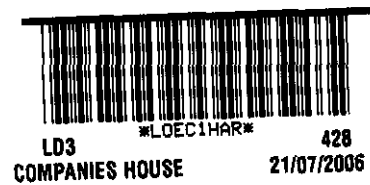


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Azure Holdings plc

REPORT AND FINANCIAL STATEMENTS

for the year ended
31 December 2005



Azure Holdings plc

CONTENTS

CONTENTS

	Page
Company information	1
Chairman's statement	2
Report of the directors	3 - 4
Statement of directors' responsibilities	5
Independent auditors' report	6
Profit and loss account	7
Balance sheet	8
Cash flow statement	9
Notes to the financial statements	10 - 14

Azure Holdings plc

COMPANY INFORMATION

Directors : G Desler
B Gold

Company Secretary : B M Sumner

Registered Office : One Great Cumberland Place
London
W1H 7AL

Registered number : 3916791

Independent Auditors : Baker Tilly
2 Bloomsbury Street
London
WC1B 3ST

Registrars : Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TH

Nominated Adviser and Broker : W H Ireland Limited
11 St James' Square
Manchester
M2 6WH

Solicitors : Halliwell Landau
75 King William Street
London
EC4N 7BE

Azure Holdings plc

CHAIRMAN'S STATEMENT

I am pleased to present my first Chairman's statement for the year ended 31 December 2005.

In the year to 31 December 2005 the Company announced a loss after taxation of £134,000 (2005: £345,000).

My predecessor mentioned in his last Chairman's statement that the Company was continuing to seek an acquisition and I am pleased we have a target and that the transaction is moving forward.

Your Company not only has a new Board but also a new Nominated Adviser and we are all working together to bring the proposed transaction to a mutually satisfactory conclusion.

All parties are aware of the need to complete the transaction by the end of September and at the time of writing we remain on target to do so.



Barry Gold
Chairman

29 June 2006

Azure Holdings plc

REPORT OF THE DIRECTORS

The directors present their report and the financial statements for the year ended 31 December 2005.

RESULTS AND DIVIDENDS

The results of the Company for the year ended 31 December 2005 are set out in the financial statements on pages 7 to 14.

No dividend can be proposed.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

Throughout the year the Company was a shell company.

The Chairman's Statement on page 2 includes a review of the Company's future prospects.

DIRECTORS

The interests of the directors, all of which are beneficial, holding office on 31 December 2005 in the shares of the Company (including family interests) according to the register of directors' interests were as shown below:

	Number of ordinary shares 31 December 2005	31 December 2004
N D A Greenstone (resigned 12 May 2006)	500,000	500,000
R E Stirling (resigned 12 May 2006)	700,000	700,000

G Desler and B Gold were appointed as directors on 12 May 2006.

The market price of the Company's shares at the end of the financial year was 0.45p and the range of market prices during the year ended 31 December 2005 was between 0.22p and 0.85p.

SUBSTANTIAL SHAREHOLDINGS

At 23 June 2006, the following had notified the Company of an interest in 3 per cent or more of the Company's ordinary shares.

	Number of ordinary shares	Shareholding percentage
M Fogarty	4,000,000	3.1
J Holland	10,000,000	7.8
M McDonagh	4,000,000	3.1
J Miller	7,158,874	5.6
Raven Nominees Limited	5,260,417	4.1
C Smith	4,000,000	3.1

POST BALANCE SHEET EVENTS

During January and February 2006 loan stock amounting to £414,540 was issued, making a total of £420,540. Subsequently £397,826 of loan stock was converted into 79,565,207 ordinary shares of 1p each.

Azure Holdings plc

REPORT OF THE DIRECTORS

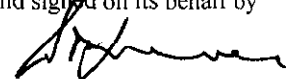
POLICY ON PAYMENT OF SUPPLIERS

The Company has no formal code or standard which deals specifically with the payment of suppliers. However, the Company's policy is to ensure that the terms of payment, as specified by and agreed with the supplier at the outset, are not exceeded.

AUDITORS

Baker Tilly have expressed their willingness to continue in office and a resolution proposing their re-appointment as auditors will be put to the forthcoming annual general meeting.

Approved by the board
and signed on its behalf by



B M Sumner
Secretary

Registered Office:
One Great Cumberland Place
London
W1H 7AL

29 June 2006

Azure Holdings plc

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice. Company law requires the directors to prepare financial statements for each financial year which 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 year. In preparing those financial statements, the directors are required to:

- a) select suitable accounting policies and then apply these consistently;
- b) make judgements and estimates that are reasonable and prudent;
- c) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 Company 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 Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AZURE HOLDINGS PLC

We have audited the financial statements on pages 7 to 14.

