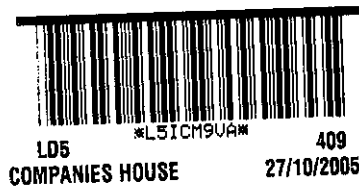


Company Registration No. 2823778 (England and Wales)

A K - IT SOLUTIONS (UK) LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004



Jeffreys Henry LLP

**Finsgate
5-7 Cranwood Street
LONDON
EC1V 9EE**

A K - IT SOLUTIONS (UK) LIMITED

COMPANY INFORMATION

Directors

A D Kaye
T J Boyd

Secretary**Company number**

2823778

Registered office**Auditors**

Jeffreys Henry LLP
Finsgate,5-7 Cranwood Street
London
England
EC1V 9EE

A K - IT SOLUTIONS (UK) LIMITED

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A K - IT SOLUTIONS (UK) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2004

The directors present their report and financial statements for the year ended 31 December 2004.

Principal activities

The principal activity of the company continued to be that of sale of computer consumables, hardware and software.

Directors

The following directors have held office since 1 January 2004:

A D Kaye
T J Boyd

Directors' interests

The directors' interests in the shares of the company were as stated below:

	Ordinary shares of £ 1 each	
	31 December 2004	1 January 2004
A D Kaye	650,000	650,000
T J Boyd	-	-

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Jeffreys Henry LLP be reappointed as auditors of the company will be put to the Annual General Meeting.

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 period. 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;
- 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. 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.

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

On behalf of the board



A D Kaye

Director

25 October 2005

A K - IT SOLUTIONS (UK) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF A K - IT SOLUTIONS (UK) LIMITED

We have audited the financial statements of A K - IT Solutions (UK) Limited on pages 3 to 9 for the year ended 31 December 2004. These financial statements 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 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 auditor's 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 the directors and auditors

As described in the statement of directors' responsibilities on page 1 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

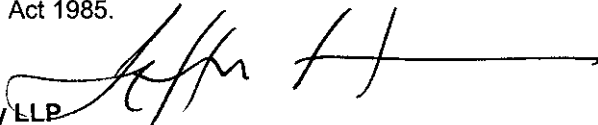
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Jeffreys Henry LLP



25 October 2005

Chartered Accountants
Registered Auditor

Finsgate, 5-7 Cranwood Street
London EC1V 9EE
England

A K - IT SOLUTIONS (UK) LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2004

	Notes	2004 £	2003 £
Turnover		8,573,284	8,536,279
Cost of sales		(7,256,281)	(7,016,158)
Gross profit		1,317,003	1,520,121
Administrative expenses		(1,302,189)	(1,390,314)
Operating profit	2	14,814	129,807
Other interest receivable and similar income		1,650	4
Interest payable and similar charges		(30,580)	(73,711)
(Loss)/profit on ordinary activities before taxation		(14,116)	56,100
Tax on (loss)/profit on ordinary activities	3	(34,930)	(55,626)
(Loss)/profit on ordinary activities after taxation	11	(49,046)	474

A K - IT SOLUTIONS (UK) LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2004

	Notes	2004 £	£	2003 £	£
Fixed assets					
Tangible assets	4	98,727		141,936	
Investments	5	20,000		20,000	
		<u>118,727</u>		<u>161,936</u>	
Current assets					
Stocks		63,748		143,440	
Debtors	6	1,567,570		1,943,671	
		<u>1,631,318</u>		<u>2,087,111</u>	
Creditors: amounts falling due within one year	7	<u>(1,402,060)</u>		<u>(1,851,634)</u>	
Net current assets			229,258		235,477
Total assets less current liabilities			<u>347,985</u>		<u>397,413</u>
Provisions for liabilities and charges	8		32,340		31,958
			<u>380,325</u>		<u>429,371</u>
Capital and reserves					
Called up share capital	10	650,000		650,000	
Profit and loss account	11	(269,675)		(220,629)	
Shareholders' funds			<u>380,325</u>		<u>429,371</u>

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

The financial statements were approved by the Board on 25 October 2005


A D Kaye
Director

A K - IT SOLUTIONS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

1 Accounting policies

1.1 Accounting convention

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

The company has taken advantage of the exemption in Financial Reporting Standard No 1 from the requirement to produce a cash flow statement on the grounds that it is a small company.

