COMPANIES HOUSE

Zyzygy plc

Financial statements

For the year ended 30 June 2007

Grant Thornton

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COMPANIES HOUSE

Company no 04045179

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Company information

Company registration number: 04045179

Registered office:
Maple Cottage
Arkesden Road
Clavering
Saffron Waldon
ESSEX
CB11 4QU

Company Secretary: Edward Oliver FCA

Directors:

Duncan Lipscombe	(Chairman)
Edward Oliver FCA	(Finance Director)
Peter Hire	(Non-executive Director)

Nominated advisers:
Grant Thornton Corporate Finance
Grant Thornton House
Euston Square
LONDON
NW1 2GP

Solicitors:
Bircham Dyson Bell
50 Broadway
Westminster
LONDON
SW1H 0BL

Auditors:
Grant Thornton UK LLP
Chartered Accountants
Registered Auditors
2 Broadfield Court
SHEFFIELD
S8 0XF

Registrars:
Capita Registrars
The Registry
34 Beckenham Road
Beckenham
KENT
BR3 4TU

zyzygy plc

[redacted]

Zyzygy Chairmans statement 2007

We at Zyzygy are delighted to announce that we have made another profit this year of £457,000 and as in 2006 were able to pay a dividend Just after the end of the financial year, we appointed Peter Hire to our Board in the role of Non-Executive Director, as a replacement for John Pool We have immediately found the experience Peter had gained with Dresdner Kleinwort Wasserstein and Honeywell's to have beneficial impact on the composition of the Board and believe his ongoing contribution will positively add to the performance of the company

From the sidelines it may appear that Zyzygy have had a relatively quiet year. However the reality absolutely contradicts that possible perception. Our two current major projects are very close to reaching fruition after more careful nurturing and investment.

Marine Track Ltd

The company has made huge strides in the past 12 months under the energetic drive of the new CEO Stuart Nichols. Their "core" sales have grown significantly and more importantly a rapidly building pipeline of new business opportunities is increasing month by month. Even so it is their "special projects" agenda which really gives us cause for optimism. One such project is for an Asian government. In Q1 '07 we received a letter of intent from their agents to the effect that we had been awarded 50% of a large pilot order , with the other 50% being awarded to a company using Wireless technology rather than satellite technology (which is MarineTrack's proposed solution) With this information to hand the Marine Track Board decided to commence the process to an AIM listing. During Q2 '07 we learnt that the government in question had realised that the Wireless solution was not viable and decided to go 100% down the satellite route They decided to move straight ahead with the full order, using satellite technology Invitations to tender were issued with every indication that the decision would be finalised in Q3 '07. The government concerned have elections due and ,unexpectedly decided, rather than to award the contract as previously indicated, their interests would be better served by including the details of the tracking solution within their manifesto. We now understand that the contract will be awarded in early 2008 and we remain hopeful that we will be the preferred supplier

With the core business developing strongly at Marine Track a decision was made to proceed with the IPO, which we intend to help finalise as soon as convenient . However, so the Zyzygy investors will not lose out if MarineTrack secures the Asian contract, a new company has been formed with Zyzygy a significant shareholder, through which the previously mentioned government contract will be channelled if our tender is successful.

Several other interesting projects are also currently being pursued.

Nice Tech Ltd

During the year the company have successfully taken the CBBC/Ragdoll project "Tronji World" through alpha and beta testing milestones, and are on target to have the game finalised and hosted in time to coincide with the launch of the new

Maple Cottage Arkesden Road Clavering Saffron Walden Essex CB11 4QU Tel 01799 550 265
Directors Duncan Lipscombe (Chairman), Edward Oliver FCA (Company Secretary) John Pool
Registered in England No 4045179

children's television programme, for which it was commissioned to complement. The project was recently showcased at the BAFTA's "working with games" conference in London After a which a senior BBC Worldwide executive opined to the invited audience that Tronji World was technically the most exciting project he has worked on during his time with the BBC.

The attention which the company has recently received from several giant global corporate companies which are all commonly known household names, has been both heart warming and staggering

During the year Nice Tech have also successfully completed a minor project for another renowned British TV production company, and have just commenced a new project for a US based Media production company

It had been our intention to list NT during the year, however it soon became apparent to us at Zyzygy that much greater value and benefit would be derived for our shareholders if we adopted a more patient approach. However we now intend to float Nice Tech on the AIM market, or arrange an alternate significant fundraising in the first half of 2008

Of our other current investments in Next Gen Plc and Physiomics Plc it was pleasing to learn that the latter recently secured a contract with the global pharmaceutical giant Eli Lilly.