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 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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 Directors' Report and the Chairman's Statement. 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 opinion

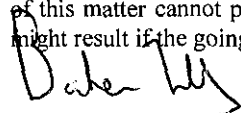
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 at 31 December 2005 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Without qualifying our opinion we draw attention to note 1(b) to the financial statements. The financial statements have been prepared on the basis that the Company will find a suitable target for a reverse acquisition and that this will provide the Company with sufficient working capital for the foreseeable future. The outcome of this matter cannot presently be determined, and the financial statements do not include any adjustments that might result if the going concern basis was inappropriate.


BAKER TILLY
Registered Auditor
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

29 June 2006

Azure Holdings plc
PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2005

	<i>Note</i>	2005 Total £'000	2004 Total £'000
Administrative expenses		(134)	(345)
OPERATING LOSS		(134)	(345)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	2	(134)	(345)
Taxation	5	-	-
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION	10	(134)	(345)
LOSS PER SHARE	6	(0.28p)	(0.86p)
FULLY DILUTED LOSS PER SHARE	6	(0.28p)	(0.86p)

The Company has no recognised gains or losses other than the loss for the year.

All activities are classed as continuing.

Azure Holdings plc

BALANCE SHEET

at 31 December 2005

	<i>Note</i>	2005 £'000	2004 £'000
CURRENT ASSETS			
Debtors	7	1	7
Cash at bank and in hand		1	14
		<u>2</u>	<u>21</u>
CREDITORS: amounts falling due within one year	8	(205)	(90)
NET CURRENT LIABILITIES		<u>(203)</u>	<u>(69)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(203)</u>	<u>(69)</u>
CAPITAL AND RESERVES			
Called up share capital	9	5,475	5,475
Share premium account	10	10,279	10,279
Profit and loss account	10	(15,957)	(15,823)
EQUITY SHAREHOLDERS' FUNDS	11	<u>(203)</u>	<u>(69)</u>

Approved and authorised for issue by the board on 29 June 2006 and signed on its behalf by:



G Desler
Director

Azure Holdings plc

CASH FLOW STATEMENT

for the year ended 31 December 2005

	<i>Note</i>	2005 £'000	2004 £'000
CASH OUTFLOW FROM OPERATING ACTIVITIES	12	(63)	(225)
FINANCING			
Issue of equity shares		-	120
Loans		50	-
DECREASE IN CASH IN THE YEAR	13	<u>(13)</u>	<u>(105)</u>

Azure Holdings plc

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2005

1 ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable accounting standards. The principal accounting policies of the Company are set out below.

(a) BASIS OF ACCOUNTING

The financial statements are prepared under the historical cost convention.

(b) GOING CONCERN

The financial statements have been prepared on the going concern.

During the year the Company incurred a loss of £134,000 and had net liabilities at 31 December 2005 of £203,000. Since the year end, the company has raised £398,000 via the issue of convertible loan stock.

The directors continue to actively seek a suitable target for a reverse acquisition.

The directors have therefore prepared the financial statements on the going concern basis. The financial statements do not include any adjustments that might arise if this basis was inappropriate.

(c) DEFERRED TAXATION

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.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

2	OPERATING LOSS	2005 £'000	2004 £'000
	Operating loss is stated after charging:		
	Auditors' remuneration:		
	Audit fee	5	5
	Other services	2	2
		<u> </u>	<u> </u>

Azure Holdings plc

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2005

3	STAFF COSTS	2005 £'000	2004 £'000
	Staff costs, including directors' emoluments:		
	Wages and salaries	24	23
		=====	=====
	The average number of persons, including directors, employed by the Group during the year was as follows:	Number	Number
	Administration and operations	2	3
		=====	=====
4	DIRECTORS' EMOLUMENTS	2005 £'000	2004 £'000
	Salaries and fees	24	23
		=====	=====
5	TAXATION		
	Factors affecting taxation:		
	The tax charge for the year does not equate to the loss before tax at the standard rate of corporation tax in the United Kingdom (30%). The differences are explained below:		
		2005 £'000	2004 £'000
	Loss on ordinary activities before taxation	(134)	(345)
	Loss on ordinary activities multiplied by the standard rate of corporation tax in the United Kingdom of 30% (2004: 30%)	(40)	(104)
	Effect of non-deductible expenses and addition to tax losses	40	104
		=====	=====
		-	-
		=====	=====

At 31 December 2005, the Company had accumulated tax losses of £950,000 (2004: £817,000) arising from management expenses and £1,477,000 (2004: £1,477,000) of capital losses.

