

GEN-X IT LIMITED
Financial Statements
31 July 2005

WRIGLEY PARTINGTON

Chartered Accountants & Registered Auditors
Sterling House
501 Middleton Road
Chadderton
Oldham
OL9 9LY



GEN-X IT LIMITED

Financial Statements

YEAR ENDED 31 JULY 2005

CONTENTS	PAGE
Officers and professional advisers	1
The directors' report	2
Independent auditors' report to the shareholders	4
Profit and loss account	6
Balance sheet	7
Notes to the financial statements	8

GEN-X IT LIMITED**Officers and Professional Advisers**

The board of directors	Mr A Gould Miss K Stewart
Company secretary	Mr A Gould
Registered office	The Works Business Centre 5 Union Street Ardwick Green Manchester United Kingdom M12 4JD
Auditors	Wrigley Partington Chartered Accountants & Registered Auditors Sterling House 501 Middleton Road Chadderton Oldham OL9 9LY
Bankers	HSBC Bank plc 109 Union Street Oldham

GEN-X IT LIMITED

The Directors' Report

YEAR ENDED 31 JULY 2005

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31 July 2005.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the year was the sale of computer hardware.

The 2004/05 trading year has been the Company's third year in business and its most successful to date. During the year the Company has benefited from having a strong, hardworking and conscientious team, continuing good customer and supplier relationships, improved internal systems and procedures, and strong financial controls.

The switch, in December 2004, to a new invoice finance provider created the base for the significant increase in trade and profitability. Additional cash availability has allowed the Company to react quickly within the market to ensure product supply meets the customers requirements.

FUTURE DEVELOPMENTS

During the next financial year the directors expect continued improvements to sales and profitability, however particular attention will be given to the following:

Product and Market Diversification - The directors believe there are substantial benefits for the Company if it diversifies into new products and markets, albeit within the same industry, by way of increased sales and profits and de-risking of the business.

Foreign Exchange and Banking - As of October 2005, the Company is moving its banking facilities to The Royal Bank of Scotland (RBS), the same bank behind the Company's successful invoice financing facility. The directors and RBS will work closely together to improve the Company's foreign exchange performance which in this financial year amounted to a loss of £48,425.

Customer and supplier policy - The Company will continue to ensure that new customers and suppliers are vetted via their financials and with insurance backed credit limits reduce its exposure to bad debts.

Property - The directors have set a target to find and secure new and more cost effective premises during the next financial year, whether through an outright purchase or improved lease terms. This strategy is a result of the Company's lease costs which have become a major overhead as the company has grown.

THE DIRECTORS AND THEIR INTERESTS IN THE SHARES OF THE COMPANY

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

	Ordinary Shares of £1 each	
	At 31 July 2005	At 1 August 2004
Mr A Gould	500	500
Miss K Stewart	500	500

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 of the company for that year.

In preparing those financial statements, the directors are required to select suitable accounting policies, as described on pages 8 to 9, and then apply them on a consistent basis, making judgements and estimates that are prudent and reasonable. 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.

GEN-X IT LIMITED

The Directors' Report *(continued)*

YEAR ENDED 31 JULY 2005

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 Wrigley Partington 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.

Registered office:
The Works Business Centre
5 Union Street
Ardwick Green
Manchester
United Kingdom
M12 4JD

Signed by order of the directors

A handwritten signature in black ink, appearing to be 'A. Gould', written over a horizontal line.

MR A GOULD
Company Secretary

Approved by the directors on 11 October 2005

GEN-X IT LIMITED**Independent Auditors' Report to the Shareholders of
Gen-X IT Limited****YEAR ENDED 31 JULY 2005**

We have audited the financial statements of Gen-X IT Limited for the year ended 31 July 2005 on pages 6 to 12 which have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002), 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 DIRECTORS AND AUDITORS

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is 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.

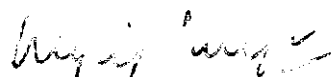
GEN-X IT LIMITED

Independent Auditors' Report to the Shareholders of Gen-X IT Limited *(continued)*

YEAR ENDED 31 JULY 2005

OPINION

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 July 2005 and of its profit for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.



