

BLUEBACK LIMITED
FINANCIAL STATEMENTS
30 SEPTEMBER 2005

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BLUEBACK LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 2005

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BLUEBACK LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

Directors

S W Pielsticker
A J Kennedy
D K Johnson
A Baillie
N T Butcher
S Schwarz

Company secretary

D M Kerr

Registered office

8 Shelton Street
London
WC2H 9QX

Auditors

Blick Rothenberg
Chartered Accountants and
Registered Auditors
12 York Gate
Regent's Park
London, NW1 4QS

BLUEBACK LIMITED

DIRECTORS' REPORT

YEAR ENDED 30 SEPTEMBER 2005

The directors present their report and the audited financial statements of the company for the year ended 30 September 2005.

Principal activity

The principal activity of the company during the year was the provision of private hire services.

Review of the business and future developments

The company's trading performance in the first nine months of the year was significantly below expectation. In the light of this, a strategic review of the company and its underlying business was undertaken in consultation with its major shareholders. The outcome of this review was a strengthening of the board and senior management of the business. This enabled the company to raise, subsequent to the year end, finance to restructure its balance sheet and provide funds for ongoing development. During November 2005 a specific contract was terminated. The board is pleased to report that, since the year end, the company is trading satisfactorily towards breakeven and the future is viewed positively.

Directors and their interests

The directors who served the company during the year together with their interests in the shares of the company were:

	At 30 September 2005	Ordinary shares of 1p each At 1 October 2004 or later date of appointment
S W Pielsticker	8,928	7,500
P J Darling	2,722	2,000
A J Kennedy	—	—
J R Banks	500	—
C Pearce (Appointed 1 January 2005)	—	—

D K Johnson was appointed as a director on 15 November 2005.

A Baillie was appointed as a director on 15 November 2005.

N T Butcher was appointed as a director on 15 November 2005.

S Schwarz was appointed as a director on 5 December 2005.

P J Darling resigned as a director on 15 November 2005.

C Pearce resigned as a director on 15 November 2005.

J R Banks resigned as a director on 15 November 2005.

Directors' responsibilities

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 for the year then ended.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
 - make judgements and estimates that are reasonable and prudent.
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BLUEBACK LIMITED

DIRECTORS' REPORT *(continued)*

YEAR ENDED 30 SEPTEMBER 2005

Directors' responsibilities *(continued)*

The directors must also 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 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. The directors 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.

Auditors

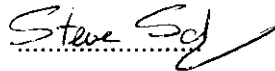
A resolution to re-appoint Blick Rothenberg as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Small company provisions

This report has been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985.

Signed on behalf of the directors

S Schwarz
Director



25 July 2006.

BLUEBACK LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

YEAR ENDED 30 SEPTEMBER 2005

We have audited the financial statements of Blueback Limited for the year ended 30 September 2005 on pages 6 to 14 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 to 9.

This report is made solely to the company's shareholders, 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 shareholders 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 shareholders, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and the auditors

As described on pages 2 to 3, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

It is our responsibility to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 transactions with the company 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 United Kingdom Auditing Standards 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.

Going concern

In forming our opinion, we have considered the adequacy of the disclosures made in note 1 of the financial statements concerning the going concern status of the company. In view of the significance of this matter we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

BLUEBACK LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS *(continued)*

YEAR ENDED 30 SEPTEMBER 2005

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 September 2005 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

12 York Gate
Regent's Park
London, NW1 4QS

25 July 2006


BLICK ROTHENBERG
Chartered Accountants and
Registered Auditors

BLUEBACK LIMITED**PROFIT AND LOSS ACCOUNT****YEAR ENDED 30 SEPTEMBER 2005**

	Note	2005 £	2004 £
Turnover – continuing		2,737,966	1,003,348
Turnover – discontinued		190,166	–
Turnover		2,928,132	1,003,348
Cost of sales – continuing		(2,740,198)	(1,282,954)
Cost of sales – discontinued		(186,849)	–
Gross profit/(loss)		1,085	(279,606)
Administrative expenses – continuing		(2,143,270)	(927,561)
Administrative expenses – discontinued		(215,909)	–
Operating loss – continuing		(2,145,502)	(1,207,167)
Operating loss – discontinued		(212,592)	–
Operating loss	2	(2,358,094)	(1,207,167)
Interest receivable and similar income	3	4,128	7,868
Interest payable and similar charges	4	(54,818)	(7,582)
Loss on ordinary activities before taxation		(2,408,784)	(1,206,881)
Tax on loss on ordinary activities	5	–	–
Loss for the financial year		(2,408,784)	(1,206,881)

The company has no recognised gains or losses other than the results for the year as set out above.