Armed with the above information it is my belief that 2008 will be a year of considerable importance for Zyzygy. I would like to take this opportunity to thank my fellow directors Edward Oliver and Peter Hire who have both worked tirelessly towards our common goal, namely the advancement of our company

Duncan Lipscombe
Chairman
23rd November 2007

Report of the directors

The directors present their report together with the audited financial statements of the company for the year ended 30 June 2007

Principal activities

The principal activity of the company is to use funds to make investments in companies that are close to market and where the management have identified a significant number of opportunities

Business review

A review of the company's business and state of affairs is contained in the Chairman's statement

The key performance indicator of the company is the valuation of the investment portfolio During the year this has appreciated from £3,802,000 to £4,325,000, indicating a successful performance

Results and dividends

The audited accounts for the year ended 30 June 2007 are set out on pages 9 to 21

The directors paid a dividend during the year of £57,000

The directors proposed a dividend of £65,000 during the year which was paid after the year end

Financial risk management objectives and policies

The company uses financial instruments, other than derivatives, comprising cash and various other items such as trade debtors and creditors that arise directly from its operations

Liquidity and interest rate risk

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably

The company does not consider itself to be subject to significant interest rate risk

Credit risk

The company is exposed to credit risk in respect of amounts owed in respect of shares sold to other parties The directors mitigate this risk by only offering credit to companies and individuals known to them and that have the resources to repay the balances if necessary

Market risk

The company is exposed to market risk in respect of its listed investments

Report of the directors

Portfolio

At 30 June 2007, the company held the following investments

		Cost £'000	Valuation £'000
Listed			
Nextgen Group plc		228	39
Physiomics plc		75	75
Unlisted			
Marinetrack Limited	- shares	862	1,237
	- loan	522	522
Nice Tech Limited	- shares	-	1,657
	- loan	795	795
		2,482	4,325

Directors

The directors who served during the year and since the year end were as follows

Duncan Lipscombe
Edward Oliver FCA
John Pool (resigned 28 November 2006)
Peter Hire (appointed 6 August 2007)

The interests of the directors in office at the end of the year in the shares of the company at the end of the year and at the start of the year were as follows

	Ordinary shares of 0 1p each	
	30 June 2007	30 June 2006
	Number	Number
Duncan Lipscombe	**43,878,199**	33,333,333
Edward Oliver FCA	**2,755,000**	70,000

Directors share options

On 14 September 2004 the company granted Edward Oliver FCA options to subscribe for 2 5% of the issued share capital of the company at 14 September 2004 The options are exercisable by the director at any time from 14 September 2004 for a period of 5 years at a price of 0 5p per ordinary share

Report of the directors

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 financial statements in accordance with United Kingdom Accounting Standards (UK GAAP) The financial statements are required 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- 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

In so far as the directors are aware

- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Payment policy

The company pays its suppliers as it would wish to be paid itself and supports initiatives aimed to ensure good practice in this area Its policy is to pay creditors in accordance with agreed payment terms Trade creditors at the year end amounted to 143 days of average supplies

Auditors

Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with Section 385 of the Companies Act 1985

BY ORDER OF THE BOARD

Edward Oliver FCA
Company Secretary
23 November 2007

Grant Thornton

Report of the independent auditor to the members of Zyzygy plc

We have audited the financial statements of Zyzygy plc for the year ended 30 June 2007 which comprise the principal accounting policies, the statement of total return, the balance sheet, the cash flow statement and notes 1 to 20 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

The directors' responsibilities for preparing the annual report and the financial statements in accordance with United Kingdom law and 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 whether they are properly prepared in accordance with the Companies Act 1985 We also report to you whether, in our opinion, the information given in the Report of the directors 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 other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements This other information comprises only the Chairman's statement and the Report of the directors We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements Our responsibilities do not extend to any other information

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

Grant Thornton

Report of the independent auditor to the members of Zyzygy plc

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 June 2007 and of its return 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 Report of the Directors is consistent with the financial statements for the year ended 30 June 2007