Sterling House
501 Middleton Road
Chadderton
Oldham
OL9 9LY

11 October 2005

WRIGLEY PARTINGTON
Chartered Accountants
& Registered Auditors

GEN-X IT LIMITED**Profit and Loss Account****YEAR ENDED 31 JULY 2005**

	Note	2005 £	2004 £
TURNOVER	2	4,327,265	4,014,298
Cost of sales		<u>3,172,433</u>	<u>3,175,464</u>
GROSS PROFIT		1,154,832	838,834
Administrative expenses		<u>1,014,590</u>	<u>786,918</u>
OPERATING PROFIT	3	140,242	51,916
Interest receivable		—	128
Interest payable and similar charges		<u>(53,932)</u>	<u>(46,668)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		86,310	5,376
Tax on profit on ordinary activities	5	<u>20,318</u>	—
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		65,992	5,376
Equity dividends paid		—	<u>14,000</u>
RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR		65,992	(8,624)
Balance brought forward		<u>19,300</u>	<u>27,924</u>
Balance carried forward		<u>85,292</u>	<u>19,300</u>

The notes on pages 8 to 12 form part of these financial statements.

GEN-X IT LIMITED**Balance Sheet****31 JULY 2005**

	Note	2005 £	2004 £
FIXED ASSETS			
Tangible assets	6	20,101	13,462
CURRENT ASSETS			
Stocks		167,494	142,790
Debtors	7	971,851	858,042
Cash at bank and in hand		51,682	10,966
		<u>1,191,027</u>	<u>1,011,798</u>
CREDITORS: Amounts falling due within one year	8	<u>686,068</u>	<u>630,762</u>
NET CURRENT ASSETS		<u>504,959</u>	<u>381,036</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>525,060</u>	<u>394,498</u>
CREDITORS: Amounts falling due after more than one year	9	<u>435,318</u>	<u>373,198</u>
		<u>89,742</u>	<u>21,300</u>
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	10	<u>2,450</u>	<u>-</u>
		<u>87,292</u>	<u>21,300</u>
CAPITAL AND RESERVES			
Called-up equity share capital	13	2,000	2,000
Profit and loss account		85,292	19,300
SHAREHOLDERS' FUNDS		<u>87,292</u>	<u>21,300</u>

These financial statements have been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985 and with the Financial Reporting Standard for Smaller Entities (effective June 2002).

These financial statements were approved by the directors on the 11 October 2005 and are signed on their behalf by:



MR A GOULD



MISS K STEWART

GEN-X IT LIMITED**Notes to the Financial Statements****YEAR ENDED 31 JULY 2005**

1. ACCOUNTING POLICIES**Basis of accounting**

The financial statements have been prepared under the historical cost convention, and in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002).

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax.

Fixed assets

All fixed assets are initially recorded at cost.

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:

Equipment - 25% straight line

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account on a straight line basis.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

GEN-X IT LIMITED**Notes to the Financial Statements****YEAR ENDED 31 JULY 2005****1. ACCOUNTING POLICIES (continued)****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 have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

2. TURNOVER

Overseas turnover amounted to 51.99% (To 31 July 2004 - 54.72%) of the total turnover for the year.

3. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	2005	2004
	£	£
Depreciation of owned fixed assets	7,207	5,142
Auditors' fees	3,500	3,000
Net loss/(profit) on foreign currency translation	<u>48,425</u>	<u>(12,802)</u>

4. DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were:

	2005	2004
	£	£
Aggregate emoluments	<u>151,464</u>	<u>112,528</u>

GEN-X IT LIMITED**Notes to the Financial Statements****YEAR ENDED 31 JULY 2005****5. TAXATION ON ORDINARY ACTIVITIES**

	2005 £	2004 £
Current tax:		
UK Corporation tax based on the results for the year at 19% (2004 - 19%)	17,868	—
Total current tax	17,868	—
Deferred tax:		
Origination and reversal of timing differences	2,450	—
Tax on profit on ordinary activities	20,318	—