BLUEBACK LIMITED


BALANCE SHEET

30 SEPTEMBER 2005

	Note	£	2005 £	£	2004 £
Fixed assets					
Tangible assets	6		105,964		75,179
Current assets					
Debtors	7	1,017,546		384,125	
Cash at bank and in hand		27,905		1,857	
		<u>1,045,451</u>		<u>385,982</u>	
Creditors: Amounts falling due within one year	8	<u>(2,162,295)</u>		<u>(819,906)</u>	
Net current liabilities			<u>(1,116,844)</u>		<u>(433,924)</u>
Total assets less current liabilities			<u>(1,010,880)</u>		<u>(358,745)</u>
Creditors: Amounts falling due after more than one year	9		<u>(32,432)</u>		<u>(26,183)</u>
			<u>(1,043,312)</u>		<u>(384,928)</u>
Capital and reserves					
Called-up share capital	13		520		315
Share premium account	14		2,849,975		1,099,780
Profit and loss account	14		<u>(3,893,807)</u>		<u>(1,485,023)</u>
Deficiency	15		<u>(1,043,312)</u>		<u>(384,928)</u>

These financial statements have been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985.

These financial statements were approved by the board of directors on 25 July 2006 and are signed on its behalf by:


S Schwarz
Director

BLUEBACK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 2005

1. Accounting policies

1.1 Basis of accounting

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

The financial statements have been prepared on a going concern basis notwithstanding the fact that the company has a deficiency on shareholders' funds at the end of the year. The directors consider this basis to be appropriate for the following reasons:

1. As disclosed in note 16, the company has received £2,042,200 in the form of five year convertible loans since the year end.
2. The directors have prepared budgets and cashflow forecasts to 30 September 2008 and anticipate making an operating profit from October 2006. The company has sufficient cash reserves based upon the current business plan to fund operations to that date.

1.2 Turnover

Turnover represents amounts receivable for services, net of VAT.

1.3 Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Fixtures and fittings	- 20% straight line
Computer equipment	- 20%-33% straight line

1.4 Leases

Assets held under finance leases and hire purchase contracts are capitalised at the fair value on the inception of the lease and are depreciated over the shorter of the period of the lease and the estimated useful economic lives of the assets. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding and are charged to the profit and loss account.

Operating lease rentals are charged to the profit and loss account in equal instalments over the lease term.

1.5 Deferred taxation

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

BLUEBACK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 2005

1. Accounting policies *(continued)*

1.6 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

2. Operating loss

Operating loss is stated after charging/(crediting):

	2005 £	2004 £
Directors' emoluments and fees	227,110	110,000
Depreciation of tangible fixed assets	39,724	15,443
Loss on disposal of fixed assets	78,113	—
Auditors' fees	16,000	10,700
Operating lease costs:		
- land and buildings	94,413	62,016
- plant and equipment	4,566	3,943
- vehicle lease costs	537,275	217,803

Discontinued activities have arisen from the termination of a specific contract in November 2005.

3. Interest receivable and similar income

	2005 £	2004 £
Bank interest receivable	4,128	7,868

4. Interest payable and similar charges

	2005 £	2004 £
Hire purchase and finance lease charges	20,807	2,583
Other interest and similar charges	34,011	4,999
	54,818	7,582

5. Taxation on ordinary activities

The company has estimated losses of £3,764,000 (2004: £1,455,000) available for carry forward against future profits.

BLUEBACK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 2005

5. Taxation on ordinary activities *(continued)*

Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the year is the same as the standard rate of corporation tax in the UK of 30% (2004: 30%).

	2005 £	2004 £
Loss on ordinary activities before taxation	<u>(2,408,784)</u>	<u>(1,206,881)</u>
Loss on ordinary activities multiplied by the standard rate of tax in the UK	(722,635)	(362,065)
Disallowed expenses	14,792	11,198
Capital allowances in excess of depreciation	15,182	(13,445)
Losses carried forward	<u>692,661</u>	<u>364,312</u>
Total current tax	<u>-</u>	<u>-</u>

There is a potential deferred tax asset of approximately £1,122,498 (2004: £414,655) which has not been recognised in the financial statements due to the uncertainty concerning the timescale as to its recoverability.

It is anticipated that the deferred tax asset will be recovered when the company makes sufficient taxable profits.

6. Tangible fixed assets

	Plant and machinery etc. £
Cost	
At 1 October 2004	92,421
Additions	148,622
Disposals	<u>(99,788)</u>
At 30 September 2005	<u>141,255</u>
Depreciation	
At 1 October 2004	17,242
Charge for the year	39,724
On disposals	<u>(21,675)</u>
At 30 September 2005	<u>35,291</u>
Net book value	
At 30 September 2005	<u>105,964</u>
At 30 September 2004	<u>75,179</u>

BLUEBACK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 2005

6. Tangible fixed assets *(continued)*

Included in the net book value are the following amounts in relation to assets held under hire purchase and finance lease agreements:

	2005 £	2004 £
Net book value at end of year	<u>38,242</u>	<u>71,069</u>
Depreciation charge for the year	<u>8,560</u>	<u>14,289</u>