Grant Thornton UK LLP

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS

SHEFFIELD
23 November 2007

Principal accounting policies

Basis of accounting

The accounts have been prepared under the historical cost convention, as modified by the revaluation of investment assets The accounts have been prepared in accordance with applicable accounting standards, except as explained below, and with the Statement of Recommended Practice (SORP) for the Financial Statements of Investment Trust Companies (January 2003) (see note 20)

The directors, having considered the cash forecasts for the next twelve months, have a reasonable expectation that the funds available to the company are sufficient to meet the requirements indicated by these forecasts

Statement of recommended practice (SORP), for the financial statements of investment trust companies

The Company is not an investment company within the meaning of Section 266, Companies Act 1985 as the Articles of the Company do not absolutely prohibit the distribution of capital profits However, it manages its affairs in a manner which is similar to that of an Investment Trust As such, the directors consider it appropriate to continue to present the financial statements in accordance with the Statement of Recommended Practice (SORP) applicable for investment trusts Under the SORP, the financial performance of the Company is presented in a statement of total return in which the revenue column would be the profit and loss account of the Company except that it excludes net gains and losses on disposal and write off of investments and associated taxation

In the opinion of the directors the inclusion of these items in the profit and loss account would obscure and distort both the revenue and capital performance of the Company, and would not show clearly the revenue profits emerging to be distributable by way of dividend The directors therefore consider that these departures from the specific provisions of Schedule 4 of the Companies Act relating to the form and content of accounts for companies other than investment companies and these departures from accounting standards are necessary to give a true and fair view The departures have no effect on total return or on the balance sheet The effect on the profit and loss account is disclosed in note 20

The principal accounting policies of the group, which remain unchanged from the previous year, except for the adoption of FRS 20 - Share based payment are set out below

The adoption of FRS 20 had no impact on the financial statements of the company as there were no unvested share options in the current or prior period

Investments

Investments are valued in accordance with the International Private Equity and Venture Capital Valuation Guidelines

Realised surpluses or deficits on the disposal of investments and permanent impairments in the value of investments are taken to capital reserve - realised, and unrealised surpluses and deficits on the revaluation of investments are taken to capital reserve - unrealised, as explained in the capital reserve policy below

Investment valuation

Listed investments

Investments which are listed on a stock market such as AIM or similar markets are valued at their closing mid-price

Where listed investments are subject to restrictions on sale or the marketability of the holding is limited then a discount to the listed market price may be applied

Principal accounting policies

Unlisted shares

Valuation methods used are at fair value in accordance with the International Private Equity and Venture Capital Valuation guidelines

In estimating fair value a valuation methodology is applied that is appropriate in light of the nature, facts and circumstances of the Investment and its materiality in the context of the total investment portfolio The methodologies used include

Price of recent investment
Earnings multiple
Net assets
Discounted cash flows or earnings of the underlying business
Discounted cash flows from the investment
Industry valuation benchmarks

For investments in start up or early-stage businesses, the "Price of Recent Investment" methodology is the most appropriate for a limited period following the date of investment Thereafter the fair value is measured using the most appropriate methodology If fair value cannot be reliably measured then a provision is made

Income

Dividends receivable on quoted equity shares are brought into account on the ex-dividend date

Dividends receivable on equity shares where no ex-dividend date is quoted are brought into account when the company's right to receive payment is established

Fixed returns on non-equity shares are recognised on a time apportionment basis so as to reflect the effective yield on the shares Other returns on non-equity shares are recognised when the right to the return is established

The fixed return on a debt security is recognised on a time apportionment basis so as to reflect the effective yield on the debt security Where the company has elected to receive its dividends in the form of additional shares rather than in cash, the amount of the cash dividend is recognised as income Any excess in the value of the shares received over the amount of the cash dividend is recognised in unrealised capital reserves

Expenses

All expenses are accounted for on an accruals basis Expenses are charged through the revenue account except as follows

- expenses which are incidental to the acquisition of an investment are included within the cost of the investment,
- expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of the investment, and
- expenses are charged to capital reserve - realised where a connection with the maintenance or enhancement of the value of the investments can be demonstrated

Principal accounting policies

Capital reserve

Capital reserve - realised

The following are accounted for in this reserve

- gains and losses on the realisation of investments,
- realised exchange differences of a capital nature,
- expenses and finance costs, together with the related taxation effect, charged to this reserve in accordance with the above policies,
- realised gains and losses on transactions undertaken to hedge an exposure of a capital nature, and
- permanent impairments in the value of investments

