

COMPANY REGISTRATION NUMBER 4480097

GEN-X IT LIMITED

Financial Statements

31 July 2006

- 3 NOV 2006

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 2006

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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
Auditor	Wrigley Partington Chartered Accountants & Registered Auditors Sterling House 501 Middleton Road Chadderton Oldham OL9 9LY
Bankers	Royal Bank of Scotland 1-5 Church Terrace Oldham OL1 3AU

GEN-X IT LIMITED

The Directors' Report

YEAR ENDED 31 JULY 2006

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31 July 2006.

PRINCIPAL ACTIVITIES

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

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 2006	At 1 August 2005
Mr A Gould	500	500
Miss K Stewart	<u>500</u>	<u>500</u>

DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing 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 select suitable accounting policies, as described on pages 7 to 8, 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.

The directors are responsible for keeping proper accounting records that 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.

In so far as the directors are aware:

- 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.

AUDITOR

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

GEN-X IT LIMITED

The Directors' Report *(continued)*

YEAR ENDED 31 JULY 2006

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 read 'A. Gould', written over a horizontal line.

MR A GOULD
Company Secretary

Approved by the directors on 30 October 2006

GEN-X IT LIMITED**Independent Auditor's Report to the Shareholders of
Gen-X IT Limited****YEAR ENDED 31 JULY 2006**

We have audited the financial statements of Gen-X IT Limited for the year ended 31 July 2006 on pages 5 to 11 which have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005) and on the basis of the accounting policies set out on pages 7 to 8.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

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 (United Kingdom Generally Accepted Accounting Practice).

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, and whether the information given in the Directors' Report is consistent with the financial statements. We also 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 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 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 applicable to Smaller Entities, of the state of the company's affairs as at 31 July 2006 and of its profit for the year then ended and 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.



Sterling House
501 Middleton Road
Chadderton
Oldham
OL9 9LY

30 October 2006

WRIGLEY PARTINGTON
Chartered Accountants
& Registered Auditors

GEN-X IT LIMITED**Profit and Loss Account****YEAR ENDED 31 JULY 2006**

	Note	2006 £	2005 £
TURNOVER	2	4,451,636	4,327,265
Cost of sales		<u>3,241,578</u>	<u>3,172,433</u>
GROSS PROFIT		1,210,058	1,154,832
Administrative expenses		<u>1,023,788</u>	<u>1,014,590</u>
OPERATING PROFIT	3	186,270	140,242
Interest payable and similar charges		<u>53,973</u>	<u>53,932</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		132,297	86,310
Tax on profit on ordinary activities	5	<u>27,209</u>	<u>20,318</u>
PROFIT FOR THE FINANCIAL YEAR		105,088	65,992
Balance brought forward		<u>85,293</u>	<u>19,301</u>
Balance carried forward		<u><u>190,381</u></u>	<u><u>85,293</u></u>

The notes on pages 7 to 11 form part of these financial statements.

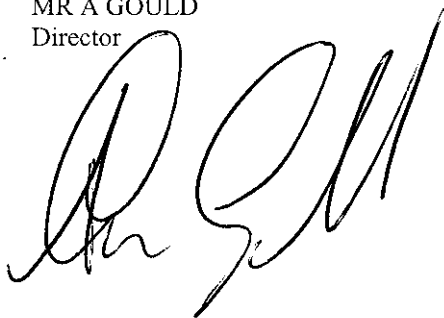
GEN-X IT LIMITED**Balance Sheet****31 JULY 2006**

	Note	2006 £	2005 £
FIXED ASSETS			
Tangible assets	6	17,056	20,101
CURRENT ASSETS			
Stocks		287,479	167,494
Debtors	7	851,421	971,851
Cash at bank and in hand		29,458	51,682
		<u>1,168,358</u>	<u>1,191,027</u>
CREDITORS: Amounts falling due within one year	8	<u>565,993</u>	<u>686,067</u>
NET CURRENT ASSETS		<u>602,365</u>	<u>504,960</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>619,421</u>	<u>525,061</u>
CREDITORS: Amounts falling due after more than one year	9	<u>425,683</u>	<u>435,318</u>
		<u>193,738</u>	<u>89,743</u>
PROVISIONS FOR LIABILITIES			
Deferred taxation	10	<u>1,357</u>	<u>2,450</u>
		<u>192,381</u>	<u>87,293</u>
CAPITAL AND RESERVES			
Called-up equity share capital	13	2,000	2,000
Profit and loss account		<u>190,381</u>	<u>85,293</u>
SHAREHOLDERS' FUNDS		<u>192,381</u>	<u>87,293</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 January 2005).

These financial statements were approved by the directors on the 30 October 2006 and are signed on their behalf by:

MR A GOULD
Director



GEN-X IT LIMITED

Notes to the Financial Statements

YEAR ENDED 31 JULY 2006

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 January 2005).

Changes in accounting policies

In preparing the financial statements for the current year, the company has adopted the following Financial Reporting Standards:

-Financial Reporting Standard for Smaller Entities (effective January 2005).

