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**CAMAXYS GROUP PLC**

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**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**For the year ended 30 June 2006**

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**CAMAXYS GROUP PLC**

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**COMPANY INFORMATION**

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<b>DIRECTORS</b>	K A Arends S R Lang
<b>SECRETARY</b>	K A Arends
<b>COMPANY NUMBER</b>	1631866
<b>REGISTERED OFFICE</b>	Salisbury House Station Road Cambridge CB1 2LA
<b>AUDITORS</b>	Lakin Rose Limited Chartered Accountants & Registered Auditors Pioneer House Vision Park Histon Cambridge CB24 9NL
<b>BANKERS</b>	National Westminster Bank plc 10 Bene't Street Cambridge CB2 3PU  Lloyds TSB Bank plc St Andrews Street Cambridge CB2 3AX
<b>NOMINATED ADVISOR AND BROKER</b>	Shore Capital & Corporate Limited Bond Street House 14 Clifford Street London W1X 1RE
<b>REGISTRARS</b>	Capita IRG plc Balfour House 390/398 High Road Ilford Essex IG1 1NQ

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**CAMAXYS GROUP PLC**

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**CAMAXYS GROUP PLC**

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**CHAIRMAN'S STATEMENT**  
**For the year ended 30 June 2006**

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The chairman presents his statement for the period

As reported last year, the company sold its sole operating business in August 2005. Since then the company has been a cash shell with an investment strategy of seeking a reverse takeover.

In March 2007 the company was delisted from AIM but has been supported by the directors.

The directors are continuing to search for a suitable reverse acquisition and relisting of the shares. Discussions are continuing with interested parties.

During the year and since the following directors resigned from the Board:

- Neil Monnery - 31 October 2005
- Paul McIlwaine - 29 November 2005
- Colin West - 23 July 2006

Name    K A Arends  
          Chairman

Date     18 July 2007

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## **CAMAXYS GROUP PLC**

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### **DIRECTORS' REPORT** **For the year ended 30 June 2006**

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The directors present their report and the financial statements for the year ended 30 June 2006

#### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

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

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

So far as each of the directors is aware at the time the report is approved

- 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.

#### **PRINCIPAL ACTIVITIES**

The company's principal activity during the year was that of a holding company. The principal activity of the company's sole subsidiary, Camaxys Limited, was the development, marketing and ongoing support of computer-based management information systems for Environmental Health and Safety (EHS) markets and the provision of related consultancy and implementation services.

#### **BUSINESS REVIEW AND FUTURE PROSPECTS**

As stated in last year's report, on 31 August 2005 the operating subsidiary, Camaxys Limited, was sold for £50,000 to Cyclefood Limited, a company wholly owned by the management team, including K A Arends a director of the company.

Since the sale the company, Camaxys Group plc, became a cash shell with an investment strategy of seeking a reverse takeover. The company's operating expenditure during the year and since has been funded by the company's cash reserves and personally by K A Arends.

At the time of approving their report the directors are confident of completing a reverse takeover in 2007.

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## **CAMAXYS GROUP PLC**

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### **DIRECTORS' REPORT** **For the year ended 30 June 2006**

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#### **RESULTS AND DIVIDENDS**

The loss for the year, after taxation, amounted to £43,078 (2005 - Loss £1,675,254)

The directors do not recommend the payment of a dividend on the ordinary shares (2005 - nil) and recommend an accrual of the fixed dividend of 0.05p (2005 - 0.05p) per convertible preferred share. The company does not have sufficient distributable reserves to make payment of the preferred dividend and consequently payment will not be made until such distributable reserves become available.

#### **DIRECTORS**

The directors who served during the year were

K A Arends  
C R West (resigned 23/07/06)  
S R Lang  
P T McIlwaine (resigned 29/11/05)  
N C A Monnery (resigned 31/10/05)

No director has a service agreement with the company.

#### **FINANCIAL INSTRUMENTS**

The company's financial instruments include cash, non-equity shares and various items such as trade creditors that arise directly from its activities. The main purpose of these financial instruments is to finance the company's activities.