Capital reserve - unrealised

Increases and decreases in the valuation of investments held at the year end, net of the effect of deferred tax, are accounted for in this reserve

Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date Deferred tax assets are recognised when it is more likely than not that they will be recovered Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date

Statement of total return

	Note	Capital £'000	Revenue £'000	2007 Total £'000	Capital £'000	Revenue £'000	2006 Total £'000
Gains on investments		856	-	856	1,204	-	1,204
Income	1	-	-	-	-	40	40
Gross revenue and capital return		856	-	856	1,204	40	1,244
Administrative expenses	2	-	(221)	(221)	-	(187)	(187)
Net return/(deficit) before exceptional items, finance costs and taxation		856	(221)	635	1,204	(147)	1,057
Interest receivable		-	1	1	-	1	1
Return/(deficit) on ordinary activities before taxation		856	(220)	636	1,204	(146)	1,058
Tax on return/(deficit) on ordinary activities	4	(179)	-	(179)	(298)	-	(298)
Return/(deficit) for the financial year		677	(220)	457	906	(146)	760
Return/(deficit) per ordinary share (Basic and fully diluted)		0.10p	(0 03p)	0.07p	0 16p	(0 03p)	0 13p

The return per ordinary share is based on the weighted average number of ordinary shares in issue during the year of 645,485,142 ordinary shares of 0 1p (2006 574,991,991 ordinary shares of 0 1p)

All of the above results arise from continuing activities There are no recognised gains and losses for the year other than those reflected in the above Statement of Total Return

Balance sheet

	Note	2007 £'000	2007 £'000	2006 £000	2006 £000
Fixed assets					
Investments	5		**4,325**		3,802
Current assets					
Debtors	6	**927**		92	
Cash at bank		**71**		41	
		998		133	
Creditors amounts falling due within one year	7	**(607)**		(97)	
Net current assets			**391**		36
Total assets less current liabilities			**4,716**		3,838
Provisions for liabilities	8		**(545)**		(366)
Net assets			**4,171**		3,472
Capital and reserves					
Called up share capital	10		**652**		575
Share premium account	11		**1,361**		1,139
Capital reserve unrealised	11		**1,184**		1,081
Capital reserve realised	11		**939**		365
Revenue reserve	11		**35**		312
Shareholders' funds	12		**4,171**		3,472
Net assets value per ordinary share			**0 6p**		0 6p

The net asset value per ordinary share is based on net assets at the year end and on 652,491,991 ordinary shares of 0 1p (2006 574,991,991 ordinary shares of 0 1p), being the number of shares in issue at the year end

The financial statements were approved by the Board of directors on 23 November 2007

Duncan Lipscombe **Chairman**

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

Cash flow statement

	Note	2007 £'000	2007 £'000	2006 £'000	2006 £'000
Net cash inflow/(outflow) from operating activities	13		289		(280)
Returns on investment					
Interest received			1		1
			290		(279)
Capital expenditure and financial investment					
Purchase of investments			(75)		(1,345)
Loans to investee companies			(612)		-
Sale of investments			185		1,659
			(502)		314
Dividend paid			(57)		-
Net cash (outflow)/inflow before financing			(269)		35
Financing:					
Issue of share capital		78		-	
Share premium received on share capital issued		232		-	
Less Share issue expenses written off		(11)		-	
			299		-
Increase in cash	14,15		30		35

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

Notes to the financial statements

1 Income

Income comprises	2007 £'000	2006 £'000
Management fees	-	40

All income is derived from the UK, and all investments are based in the UK

2 Administrative expenses

Administrative expenses include the following	2007 £'000	2006 £'000
Auditors remuneration for		
Statutory audit	13	8
Taxation Services	9	5
Services as Nominated Advisor	11	21
Directors emoluments	82	63

3 Staff costs

The average number of employees of the company (including directors) during the year was

	2007 No	2006 No
Management and administration	2	3

The aggregate remuneration was	2007 £'000	2006 £'000
Wages and salaries	82	63
Social security	11	6
	93	69

Directors remuneration

Name of director	2007 Salary and total £'000	2006 Salary and total £'000
D Lipscombe	60	37
E Oliver	35	18
J Pool	(13)	8
	82	63

During the year £13,000 of directors' fees owing to a former director were written off These fees had been accrued in prior years but were unpaid at the time he left the company

The interests of the directors in the share capital of the company is shown in the Report of the directors together with details of share options held by the directors