Financial Reporting Standard for Smaller Entities (effective January 2005)

The adoption of FRSSSE (effective January 2005) has resulted in a change in accounting policy in respect of proposed equity dividends. If the company declares dividends to the holders of equity instruments after the balance sheet date, the company does not recognise those dividends as a liability at the balance sheet date. The aggregate amount of equity dividends proposed before approval of the financial statements, which have not been shown as liabilities at the balance sheet date, are disclosed in the notes to the financial statements. Previously, proposed equity dividends were recorded as liabilities at the balance sheet date.

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 2006**

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.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

2. TURNOVER

Overseas turnover amounted to 45.11% (To 31 July 2005 - 51.99%) of the total turnover for the year.

3. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	2006	2005
	£	£
Depreciation of owned fixed assets	10,911	7,207
Auditor's fees	4,375	3,500
Net (profit)/loss on foreign currency translation	<u>(47,985)</u>	<u>48,425</u>

GEN-X IT LIMITED**Notes to the Financial Statements****YEAR ENDED 31 JULY 2006****4. DIRECTORS' EMOLUMENTS**

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

	2006	2005
	£	£
Aggregate emoluments	<u>152,998</u>	<u>151,464</u>

5. TAXATION ON ORDINARY ACTIVITIES

	2006	2005
	£	£
Current tax:		
In respect of the year:		
UK Corporation tax based on the results for the year at 19% (2005 - 19%)	<u>28,302</u>	<u>17,868</u>
Total current tax	<u>28,302</u>	<u>17,868</u>
Deferred tax:		
Origination and reversal of timing differences	<u>(1,093)</u>	<u>2,450</u>
Tax on profit on ordinary activities	<u>27,209</u>	<u>20,318</u>

6. TANGIBLE FIXED ASSETS

	Equipment £
COST	
At 1 August 2005	<u>36,447</u>
Additions	<u>7,866</u>
At 31 July 2006	<u>44,313</u>
DEPRECIATION	
At 1 August 2005	<u>16,346</u>
Charge for the year	<u>10,911</u>
At 31 July 2006	<u>27,257</u>
NET BOOK VALUE	
At 31 July 2006	<u>17,056</u>
At 31 July 2005	<u>20,101</u>

7. DEBTORS

	2006	2005
	£	£
Trade debtors	<u>606,012</u>	<u>821,096</u>
Other debtors	<u>180,128</u>	<u>48,930</u>
Directors current accounts	<u>41,513</u>	<u>73,308</u>
Prepayments and accrued income	<u>23,768</u>	<u>28,517</u>
	<u>851,421</u>	<u>971,851</u>

GEN-X IT LIMITED**Notes to the Financial Statements****YEAR ENDED 31 JULY 2006****8. CREDITORS: Amounts falling due within one year**

	2006		2005
	£	£	£
Trade creditors		97,026	177,099
Other creditors including taxation and social security:			
Invoice discounting	375,517		447,002
Corporation tax	28,302		17,868
PAYE and social security	40,922		19,760
Other creditors	8,851		7,648
Accruals and deferred income	15,375		16,690
		<u>468,967</u>	<u>508,968</u>
		<u>565,993</u>	<u>686,067</u>

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

	2006	2005
	£	£
Invoice discounting	<u>375,517</u>	<u>447,002</u>

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

	2006	2005
	£	£
Other creditors including:		
Related party loan	<u>425,683</u>	<u>435,318</u>

10. DEFERRED TAXATION

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

	2006	2005
	£	£
Provision brought forward	2,450	-
Profit and loss account movement arising during the year	<u>(1,093)</u>	<u>2,450</u>
Provision carried forward	<u>1,357</u>	<u>2,450</u>

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

	2006	2005
	£	£
Excess of taxation allowances over depreciation on fixed assets	<u>1,357</u>	<u>2,450</u>
	<u>1,357</u>	<u>2,450</u>

GEN-X IT LIMITED**Notes to the Financial Statements****YEAR ENDED 31 JULY 2006****11. TRANSACTIONS WITH THE DIRECTORS**

Included in debtors is £41,513 due from two directors. Further details are:

	2006	2005
	£	£
Mr A Gould	23,212	1,901
Miss K Stewart	18,301	71,407
	<u>41,513</u>	<u>73,308</u>
		Maximum balance
		£
Mr A Gould		27,420
Miss K Stewart		74,790

12. RELATED PARTY TRANSACTIONS

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

As at the balance sheet date there is loan outstanding to Vector Consulting Inc., a fifty per cent shareholder of the company, of £425,683 (2005: £435,318) for which interest is charged at 12% per annum. The movement on the loan balance is as a result of exchange rate movements between sterling and US dollars. The interest charged for the year amounted to £53,441 (2005: £52,454). The loan is fully repayable on the 31st July 2008.

Included in other debtors is an amount due from Syskal Distribution Limited, a company which Alan Gould, a director, is a also director of amounting to £73,742.

At the balance sheet date the company had loans outstanding from Funki-ink Limited, Funki Holdings Limited and Funki-ink Featuring the Nail Studio Limited, companies the directors Alan Gould and Kelley Stewart are materially interested in as shareholders, amounting to £28,392, £18,765 and £26,998 respectively. No interest has been charged on the loan.

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

	2006	2005
	£	£
2,000 Ordinary shares of £1 each	<u>2,000</u>	<u>2,000</u>

Allotted, called up and fully paid:

	2006		2005	
	No	£	No	£
Ordinary shares of £1 each	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>