006		108	83	2	193

There are no recognised income or expenses for the period other than the profit/ (loss) on ordinary activities shown above

SYNESIS PENSIONS LIMITED

Cash flow statement

Consolidated cash flow statement for the period ended 31 December 2006

		Group
		2006
	Notes	£'000
Cash flows from operating activities		
Cash outflow from operating activities	15	(3,489)
Interest received		42
Net cash outflow from operating activities		<u>(3,447)</u>
Cash flows from financing activities		
Issue of shares		178
Proceeds from issue of loan notes		4,927
Net increase in cash and cash equivalents		<u>1,658</u>
Cash and cash equivalents at 31 December 2006		<u>1,658</u>

The notes on pages 10 to 15 are an integral part of these financial statements

SYNESIS PENSIONS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) *Basis of presentation*

The accounts and notes have been prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards. Sufficient additional funds are available to the Company to allow it to meet its budgeted expenditure for the foreseeable future. These funds are provided in loan notes which have limited conditions.

b) *Consolidation*

Subsidiaries are all entities over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the group.

Inter-company transactions and balances between group companies are eliminated.

c) *Fixed asset and depreciation*

There has been no capitalisation of assets for the period ended 31 December 2006.

d) *Taxation*

Current 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 group'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.

A net deferred tax asset is regarded as recoverable and therefore recognised 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.

e) *Pension costs*

There were no pension contribution arrangements in place for period ended 31 December 2006.

f) *Operating leases*

Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

g) *Revenue*

Revenue is taken to the profit and loss account when right to consideration resulting from performance of a specific element of the contract has been achieved.

h) *Borrowings*

Borrowings are recognised initially at fair value and subsequently stated at amortised cost. They are classified as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date.

SYNESIS PENSIONS LIMITED

i) *Share based payments*

Shares in the Company and in Synesis Finance Limited have been awarded to employees of Synesis Life Limited. The fair value of the employee services received in exchange for the shares is recognised as an expense, to be spread over the estimated vesting period. At each balance sheet date, the Group will revise the estimate based upon the number of shares issued and expected to be held to the vesting date. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

2 OPERATING LOSS

This is stated after charging

	Group 2006 £'000	Company 2006 £'000
Staff costs	883	-
Property rent/service charges	57	-
	1,033	-

Services provided by the Group's auditor

During the period the Group obtained the following services from the auditor at costs detailed below

	Group 2006 £'000	Company 2006 £'000
Audit services		
—Statutory Audit	23	3
Other services		
—Insurance regulatory matters	147	-
—Taxation	229	-
—Pension advice	52	-
	451	3

Contingent fees payable to PricewaterhouseCoopers are disclosed in note 13

3 FINANCE INCOME

	Group 2006 £'000	Company 2006 £'000
Finance income	42	2
	42	2

4 EMPLOYEES AND DIRECTORS

Staff costs for the Group during the period

	2006 £'000
Employee benefit expense	
Wages and salaries	786
Social security costs	97
	883

All staff were employed by Synesis Life Limited, a subsidiary of the Group

SYNESIS PENSIONS LIMITED

The average monthly number of employees (including executive directors) employed by the Group during the period was

Number of employees	12
---------------------	----

	2006 £'000
Directors emoluments	
Aggregate emoluments	501
Aggregate gains made on the exercise of share options	-
Aggregate amounts receivable under long-term incentive schemes	-
	501

	2006 £'000
Highest paid director	
Total amount of emoluments and amounts (excluding shares) receivable under long-term incentive schemes	160

The emoluments disclosed in the notes to these accounts are in respect of the directors with qualifying services for the Group and for those directors comprise their total emoluments in respect of services to the Group

5 INCOME TAX AND DEFERRED TAX EXPENSE

The tax on the Group's loss before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits as follows

	Group 2006 £'000	Company 2006 £'000
Loss before tax	(3,878)	2
Tax calculated on ordinary activities at standard rate in the UK 30%	(1,163)	1
Effects of		
Expenses not deductible for tax purposes as calculated, including capital allowance impact	230	-
Tax losses carried forward for which no deferred tax asset recognised	933	(1)
Tax charge	-	-

The Group has not recognised a deferred tax asset of £933,000 as it is not yet sufficiently certain of suitable taxable profits in future periods

SYNESIS PENSIONS LIMITED

6 INVESTMENT IN SUBSIDIARIES

	Group 2006 £'000	Company 2006 £'000
Investment in group undertakings		
At 31 January 2006	-	-
Additions in year	-	13
At 31 December 2006	-	13

Investments in the Group's undertakings are stated at cost

The investment in subsidiary represents shares owned in Synesis Life Limited, which is incorporated in Great Britain, and trades from 15 Basinghall Street, London, EC2V 5BR. All shares issued in Synesis Life Limited are held by Synesis Pensions Limited. The company is fully consolidated into the Group financial statements. Synesis Life Limited was established in 2006 with the objective of becoming a leading wholesale annuity writer providing bespoke solutions to the insurance and pension annuity liability transfer marketplace in the UK.