Notes to the financial statements

4 Taxation

The tax credit charge for the year is made up as follows

	2007 Capital £'000	2007 Revenue £'000	2007 Total £'000	2006 Revenue and total £'000
Deferred tax (note 9)	(179)	-	(179)	(298)

The current tax assessed for the year is lower than the standard rate of corporation tax in the UK of 30% The differences are explained as follows

	2007 Capital £'000	2007 Revenue £'000	2007 Total £'000	2006 Total £'000
Return/(deficit) on ordinary activities before taxation	856	(220)	636	1,058
Return/(deficit) on ordinary activities multiplied by standard rate of tax of 30%	257	(66)	191	317
Effect of				
Expenses not chargeable for tax purposes	(12)	-	(12)	(14)
Unrealised gain not chargeable to tax	(149)	-	(149)	(268)
Utilisation of tax losses	(96)	66	(30)	(35)
	-	-	-	-

5 Investments

	2007 £'000	2006 £'000
Investments listed on a recognised stock exchange	114	252
Unlisted investments	2,894	2,930
Loans	1,317	620
	4,325	3,802

Notes to the financial statements

5 Investments (continued)

	Listed UK £'000	Unlisted Investments £'000	Loans £'000	Total £'000
Cost				
At 1 July 2006	413	1,208	620	2,241
Transfer from debtors	-	-	85	85
Additions	75	-	612	687
Disposals	(185)	(346)	-	(531)
At 30 June 2007	303	862	1,317	2,482
Unrealised appreciation				
At 1 July 2006	(161)	1,722	-	1,561
(Decrease)/increase in unrealised appreciation	(44)	463	-	419
Disposals	16	(153)	-	(137)
At 30 June 2007	(189)	2,032	-	1,843
Cost or valuation				
At 30 June 2007	**114**	**2,894**	**1,317**	**4,325**
At 30 June 2006	252	2,930	620	3,802

All investments are UK companies

Significant interests

Details of investments, in which the company had an interest of 10% or more of the nominal value of the allotted shares of any class, or of the interests at the end of the year were

Name of undertaking		Percentage held by the company	Cost £	Valuation £	Valuation method
Marine Track Limited	- shares	49 9%	862,276	1,237,306	Price of recent investment
	- loan		522,000	522,000	
Nice Tech Limited	- shares	41 3%	475	1,656,846	Recent market information
	- loan		794,715	794,715	

As the company is an investment fund, it is therefore taking advantage of the exemption in FRS9 paragraph 49 from treating investments in which the company owns greater than 20% as associates or joint ventures

The investments in Marinetrack Limited and Nice Tech Limited were acquired with the sole intention of a subsequent resale or flotation on AIM or PLUS

Notes to the financial statements

6 Debtors

	2007 £'000	2006 £'000
Amounts due from Billam AG (see note 18)	917	-
Other debtors	5	87
Prepayments and accrued income	5	5
	927	92

7 Creditors: amounts falling due within one year

	2007 £'000	2006 £'000
Trade creditors	50	39
Other creditors	537	50
Other taxes and social security	11	-
Accruals and deferred income	9	8
	607	97

8 Provisions for liabilities

	Deferred taxation £'000
At 1 July 2006	366
Charged during the year	
- capital	179
At 30 June 2007	545

9 Deferred taxation

	2007 £'000	2006 £'000
Timing differences related to capital items	570	480
Losses available	(25)	(114)
	545	366

Notes to the financial statements

10 Share capital

	2007 £'000	2006 £'000
Authorised		
15,000,000,000 ordinary share of 0 1p	**15,000**	15,000
Allotted, called up and fully paid		
652,491,991 (2006 574,991,991) ordinary shares 0 1p each	**652**	575

On 4 August 2006, 77,500,000 ordinary shares of 0 1p were issued at a price of 0 4p per share

11 Share premium account and reserves

	Share premium account £'000	Capital reserve unrealised £'000	Capital reserve realised £'000	Revenue reserve £'000
On 1 July 2006	1,139	1,081	365	312
Net change in unrealised appreciation	-	418	-	-
Realised gain on sale of investments	-	-	438	-
Transfer from unrealised to realised	-	(136)	136	-
Premium on share issue, net of expenses of £11,000	222	-	-	-
Retained net revenue for the year	-	-	-	(220)
Tax effect of capital items	-	(179)	-	-
Dividends paid	-	-	-	(57)
On 30 June 2007	1,361	1,184	939	35