It is, and has been throughout the year under review, the company's policy that no trading in financial instruments shall be undertaken.

The main risk arising from the company's financial instruments are interest rate and liquidity risks. The board reviews and agrees policies for managing these risks as follows:

The company's earnings may be affected by changes in interest rates available on bank deposits. The company aims to maximise the benefit of the higher returns available on medium term bank deposits whilst retaining sufficient funds in cash deposits of maturity up to one week to meet all foreseeable liabilities as they fall due.

#### **COMPANY'S POLICY FOR PAYMENT OF CREDITORS**

The company seeks to achieve the most cost-effective terms from its suppliers. Often terms are agreed in the process of ordering goods or services. If all the terms are met to the company's satisfaction then payment is made to the terms agreed.

The average number of creditor days of the company at 30 June 2006 was 11 days (2005 - 15 days).

#### **AUDITORS**

The company's previous auditors, Ernst & Young LLP, resigned and were replaced by Lakin Rose Limited on 12 February 2007. Lakin Rose Limited will be proposed for reappointment in accordance with section 385 of the Companies Act 1985.

This report was approved by the board on 18 July 2007 and signed on its behalf

  
K A Arends  
Secretary

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## **CAMAXYS GROUP PLC**

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### **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CAMAXYS GROUP PLC**

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We have audited the financial statements of Camaxys Group plc for the year ended 30 June 2006 set out on pages 6 to 16. These financial statements have been prepared in accordance with 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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

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

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

We read 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 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.

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**CAMAXYS GROUP PLC**

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**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CAMAXYS GROUP PLC**

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**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 2006 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

*Lakin Rose Limited*

**LAKIN ROSE LIMITED**

Chartered Accountants  
Registered Auditors

Pioneer House  
Vision Park  
Histon  
Cambridge  
CB24 9NL

20 July 2007



**CAMAXYS GROUP PLC**

**PROFIT AND LOSS ACCOUNT**  
For the year ended 30 June 2006

	Note	2006 £	2005 £
<b>TURNOVER</b>	1,2	-	9,000
Administrative expenses		<u>(43,886)</u>	<u>(1,704,545)</u>
<b>OPERATING LOSS</b>	3	<b>(43,886)</b>	<b>(1,695,545)</b>
Interest receivable	6	858	20,300
Interest payable	7	<u>(48)</u>	<u>(9)</u>
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>(43,078)</b>	<b>(1,675,254)</b>
<b>TAX ON LOSS ON ORDINARY ACTIVITIES</b>	8	<u>-</u>	<u>-</u>
<b>LOSS ON ORDINARY ACTIVITIES AFTER TAXATION</b>	15	<b>£ (43,078)</b>	<b>£ (1,675,254)</b>
<b>Loss per 5p share</b>		<u>(0 2p)</u>	<u>(9 3p)</u>
Basic and diluted			

All amounts relate to continuing operations

There were no recognised gains and losses for 2006 or 2005 other than those included in the profit and loss account

The notes on pages 9 to 16 form part of these financial statements

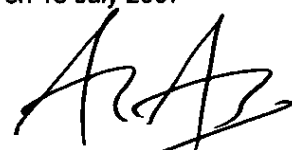
**CAMAXYS GROUP PLC**

**BALANCE SHEET**  
**As at 30 June 2006**

	Note	£	2006 £	£	2005 £
<b>FIXED ASSETS</b>					
Fixed asset investments	11		-		50,000
<b>CURRENT ASSETS</b>					
Debtors	12	5,299		7,903	
Cash at bank		1,211		1,499	
		<u>6,510</u>		<u>9,402</u>	
<b>CREDITORS</b> amounts falling due within one year	13	(17,448)		(27,237)	
<b>NET CURRENT LIABILITIES</b>			(10,938)		(17,835)
<b>NET ASSETS</b>			<u>£ (10,938)</u>		<u>£ 32,165</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	14		906,222		906,222
Share premium account	15		2,452,430		2,452,430
Capital redemption reserve	15		47,500		47,500
Profit and loss account	15		(3,417,090)		(3,373,987)
<b>SHAREHOLDERS' FUNDS</b>	16		<u>£ (10,938)</u>		<u>£ 32,165</u>