7. Debtors

	2005 £	2004 £
Trade debtors	647,358	253,837
Called up share capital not paid	95	95
Other debtors	<u>370,093</u>	<u>130,193</u>
	<u>1,017,546</u>	<u>384,125</u>

The debtors above include the following amounts falling due after more than one year:

	2005 £	2004 £
Other debtors	<u>—</u>	<u>6,943</u>

8. Creditors: Amounts falling due within one year

	2005 £	2004 £
Trade creditors	755,826	222,296
Other creditors including taxation and social security:		
Invoice discounting	388,754	178,426
Other loans	354,204	—
PAYE and social security	202,730	38,385
VAT	95,306	22,296
Hire purchase/finance lease agreements	32,438	24,769
Other creditors	—	249,732
Accruals and deferred income	<u>333,037</u>	<u>84,002</u>
	<u>2,162,295</u>	<u>819,906</u>

Advances under invoice discounting are secured over corporate trade debtors of £587,114 (2004: £218,838) and by a fixed and floating charge over the remaining assets of the company.

Other creditors as at 30 September 2004, in the sum of £249,732, represented certain monies received in advance for new shares issued during 2005.

BLUEBACK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 2005

9. Creditors: Amounts falling due after more than one year

	2005 £	2004 £
Hire purchase/finance lease agreements	<u>32,432</u>	<u>26,183</u>

10. Obligations under hire purchase/finance lease agreements

The maturity of these amounts is as follows:

	2005 £	2004 £
Within one year	41,908	29,012
Between two and five years	<u>42,747</u>	<u>31,702</u>
	84,655	60,714
Less: finance charges relating to future periods	<u>(19,785)</u>	<u>(9,762)</u>
	<u>64,870</u>	<u>50,952</u>

11. Commitments under operating leases

At 30 September 2005 the company had annual commitments under non-cancellable operating leases as set out below.

	2005		2004	
	Land & buildings £	Other items £	Land & buildings £	Other items £
Operating leases which expire:				
Within one year	—	112,634	—	—
Within two to five years	<u>89,212</u>	<u>416,234</u>	<u>38,290</u>	<u>338,042</u>
	<u>89,212</u>	<u>528,868</u>	<u>38,290</u>	<u>338,042</u>

12. Related party transactions and controlling party

In the opinion of the directors there is no ultimate controlling party.

There were no transactions with related parties during the year.

BLUEBACK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 2005

13. Share capital

	2005		2004	
	Number	£	Number	£
Authorised share capital:				
Ordinary shares of 1p each	<u>70,000</u>	<u>700</u>	<u>50,000</u>	<u>500</u>
Allotted and called up:				
Ordinary shares of 1p each	<u>52,003</u>	<u>520</u>	<u>31,500</u>	<u>315</u>

The amounts of unpaid share capital for the following categories of shares differed from the called up share capital stated above due to unpaid calls. The amount of unpaid share capital was as follows:

	2005	2004
	£	£
Ordinary shares of 1p each	<u>95</u>	<u>95</u>

During the year the company issued the following ordinary shares of 1p each to provide the company with additional working capital.

Date	Number	Consideration per share £	Total consideration £
10/11/2004	5,998	50	299,900
17/02/2005	7,683	100	768,300
28/02/2005	2,372	100	237,200
14/06/2005	1,750	100	175,000
01/07/2005	500	50	50,000
05/07/2005	500	50	50,000
31/08/2005	1,700	100	170,000
	<u>20,503</u>		<u>1,750,400</u>

14. Reserves

	Share premium account £	Profit and loss account £
Balance brought forward	1,099,780	(1,485,023)
Loss for the year	—	(2,408,784)
Other movements		
New equity share capital subscribed	<u>1,750,195</u>	<u>—</u>
Balance carried forward	<u>2,849,975</u>	<u>(3,893,807)</u>

BLUEBACK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 2005

15. Reconciliation of movements in shareholders' funds

	£	2005 £	£	2004 £
Loss for the financial year		(2,408,784)		(1,206,881)
New equity share capital subscribed	205		—	
Premium on new share capital subscribed	1,750,195		—	
		1,750,400		—
Net reduction to shareholders' equity		(658,384)		(1,206,881)
Opening shareholders' (deficit)/funds		(384,928)		821,953
Closing shareholders' deficit		(1,043,312)		(384,928)

16. Post balance sheet events

On 18 November 2005 and 7 June 2006 the company received £1,542,200 and £500,000 respectively in the form of five year convertible loans. The loans are secured by a fixed and floating charge over all the assets of the company. On 29 November 2005 the company increased its authorised share capital to 250,000 ordinary shares of 1p each. On 16 December 2005 the board approved the issue of warrants to certain shareholders entitling them to subscribe for 43,515 ordinary shares in the company at a price of 1p per share.

During November 2005 a specific contract was terminated. Turnover and costs relating to this contract have been included within discontinued activities.