6. TANGIBLE FIXED ASSETS

	Equipment £
COST	
At 1 August 2004	22,601
Additions	13,846
At 31 July 2005	36,447
DEPRECIATION	
At 1 August 2004	9,139
Charge for the year	7,207
At 31 July 2005	16,346
NET BOOK VALUE	
At 31 July 2005	20,101
At 31 July 2004	13,462

7. DEBTORS

	2005 £	2004 £
Trade debtors	821,096	749,730
Other debtors	48,930	24,489
Directors current accounts	73,308	57,264
Prepayments and accrued income	28,517	26,559
	971,851	858,042

GEN-X IT LIMITED**Notes to the Financial Statements****YEAR ENDED 31 JULY 2005****8. CREDITORS: Amounts falling due within one year**

	2005		2004
	£	£	£
Bank loans and overdrafts		—	34,484
Trade creditors		177,100	179,629
Other creditors including taxation and social security:			
Factoring accounts	—		273,520
Invoice discounting	447,002		—
Corporation tax	17,868		—
PAYE and social security	19,760		7,890
Related party loan	—		117,033
Other creditors	7,648		4,027
Accruals and deferred income	16,690		14,179
		<u>508,968</u>	<u>416,649</u>
		<u>686,068</u>	<u>630,762</u>

The following liabilities disclosed under creditors falling due within one year are secured by the company:

	2005	2004
	£	£
Bank loans and overdrafts	—	34,485
Other creditors including taxation and social security	447,002	—
Factoring accounts	—	273,520
	<u>447,002</u>	<u>308,005</u>

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

	2005	2004
	£	£
Other creditors including:		
Related party loan	435,318	373,198

10. DEFERRED TAXATION

The movement in the deferred taxation provision during the year was:

	2005	2004
	£	£
Profit and loss account movement arising during the year	2,450	—
Provision carried forward	<u>2,450</u>	<u>—</u>

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

	2005	2004
	£	£
Excess of taxation allowances over depreciation on fixed assets	2,450	—
	<u>2,450</u>	<u>—</u>

GEN-X IT LIMITED**Notes to the Financial Statements****YEAR ENDED 31 JULY 2005****11. TRANSACTIONS WITH THE DIRECTORS**

Included in debtors is £73,308 due from two directors. Further details are:

	2005	2004
	£	£
Mr A Gould	1,901	1,984
Miss K Stewart	71,407	55,280
	<u>73,308</u>	<u>57,264</u>
		Maximum balance
		£
Mr A Gould		1,984
Miss K Stewart		71,407

No interest is due on the loans.

12. RELATED PARTY TRANSACTIONS

In the directors opinion the company is not under the control of any one person.

During the year the following transactions have taken place with Vector Consulting Inc., a fifty per cent shareholder of the company :-

1. As at the balance sheet date there is loan outstanding of £435,318 (2004: £490,231) for which interest is charged at 12% per annum. The interest charged for the year amounted to £52,454 (2004: £45,681). The loan is fully repayable on the 31st July 2007.

2. The company purchased and sold goods on a commercial basis amounting to £nil (2004: £130,370) and £4,149 (2004: £3,200) respectively.

During the year the company charged Syskal Distribution Limited, a company which Alan Gould, a director of Gen-X it Limited, is a director of, management fees totalling £nil (2004: £35,000).

Included in trade debtors is an amount due from Syskal Distribution Limited amounting to £16,780.

At the balance sheet date the company had a loan outstanding from Funki-ink Limited, a company the directors Alan Gould and Kelley Stewart are materially interested in as shareholders, amounting to £21,620. No interest has been charged on the loan.

13. SHARE CAPITAL**Authorised share capital:**

	2005	2004
	£	£
2,000 Ordinary shares of £1 each	<u>2,000</u>	<u>2,000</u>

Allotted, called up and fully paid:

	2005		2004	
	No	£	No	£
Ordinary shares of £1 each	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>