Shareholders' funds include non-equity interests

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 18 July 2007



**K A Arends**  
Director

The notes on pages 9 to 16 form part of these financial statements

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**CAMAXYS GROUP PLC**

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**CASH FLOW STATEMENT**  
**For the year ended 30 June 2006**

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	<b>Note</b>	<b>2006</b> <b>£</b>	<b>2005</b> <b>£</b>
Net cash flow from operating activities	17	(51,096)	(1,113,469)
Returns on investments and servicing of finance	18	808	20,291
Acquisitions and disposals	18	50,000	-
<b>DECREASE IN CASH IN THE YEAR</b>		<b>£ (288)</b>	<b>£ (1,093,178)</b>

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**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT**  
**For the year ended 30 June 2006**

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	<b>2006</b> <b>£</b>	<b>2005</b> <b>£</b>
Decrease in cash in the year	(288)	(1,093,178)
<b>MOVEMENT IN NET DEBT IN THE YEAR</b>	<b>(288)</b>	<b>(1,093,178)</b>
Net funds at 1 July 2005	1,499	1,094,677
<b>NET FUNDS AT 30 JUNE 2006</b>	<b>£ 1,211</b>	<b>£ 1,499</b>

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The notes on pages 9 to 16 form part of these financial statements

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## **CAMAXYS GROUP PLC**

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### **NOTES TO THE FINANCIAL STATEMENTS** **For the year ended 30 June 2006**

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#### **1. ACCOUNTING POLICIES**

##### **1.1 Basis of preparation of financial statements**

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

The company is not required to prepare consolidated accounts because it disposed of its sole subsidiary undertaking during the year and at the year end no group exists

##### **1.2 Going concern**

K A Arends, one of the directors, currently intends to provide sufficient financial support to the company until August 2008, in order for the company to meet its financial liabilities as they fall due. Therefore the directors consider it appropriate to prepare the financial statements on a going concern basis.

##### **1.3 Turnover**

Turnover comprises revenue recognised by the company in respect of goods and services supplied, exclusive of Value Added Tax and trade discounts

##### **1.4 Investments**

Investments in subsidiaries are valued at cost less provision for impairment

##### **1.5 Deferred taxation**

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

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

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

Deferred tax assets and liabilities are discounted

#### **2. TURNOVER**

The whole of the turnover in the prior year was attributable to management charges

All turnover arose within the United Kingdom

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**CAMAXYS GROUP PLC**

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**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2006**

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**3. OPERATING LOSS**

The operating loss is stated after charging

	2006 £	2005 £
Auditors' remuneration - audit services	13,500	2,000
Auditors' remuneration - other services	3,000	14,392

Fees payable in respect of audit services are as follows

Current auditors - £2,000 (2005 - £nil)  
Previous auditors - £11,500 (2005 - £2,000)

Fees payable in respect of other services are as follows

Current auditors - taxation and other compliance services - £3,000 (2005 - £nil)  
Previous auditors - tax consultancy and transaction services - £nil (2005 - £14,392)

**4. STAFF COSTS**

Staff costs, including directors' remuneration, were as follows

	2006 £	2005 £
Wages and salaries	-	16,667
Social security costs	-	1,119
	<u>£ -</u>	<u>£ 17,786</u>

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

	2006 No.	2005 No.
Administration	<u>3</u>	<u>3</u>

**5. DIRECTORS' REMUNERATION**

	2006 £	2005 £
Emoluments	<u>£ -</u>	<u>£ 16,667</u>

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**CAMAXYS GROUP PLC**

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**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 30 June 2006

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**6. INTEREST RECEIVABLE**

	2006 £	2005 £
Bank interest receivable	£ 856	£ 20,300

**7. INTEREST PAYABLE**

	2006 £	2005 £
On bank overdrafts	£ 48	£ 9

**8. TAXATION**

	2006 £	2005 £
UK corporation tax charge on loss of the year	£ -	£ -

**Factors affecting tax charge for the year**

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (19%). The differences are explained below