1.2 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Fixtures and fittings	20% p.a on cost
Motor vehicles	33% p.a on cost
Computer equipment	33% p.a on cost

1.4 Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.5 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

1.6 Stock

Stock is valued at the lower of cost and net realisable value.

1.7 Pensions

The pension costs charged in the financial statements represent the contributions payable by the company during the year in accordance with FRS17.

1.8 Deferred taxation

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

1.9 Foreign currency translation

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 profit and loss account.

A K - IT SOLUTIONS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

2	Operating profit	2004	2003		
		£	£		
	Operating profit is stated after charging:				
	Depreciation of tangible assets	83,552	79,429		
	Loss on disposal of tangible assets	-	2,167		
	Loss on foreign exchange transactions	3,975	5,744		
	Operating lease rentals	68,880	68,880		
	Auditors' remuneration	12,000	13,042		
		<u><u> </u></u>	<u><u> </u></u>		
3	Taxation	2004	2003		
		£	£		
	Domestic current year tax				
	U.K. corporation tax	35,312	62,099		
		<u> </u>	<u> </u>		
	Current tax charge	35,312	62,099		
	Deferred tax				
	Deferred tax charge/credit current year	(382)	(6,473)		
		<u> </u>	<u> </u>		
		<u><u>34,930</u></u>	<u><u>55,626</u></u>		
4	Tangible fixed assets				
		Computer equipment	Fixtures and fittings	Motor vehicles	Total
		£	£	£	£
	Cost				
	At 1 January 2004	489,155	102,870	19,724	611,749
	Additions	40,249	94	-	40,343
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
	At 31 December 2004	529,404	102,964	19,724	652,092
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
	Depreciation				
	At 1 January 2004	376,625	88,234	4,954	469,813
	Charge for the year	68,756	8,222	6,574	83,552
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
	At 31 December 2004	445,381	96,456	11,528	553,365
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
	Net book value				
	At 31 December 2004	84,023	6,508	8,196	98,727
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
	At 31 December 2003	112,530	14,636	14,770	141,936

A K - IT SOLUTIONS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

5 Fixed asset investments

	Listed investments £
Cost	
At 1 January 2004 & at 31 December 2004	20,000
	<u>20,000</u>
	Market value
	£
At 31 December 2004	15,938
	<u>15,938</u>
At 31 December 2003	12,500
	<u>12,500</u>

6 Debtors	2004 £	2003 £
Trade debtors	1,087,264	1,391,317
Other debtors	480,306	552,354
	<u>1,567,570</u>	<u>1,943,671</u>

The majority of trade debtors have been invoice discounted.

7 Creditors: amounts falling due within one year	2004 £	2003 £
Bank loans and overdrafts	690,580	1,101,461
Trade creditors	535,133	514,178
Taxation and social security	35,312	79,697
Other creditors	141,035	156,298
	<u>1,402,060</u>	<u>1,851,634</u>

The bank loan and overdraft are secured by a fixed and floating charge over the company's assets.

A K - IT SOLUTIONS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

10 Provisions for liabilities and charges

Deferred taxation provided in the financial statements is as follows:

	Fully provided	
	2004	2003
	£	£
Accelerated capital allowances	(32,340)	(31,958)

9 Pension costs

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £2,000 (2003 - £10,981)

10 Share capital

	2004	2003
	£	£
Authorised		
1,000,000 Ordinary shares of £1 each	1,000,000	1,000,000
Allotted, called up and fully paid		
650,000 Ordinary shares of £1 each	650,000	650,000

11 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 January 2004	(220,629)
Retained loss for the year	(49,046)
Balance at 31 December 2004	(269,675)

A K - IT SOLUTIONS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

12 Financial commitments

At 31 December 2004 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	2004	2003
	£	£
Expiry date:		
Between two and five years	68,880	68,880

13 Transactions with directors

The following directors had interest free loans during the year. The movement on these loans are as follows:

	Amount outstanding		Maximum
	2004	2003	in year
	£	£	£
A D Kaye	75,060	-	75,060

14 Control

The company is controlled by the director.

15 Related party transactions

The balance due from City Consortium UK Ltd at the year end was £354,248 (2003 - £363,248). This debt has been personally guaranteed by A D Kaye.