12 Reconciliation of movements in shareholders' funds

	2007 £'000	2006 £'000
Return for the year	**457**	760
Dividends paid	**(57)**	-
Net proceeds from shares issued for cash	**299**	-
Opening shareholders' equity funds	**3,472**	2,712
Closing shareholders' equity funds	**4,171**	3,472

Notes to the financial statements

13 Reconciliation of operating return/(deficit) to net cash flow from operating activities

	2007 **£'000**	2006 £'000
Operating return	**635**	1,057
Unrealised increase in investment appreciation	**(419)**	(1,360)
(Profit)/loss on sale of investments	**(434)**	156
Increase in debtors	**(3)**	(79)
Increase/(decrease) in creditors	**510**	(54)
	289	(280)

14 Reconciliation of net cash flow to movement in net funds

	2007 **£'000**	2006 £'000
Net funds at 1 July 2006	**41**	6
Increase in cash in the period	**30**	35
Net funds at 30 June 2007	**71**	41

15 Analysis of changes in net funds

	At 1 July 2006 £'000	Cash flow £'000	**At 30 June 2007 £'000**
Cash at bank	41	30	**71**

16 Capital commitments

There were no capital commitments as at 30 June 2007 or 30 June 2006

17 Contingencies

There were no contingent liabilities at 30 June 2007 or 30 June 2006

18 Transactions with directors and related parties

On 20 December 2006 the Company sold 145 shares in Marine Track Limited, representing 20% of the issued share capital of Marine Track Limited to Billam AG, for £498,000, payment of which will be deferred until the earlier of two years from completion of the sale of the shares or the flotation of Marine Track Limited In addition, if Billam AG sell any of the Marine Track Limited shares within three years, it will pay to Zyzygy plc additional consideration calculated as 90% of the profit achieved on any such sale

On 29 March 2007 the Company sold a further 121 shares in Marine Track Limited to Billam AG for £419,000 The terms of this sale are the same as those described for the sale on 20 December 2006

Notes to the financial statements

18 Transactions with directors and related parties (continued)

At 30 June 2007, the full amount owing for the above transactions was outstanding

During the year ended 30 June 2007 Billam AG extended loans to the Company amounting to £121,000, which was outstanding at the year end

Additionally, Billam AG have provided consultancy services to the Company amounting to £50,000 in the year ended 30 June 2007 Of this, £42,000 remained outstanding at the year end

Billam AG is a related party by virtue of its 19% shareholding in the Company

Amounts owed to directors		2007 £'000	2006 £'000
Mr D J Lipscombe	- loan	**85**	8
	- unpaid salary	**50**	-
Mr E M Oliver	- loan	**23**	-
	- unpaid salary	**29**	-
Mr P Hire	- loan	**120**	-
	- unpaid salary	-	-

19 Post Balance Sheet Events

A dividend of £65,249 declared prior to the year end was paid on 2 July 2007

On 18 July 2007, 162,500,000 ordinary shares of 0 1p were issued at a price of 0 2p per share to raise £325,000 before expenses

On 15 November 2007 the outstanding loan to Nice Tech Limited of £900,000, £795,000 of which was outstanding at 30 June 2007, was converted into 104 Ordinary B shares in Nice Tech Limited This conversion values Nice Tech Limited as a whole at £10,000,000

20 Statement of Recommended Practice for Investment Trust Companies

As noted in the accounting policies the company has adopted the Statement of Recommended Practice (SORP) applicable for investment trusts Under the SORP, the financial performance of the Company is presented in a statement of total return The revenue column excludes the following capital items which, since the Company is not an investment company, the Companies Act and accounting standards would ordinarily require to be included in the profit and loss account net gains on investments, calculated by reference to their cost, of £574,000 (2006 £161,000) and management expenses and finance costs charged to capital, net of tax, of £nil (2006 £nil) The net profit before tax of the Company for the year would be £354,000 (2006 £307,000) In the opinion of the directors the inclusion of these items in the profit and loss account would obscure and distort both the revenue and capital performance of the Company, and would not show clearly the revenue profits emerging to be distributable by way of dividend The directors therefore consider that these departures from the specific provisions of Schedule 4 of the Companies Act relating to the form and content of accounts for companies other than investment companies and these departures from accounting standards are necessary to give a true and fair view The departures have no effect on total return or on the balance sheet