	2006 £	2005 £
Loss on ordinary activities before tax	£ (43,078)	£ (1,675,254)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2005 - 19%)	(8,185)	(318,298)
<b>Effects of:</b>		
Expenses not deductible for tax purposes	-	311,879
Movement in unprovided deferred tax	8,185	6,419
<b>Current tax charge for the year (see note above)</b>	£ -	£ -

**Factors that may affect future tax charges**

The company has tax losses arising in the UK of £93,426 (2005 - £50,373). Deferred tax assets have not been recognised in respect of these losses as it is uncertain whether they will be utilised.

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**CAMAXYS GROUP PLC**

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**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 30 June 2006

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**9. DIVIDENDS**

	2006 £	2005 £
Accrued dividend of 0.05p (2005 - 0.05p) per preferred share	£ 25	£ 25

FRS 4 requires dividends on non-equity shares to be shown as appropriated from results, even if the company does not have sufficient distributable reserves to pay a dividend at that time

Accrued dividends at the year end amounted to £100 (2005 - £75)

**10. EARNINGS PER SHARE**

Basic earnings per ordinary share is calculated by dividing the loss after charging tax and preferred dividend of £43,103 (2005 - £1,675,279) by the weighted average number of ordinary shares in issue during the year of 18,074,446 (2005 - 18,074,446)

In accordance with FRS25, potential ordinary shares are only treated as dilutive when, and only when, their conversion to ordinary shares would decrease net profit or increase net loss per share from continuing operations. The company's share options have therefore not been included in the calculation of the weighted average number of shares as they would decrease the net loss per share

**11. FIXED ASSET INVESTMENTS**

	Shares in group under- takings £
<b>Cost</b>	
At 1 July 2005	641,084
Disposals	(641,084)
At 30 June 2006	-
<b>Impairment</b>	
At 1 July 2005	591,084
Disposals	(591,084)
At 30 June 2006	-
<b>Net book value</b>	
At 30 June 2006	£ -
At 30 June 2005	£ 50,000

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**CAMAXYS GROUP PLC**

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**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 30 June 2006

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**11. FIXED ASSET INVESTMENTS (continued)**

The investment represents 96,821 ordinary shares of £1 and 120,654 deferred shares of £1, being 100% of the issued share capital of Camaxys Limited

An impairment provision of £591,084 was made in the prior year to write down the investment to its recoverable amount, which reflects the disposal of Camaxys Limited on 31 August 2005

**12. DEBTORS**

	2006 £	2005 £
Prepayments and accrued income	£ 5,299	£ 7,903

**13. CREDITORS:**  
Amounts falling due within one year

	2006 £	2005 £
Trade creditors	1,204	14,962
Accrued dividends	100	75
Other creditors	9,844	-
Accruals and deferred income	6,300	12,200
	£ 17,448	£ 27,237

**14. SHARE CAPITAL**

	2006 £	2005 £
<b>Authorised</b>		
35,000,000 ordinary shares of 5p each	1,750,000	1,750,000
1,000,000 convertible preferred shares of 5p each	50,000	50,000
	£ 1,800,000	£ 1,800,000
<b>Allotted, called up and fully paid</b>		
18,074,446 ordinary shares of 5p each	903,722	903,722
50,000 convertible preferred shares of 5p each	2,500	2,500
	£ 906,222	£ 906,222