A deferred tax asset has not been recognised in respect of these losses as they are not expected to be used in the foreseeable future.

Azure Holdings plc

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2005

6 LOSS PER SHARE

Loss per share is calculated using the loss on ordinary activities and the weighted average number of shares detailed below.

In calculating fully diluted loss per share, the weighted average number of shares is adjusted for the effect of dilutive share options issued under Company share option schemes.

	2005 £'000	2004 £'000
Basic and diluted loss attributable to ordinary shareholders	(134)	(345)
	<u>Number</u>	<u>Number</u>
Weighted average number of ordinary shares	48,317,569	39,767,965
Dilutive share options	-	-
Adjusted weighted average number of ordinary shares	<u>48,317,569</u>	<u>39,767,965</u>
Loss per share	<u>(0.28p)</u>	<u>(0.86p)</u>
Fully diluted loss per share	<u>(0.28p)</u>	<u>(0.86p)</u>

7 DEBTORS

	2005 £'000	2004 £'000
Other debtors	<u>1</u>	<u>7</u>

8 CREDITORS: amounts falling due within one year

	2005 £'000	2004 £'000
Trade creditors	119	68
Other taxation and social security	-	9
Accruals	36	13
Loans	<u>50</u>	<u>-</u>
	<u>205</u>	<u>90</u>
Analysis of debt maturity		
In one year or less on demand	<u>50</u>	<u>-</u>

Of the £50,000 loans, £44,000 were repaid in January 2006. The balance was transferred into convertible unsecured loan stock (see note 9).

Azure Holdings plc

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2005

9	SHARE CAPITAL	2005 £'000	2004 £'000
	Authorised:		
	417,988,783 deferred shares of 0.9p each	3,762	3,762
	300,827,345 new ordinary shares of 1p each	3,008	3,008
	1,242,250 new deferred shares of 99p each	1,230	1,230
		<u>8,000</u>	<u>8,000</u>
	Allotted, called up and fully paid:		
	417,988,783 deferred shares of 0.9p each	3,762	3,762
	48,317,569 new ordinary shares of 1p each	483	483
	1,242,250 new deferred shares of 99p each	1,230	1,230
		<u>5,475</u>	<u>5,475</u>

On 9 November 2005 the company issued a convertible unsecured loan stock instrument under which £500,000 nominal of loan stock was created which is convertible into 100,000,000 ordinary shares of 1p each (£1,000,000 of nominal capital).

The loan stock carries no interest and is repayable, if not converted, together with a premium of £1 for each £1 nominal of loan stock on 31 December 2006.

As at the year end £6,000 of loan stock had been issued under this instrument, none of which had been converted at the year end. This amount is included in creditors falling due within one year (see note 8).

During January and February 2006 a further £414,540 of loan stock was issued under this instrument making a total of £420,540. Subsequently a total of £397,826 of loan stock has been converted into 79,565,207 ordinary shares of 1p each.

SHARE OPTION SCHEMES

The following share options were outstanding at 31 December 2005:

Scheme	No. of shares (new ordinary shares of 1p each)	Exercise price	Expiry date
Unapproved	15,955	£10.00	18/02/2010
Unapproved	27,376	£2.10	31/01/12

10	RESERVES	Share premium account £'000	Profit and loss account £'000	Total £'000
	At 1 January 2005	10,279	(15,823)	(5,544)
	Loss for the year		(134)	(134)
	At 31 December 2005	<u>10,279</u>	<u>(15,957)</u>	<u>(5,678)</u>

Azure Holdings plc

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2005

11	RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' DEFICIT	2005 £'000	
	Loss for the financial year	(134)	
		<u>(134)</u>	
	Opening shareholders' funds	(69)	
	Closing shareholders' funds	<u>(203)</u>	
12	RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES	2005 £'000	2004 £'000
	Operating loss	(134)	(345)
	Decrease in debtors	6	-
	Increase in creditors	65	31
	Creditor settled via issue of shares	-	89
	Net cash outflow from operating activities	<u>(63)</u>	<u>(225)</u>
13	ANALYSIS OF NET FUNDS	At 1 January 2005 £'000	Cash Flow December 2005 £'000
	Cash at bank	14	1