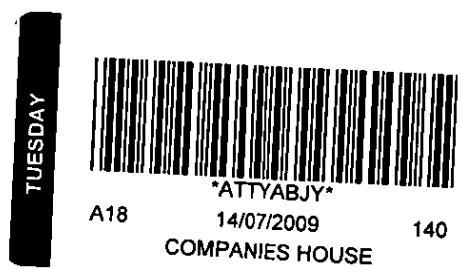


71

COMPANY REGISTRATION NUMBER 4480097

GEN-X IT LIMITED
Financial Statements
31 December 2008



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

GEN-X IT LIMITED

Financial Statements

YEAR ENDED 31 DECEMBER 2008

CONTENTS	PAGE
Officers and professional advisers	1
The directors' report	2
Independent auditor's report to the shareholders	5
Profit and loss account	7
Balance sheet	8
Notes to the financial statements	9

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	Sol House 24 Dark Lane Ardwick Green Manchester United Kingdom M12 6FA
Auditor	Wrigley Partington Chartered Accountants & Registered Auditors Sterling House 501 Middleton Road Chadderton Oldham OL9 9LY
Bankers	The Royal Bank of Scotland Precinct Centre Oxford Road Manchester M13 9PH
Solicitors	Turner Parkinson Hollins Chamber 64A Bridge Street Manchester M3 3BA

GEN-X IT LIMITED

The Directors' Report

YEAR ENDED 31 DECEMBER 2008

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

As has been well documented, 2008 was a turbulent year for the global economy and for an international IT trader like Gen-x it Ltd, large and erratic movements in foreign exchange rates (FX) were a particularly serious issue. Net profits suffered as a consequence of the speed at which the dollar strengthened in the second half of the year (and in Q4 in particular) and it became clear that the company's existing and long standing FX systems and processes were found wanting. These unprecedented FX issues led the management of the company to carry out an urgent review of internal and external systems and processes relating to FX and this review process involved meetings with financial institutions including HIFX as well as the company's bankers, The Royal Bank of Scotland (RBS). The positive developments leading from this review process, including stronger real-time links with RBS's FX team, are undoubtedly being felt in 2009.

Not everything about the economic turbulence proved to be negative however, as the business model operated by the company is such that the company is able to prosper in bad times as well as good. Indeed global economic turbulence such as that seen in 2008 (and continuing into 2009) leads to many more vendors and channel suppliers seeking dramatic inventory reductions which in simple terms affords a company like Gen-x it Ltd the opportunity to buy more goods at better prices. In turn, the company is able to sell more of these products to a wider base of customers at prices these customers need to allow them to compete in a difficult and increasingly competitive market. The consequence of this has helped in increasing sales revenues for the year.

Another important factor driving the growth in revenue during 2008 is the 300% increase the company has enjoyed in sales of officially franchised products. The move into officially franchised products has formed the central part of the company's diversification strategy which began back in 2007. This on-going diversification strategy has the aim of increasing the scalability of Gen-x it Ltd which in turn will lead to much higher future growth prospects. At the start of 2008 the company operated two official franchises and as the year progressed the company invested in training it's existing team whilst also recruiting additional specialist personnel. Further investment was made in opening two new sales offices in Oswestry and Barcelona. In May 2008 the company exhibited for the first time at the UK's premier IT channel event, Channel Expo08 held at the NEC in Birmingham. Throughout the year, new franchise opportunities were sought and the company was approached by various interested parties. By the end of 2008 the company began to see the fruits of it's investment in seeking out new official franchise opportunities with agreements in principle being reached with two US vendors. On completion of legals and other formalities, both contracts were signed in Q1 2009.

Therefore, as a result of the above, we can report a 37% increase in sales revenues when compared to the previous financial period, and an increase in profit after tax to £66,354.

GEN-X IT LIMITED

The Directors' Report *(continued)*

YEAR ENDED 31 DECEMBER 2008

FUTURE DEVELOPMENTS

Looking ahead to 2009, Gen-x it Ltd will continue to grow it's core international IT trading business whilst also focusing effort and investment on finding and signing up new official franchises. Official franchises benefit the company in a number of important ways including: allowing the company to offer a broader range of products to existing and completely new customers; the ability to benefit from the sizeable international marketing carried on by the vendors; joint marketing programmes partly funded by vendors which allow the company to spread it's name to an even wider audience; increased sales revenues along with good levels of gross profit; cash-flow benefits due to credit lines offered by the vendors; a generally raised profile which helps to maintain or increase business with existing customers.

As discussed, 2008 was a difficult and turbulent year but Gen-x it Ltd made good progress in a number of areas including: growing it's core international IT trading business; investing in it's people and it's strategy of diversification into official franchises whilst also increasing sales revenues and retaining a modest net profit. 2009 looks like it will be an exciting, breakthrough year for the company dominated in large part by the signing of several new official franchises.

DIRECTORS

The directors who served the company during the year were as follows:

Mr A Gould
Miss K Stewart

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 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 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.