**CAMAXYS GROUP PLC**

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 30 June 2006

**14. SHARE CAPITAL (continued)**

The convertible preferred shares shall be entitled to a cumulative dividend of 0.05 pence (net) per share prior to the payment of any dividend on any other class of share in the company, such dividend to be paid yearly in arrears on 31 October in each year. The convertible preferred shares shall rank *par passu* with the ordinary shares for the return of capital on a winding up. The convertible preferred shares are convertible into ordinary shares at the option of the holders of the shares at any time on the basis of one ordinary share for every convertible preferred share held, provided that the after tax earnings of the company as derived from the then latest audited accounts of the company is equal to or greater than two times the amount that would be required to pay a fixed dividend of 2.4 pence (net) per share on the aggregate number of ordinary shares and convertible preferred shares in issue at that time. The convertible preferred shares are also convertible into ordinary shares on the basis of one ordinary share for every convertible preferred share following any part of the share capital of the company being admitted to the official list of the London Stock Exchange or an offer being made for over 50 percent of the ordinary shares of the company becoming unconditional as to acceptances. The convertible preferred shares do not carry any voting rights. They may be converted in full but not in part. The convertible preferred shares are redeemable at the company's option as a means of conversion into ordinary shares.

**15. RESERVES**

	Share premium account £	Capital redempt'n reserve £	Profit and loss account £
At 1 July 2005	2,452,430	47,500	(3,373,987)
Loss retained for the year			(43,078)
Dividends Non-equity capital			(25)
At 30 June 2006	<u>£ 2,452,430</u>	<u>£ 47,500</u>	<u>£ (3,417,090)</u>

**16. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**

	2006 £	2005 £
Opening shareholders' funds	32,165	1,707,444
Loss for the year	(43,078)	(1,675,254)
Dividends (Note 9)	(25)	(25)
Closing shareholders' funds	<u>£ (10,938)</u>	<u>£ 32,165</u>
<b>Analysis of shareholders' funds</b>		
Non-equity interests	2,500	2,500
Equity interests	(13,438)	29,665
	<u>£ (10,938)</u>	<u>£ 32,165</u>

**CAMAXYS GROUP PLC**

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 30 June 2006

**17. NET CASH FLOW FROM OPERATING ACTIVITIES**

	2006 £	2005 £
Operating loss	(43,886)	(1,695,545)
Amortisation of intangible fixed assets	-	591,084
Decrease in debtors	2,604	24,760
Decrease in creditors	(9,814)	(33,768)
<b>Net cash outflow from operations</b>	<b>£ (51,096)</b>	<b>£ (1,113,469)</b>

**18. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT**

	2006 £	2005 £
<b>Returns on investments and servicing of finance</b>		
Interest received	856	20,300
Interest paid	(48)	(9)
<b>Net cash inflow from returns on investments and servicing of finance</b>	<b>£ 808</b>	<b>£ 20,291</b>
	2006 £	2005 £
<b>Acquisitions and disposals</b>		
Sale of fixed asset investments	£ 50,000	£ -

**19. ANALYSIS OF CHANGES IN NET DEBT**

	1 July 2005 £	Cash flow £	Other non-cash changes £	30 June 2006 £
Cash at bank and in hand	1,499	(288)	-	1,211
<b>Net funds</b>	<b>£ 1,499</b>	<b>£ (288)</b>	<b>£ -</b>	<b>£ 1,211</b>

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## **CAMAXYS GROUP PLC**

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### **NOTES TO THE FINANCIAL STATEMENTS** **For the year ended 30 June 2006**

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#### **20. RELATED PARTY TRANSACTIONS**

On 31 August 2005 the operating subsidiary, Camaxys Limited, was sold for £50,000 to Cyclefood Limited, a company wholly owned by the management team, including K A Arends a director of the company

K A Arends has provided financial support to the company since the sale of its operating subsidiary. The amount due to K A Arends at the end of the year (included within other creditors) was £9,844 (2005 - £nil). This amount is non interest bearing and repayable on demand.

#### **21. DERIVATIVES AND FINANCIAL INSTRUMENTS**

An explanation of the company's objectives, policies and strategies for the role of derivatives and other financial instruments in creating and changing the risks of the company in its activities can be found in the directors' report.

Excluding short-term debtors and creditors, the company had no financial liabilities, was not exposed to any foreign currency fluctuations, and had no undrawn committed facilities during either the current or prior year.

The company has in issue £2,500 of convertible preferred shares of 5p each with a coupon rate of 1%. These preferred shares are convertible at the option of the holder until 1 January 2010.

The fair value of the company's financial assets and liabilities at 30 June 2006 is not materially different from their carrying value.