7 TRADE AND OTHER RECEIVABLES

	Group 2006 £'000	Company 2006 £'000
Prepayments	81	-
Property deposit	58	-
Debtors	22	-
Amounts owed by group undertakings	-	33
	161	33

8 TRADE AND OTHER PAYABLES - CURRENT

	Group 2006 £'000	Company 2006 £'000
Accruals	521	-
Amounts owed to Group undertakings	-	-
Other tax and social security payable	56	-
Other creditors	1	6
	579	6

Amounts due to Group undertakings are unsecured, interest free and repayable on demand

9 BORROWINGS

	Group 2006 £'000	Company 2006 £'000
Loan notes due to investors	4,927	-
	4,927	-

During the period, the subsidiary, Synesis Life Limited has issued unsecured loan notes to investors totalling £4,927,397. Upon completion of the first transaction the Investors have agreed to transfer their notes to Synesis Pensions Limited in consideration for Synesis Pensions Limited issuing Investor shares in that company.

SYNESIS PENSIONS LIMITED

If the loan notes are not transferred to Synesis Pensions Limited, the loan note agreement makes provision for early redemption only when certain transaction parameters are not met, and in certain circumstances, payment of accrued interest to the investors at a fixed rate of 8%. Any loan notes still in existence in 2006 will be redeemed at that date, inclusive of accrued interest. Interest totalling £192,269 has been accrued for the period to 31 December 2006.

The loan notes are classified as current liabilities as Synesis Life Limited does not have an unconditional right to defer settlement for 12 months.

10 SHARE CAPITAL

Group & Company

	2006 £0-00p
Authorised capital	
538,000 Founder Ordinary Shares of £0.20 each	107,600.00
300,009,429 Investor Ordinary Shares of £0.01 each	3,000,094.29
230,571 Employee Ordinary Shares of £0.01 each	2,305.71

Issued and part paid	Ordinary shares 2006 £0-00p	Share premium 2006 £0-00p
538,000 Founder Ordinary Shares of £0.20 each	107,600.00	48,420.00
109,902 Employee Ordinary Shares of £0.01 each	691.71	21,116.58
	<u>108,291.71</u>	<u>69,536.58</u>

During the period, the Company issued 538,000 Founder ordinary shares for cash. The nominal value of these shares was £107,600 and the consideration received was £156,020. The holders of these shares have agreed to pay an additional £376,660 in respect of the issued shares upon the completion of the first transaction, although this amount has not yet been called by the Company and accordingly is not reflected as a debtor.

The Company also issued 109,902 Employee ordinary shares. 40,731 of these shares were issued at nil consideration to employees and further details are given in Note 11. 69,171 shares were issued for cash, the nominal value of which were £691.71 and the consideration received was £21,808.29. The holder of these shares has agreed to pay an additional £52,500 in respect of the issued shares upon the completion of the first transaction, although this amount has not yet been called by the Company and accordingly is not reflected as a debtor.

All three classes of ordinary shares have one vote per share. They also have varying rights to dividends and rights to participate upon wind-up, the exact conditions of which are set-out in the Articles of Association of the Company.

11 SHARE BASED PAYMENTS

Between 19 to 26 October 2006 employees of Synesis Life Limited were granted, for nil consideration, a total of 40,731 "Employee" Ordinary shares in Synesis Pensions Limited and 40,731 "Employee" Ordinary shares in Synesis Finance Limited. On 19 October 2006 a Director of Synesis Life Limited purchased 69,171 "Employee" Ordinary shares in Synesis Pensions Limited and 69,171 "Employee" Ordinary shares in Synesis Finance Limited. A total of 120,669 "Employee" Ordinary shares in Synesis Pensions Limited and 120,669 "Employee" Ordinary shares in Synesis Finance Limited remain authorised but un-issued at year-end. Management may exercise its discretion to issue these shares at a future date.

The fair value of the instrument (indirect method) at the date of the grant has been estimated based upon the most recent market value.

SYNESIS PENSIONS LIMITED

12 OPERATING LEASE COMMITMENTS – MINIMUM LEASE COMMITMENTS

	Group	Company
	2006	2006
	£'000	£'000
Commitments under non-cancellable property leases expiring		
No later than 1 year	58	-
Later than 1 year and no later than 5 years	92	-
Later than 5 years	-	-
	150	-

13 CONTINGENT LIABILITIES AND COMMITMENTS

The Group has contingent liabilities to the value of £2,996,000 in respect of professional fees incurred by Synesis Life Limited, these fees arise on completion of the first transaction

Of this amount, contingent fees payable to PricewaterhouseCoopers amount to £2m for corporate finance assistance and £272,000 for set-up advice. An additional £250,000 is payable to PricewaterhouseCoopers Corporate Finance on completion of a second deal

14 RELATED PARTY TRANSACTIONS

During the period, the Group paid £8,812 to Kennedy Financial Services Limited, of which Mr D K Newbigging OBE is Director and Chairman, in relation to secretarial costs incurred in the exercise of his role as Chairman of the Company, Synesis Life Limited and Synesis Finance Limited. The balance at year-end is £2,937, representing un-presented cheques

15 CASH OUTFLOW FROM OPERATIONS

	Group	Company
	2006	2006
	£'000	£'000
Profit/(loss) for the period	(3,878)	2
Trade and other receivables	(148)	-
Trade and other payables	579	-
Interest received	(42)	(2)
	(3,489)	-
Cash outflow from operations		