In so far as the directors are aware:

- there is no relevant audit information of which the company's auditor is 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 auditor is 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 DECEMBER 2008

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:

Sol House
24 Dark Lane
Ardwick Green
Manchester
United Kingdom
M12 6FA

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 12 June 2009

GEN-X IT LIMITED

Independent Auditor's Report to the Shareholders of Gen-X IT Limited

YEAR ENDED 31 DECEMBER 2008

We have audited the financial statements of Gen-X IT Limited for the year ended 31 December 2008, which have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2007) and on the basis of the accounting policies set out on pages 9 to 10.

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 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

The directors' responsibilities for preparing 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 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.

GEN-X IT LIMITED

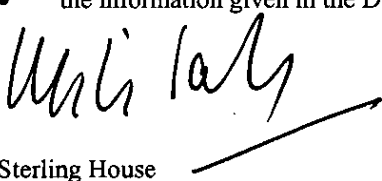
Independent Auditor's Report to the Shareholders of Gen-X IT Limited *(continued)*

YEAR ENDED 31 DECEMBER 2008

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 December 2008 and of its profit 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.


Sterling House
501 Middleton Road
Chadderton
Oldham
OL9 9LY

WRIGLEY PARTINGTON
Chartered Accountants
& Registered Auditors

12 June 2009

GEN-X IT LIMITED**Profit and Loss Account****YEAR ENDED 31 DECEMBER 2008**

		Year to 31 Dec 08 £	Period from 1 Aug 06 to 31 Dec 07 £
TURNOVER	Note 2	6,445,061	6,655,440
Cost of sales		<u>5,028,106</u>	<u>5,110,098</u>
GROSS PROFIT		1,416,955	1,545,342
Administrative expenses		1,267,201	1,458,278
Other operating income		<u>(6,100)</u>	<u>(5,100)</u>
OPERATING PROFIT	3	155,854	92,164
Interest receivable		4,609	5,720
Interest payable and similar charges		<u>(70,295)</u>	<u>(74,594)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		90,168	23,290
Tax on profit on ordinary activities	4	23,814	11,268
PROFIT FOR THE FINANCIAL YEAR		<u>66,354</u>	<u>12,022</u>

The notes on pages 9 to 14 form part of these financial statements.

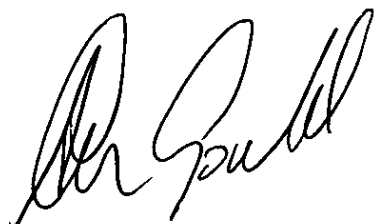
GEN-X IT LIMITED**Balance Sheet****31 DECEMBER 2008**

	Note	2008 £	£	2007 £	£
FIXED ASSETS					
Tangible assets	6		25,197		36,169
CURRENT ASSETS					
Stocks		221,027		233,488	
Debtors	7	1,706,224		1,528,959	
Cash at bank and in hand		76,595		34,798	
		<u>2,003,846</u>		<u>1,797,245</u>	
CREDITORS: Amounts falling due within one year	8	<u>1,259,368</u>		<u>1,232,062</u>	
NET CURRENT ASSETS			<u>744,478</u>		<u>565,183</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>769,675</u>		<u>601,352</u>
CREDITORS: Amounts falling due after more than one year	9		<u>598,919</u>		<u>396,950</u>
			<u>170,756</u>		<u>204,402</u>
CAPITAL AND RESERVES					
Called-up equity share capital	13		2,000		2,000
Profit and loss account	14		<u>168,756</u>		<u>202,402</u>
SHAREHOLDERS' FUNDS			<u>170,756</u>		<u>204,402</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 2007).

These financial statements were approved by the directors and authorised for issue on 12 June 2009, and are signed on their behalf by:

MR A GOULD
Director



GEN-X IT LIMITED

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2008

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 2007).

Turnover

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

In respect of long-term contracts and contracts for on-going services, turnover represents the value of work done in the year, including estimates of amounts not invoiced. Turnover in respect of long-term contracts and contracts for on-going services is recognised by reference to the stage of completion.

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:

Leasehold Property	- Over the term of the lease
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.

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.

GEN-X IT LIMITED**Notes to the Financial Statements****YEAR ENDED 31 DECEMBER 2008****1. ACCOUNTING POLICIES** *(continued)*

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 42.94% (To 31 December 2007 - 36.26%) of the total turnover for the year.

3. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	Year to 31 Dec 08 £	Period from 1 Aug 06 to 31 Dec 07 £
Directors' emoluments	185,460	222,148
Depreciation of owned fixed assets	20,014	26,797
Auditor's fees	5,000	5,000
Net loss/(profit) on foreign currency translation	<u>13,652</u>	<u>(103,738)</u>

GEN-X IT LIMITED**Notes to the Financial Statements****YEAR ENDED 31 DECEMBER 2008****4. TAXATION ON ORDINARY ACTIVITIES****Analysis of charge in the year**

	Year to 31 Dec 08 £	Period from 1 Aug 06 to 31 Dec 07 £
Current tax:		
In respect of the year:		
UK Corporation tax based on the results for the year at 20.75% (2007 - 20%)	23,814	12,625
Total current tax	23,814	12,625
Deferred tax:		
Origination and reversal of timing differences	-	(1,357)
Tax on profit on ordinary activities	23,814	11,268

5. DIVIDENDS**Equity dividends**

	Year to 31 Dec 08 £	Period from 1 Aug 06 to 31 Dec 07 £
Paid		
Equity dividends on ordinary shares	100,000	-

6. TANGIBLE FIXED ASSETS

	Leasehold Property £	Equipment £	Total £
COST			
At 1 January 2008	43,987	46,236	90,223
Additions	2,500	6,542	9,042
At 31 December 2008	46,487	52,778	99,265
DEPRECIATION			
At 1 January 2008	13,442	40,612	54,054
Charge for the year	14,664	5,350	20,014
At 31 December 2008	28,106	45,962	74,068
NET BOOK VALUE			
At 31 December 2008	18,381	6,816	25,197
At 31 December 2007	30,545	5,624	36,169

GEN-X IT LIMITED**Notes to the Financial Statements****YEAR ENDED 31 DECEMBER 2008****7. DEBTORS**

	2008	2007
	£	£
Trade debtors	1,322,973	1,141,996
Other debtors	277,547	249,280
Directors current accounts	85,662	91,901
Prepayments and accrued income	20,042	45,782
	<u>1,706,224</u>	<u>1,528,959</u>

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

	2008	2007
	£	£
Other debtors	<u>73,742</u>	<u>73,742</u>

8. CREDITORS: Amounts falling due within one year

	2008		2007
	£	£	£
Overdrafts		142,485	162,449
Trade creditors		352,476	379,836
Other creditors including taxation and social security:			
Invoice discounting	661,085		571,748
Corporation tax	23,814		12,625
PAYE and social security	21,577		16,973
Other creditors	11,522		12,642
Accruals and deferred income	46,409		75,789
		<u>764,407</u>	<u>689,777</u>
		<u>1,259,368</u>	<u>1,232,062</u>

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

	2008	2007
	£	£
Overdrafts	142,485	162,449
Invoice discounting	661,085	571,748
	<u>803,570</u>	<u>734,197</u>

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

	2008	2007
	£	£
Other creditors including:		
Related party loan	<u>598,919</u>	<u>396,950</u>

GEN-X IT LIMITED**Notes to the Financial Statements****YEAR ENDED 31 DECEMBER 2008****10. COMMITMENTS UNDER OPERATING LEASES**

At 31 December 2008 the company had aggregate annual commitments under non-cancellable operating leases as set out below.

	2008 £	2007 £
Operating leases which expire:		
Within 1 year	45,517	-
Within 2 to 5 years	<u>13,281</u>	<u>44,430</u>
	<u>58,798</u>	<u>44,430</u>

11. TRANSACTIONS WITH THE DIRECTORS

Included in debtors is £85,662 due from two directors. Further details are:

	2008 £	2007 £
Mr A Gould	45,699	48,262
Miss K Stewart	<u>39,963</u>	<u>43,639</u>
	<u>85,662</u>	<u>91,901</u>

	Maximum balance £
Mr A Gould	53,410
Miss K Stewart	48,567

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 a loan outstanding to Mr J Calderwood, a fifty per cent shareholder of the company, of £598,919 (2007 - £396,950) for which interest is charged at 12% per annum. The interest charged for the period amounted to £62,288 (2007 - £68,626). The loan is fully repayable on the 31st December 2010.

Included in other debtors is an amount due from Syskal Distribution Limited, a company which Alan Gould, a director, is also a director of, amounting to £73,742 (2007 - £73,742). The company has been in administration however the directors are confident the monies will be repaid in due course. It is not expected that repayment will be made within the next twelve months.

Also included in other debtors is an amount due from Actus Global Europe Limited, a company for which Alan Gould and Kelley Stewart are also directors, amounting to £145,291 (2007 - £103,984).

13. SHARE CAPITAL

Authorised share capital:

	2008 £	2007 £
2,000 Ordinary shares of £1 each	<u>2,000</u>	<u>2,000</u>

GEN-X IT LIMITED**Notes to the Financial Statements****YEAR ENDED 31 DECEMBER 2008****13. SHARE CAPITAL** *(continued)*

Allotted, called up and fully paid:

	2008		2007	
	No	£	No	£
Ordinary shares of £1 each	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>

14. PROFIT AND LOSS ACCOUNT

	Year to 31 Dec 08 £	Period from 1 Aug 06 to 31 Dec 07 £
Balance brought forward	202,402	190,380
Profit for the financial year	66,354	12,022
Equity dividends	<u>(100,000)</u>	<u>—</u>
Balance carried forward	<u>168,756</u>	<u>202,402</u>