

**Accounts for the Accounting Period
ending 31st January 2007**

Company No. 3310418

Vibe Trading Limited

Registered Office:

96 Carthew Road
Hammersmith
London
W6 0DX

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Directors Report

The Director presents Vibe Trading Limited Accounts for the financial year ended 31 January 2007

Principal activities

Vibe Trading Limited is a Private Limited Company whose primary function currently is to develop an Internet based subscription service, and secondly to provide the services of its single Employee and Director, to computer software development companies, generally through agency placement. It was originally conceived as a general vehicle for investments, and operates in one of three modes

Firstly, and historically, the Company enters contractual arrangements with Computer Agencies which have an independent contractual relationship with computer software companies

Secondly, the Company provides services on a contractual basis with software companies directly These two activities have historically been used to provide a reasonable cash flow for the company

Thirdly, the company attempts to identify avenues of investment in ideas that may have some productive potential, and that have some computer related aspect, with a view to providing both finance and computer related expertise

Currently, and for the past four years, the company has been engaged in private development to the exclusion of its other activities It's turnover has been limited to minor service arrangements during the current financial year The company has been supporting the Director during this development phase, by receiving monies owed, and redirecting that money to the Director These activities are concordant with the companies Memorandum of Association, and mean that the Director is still liable for personal income tax, and National Insurance liabilities

The company was purchased as a general trading company from Piccadilly Company formations on the 27th March 1997, when at a general meeting at the offices of Piccadilly Company formations, the new sole Director of Vibe Trading Limited was appointed The financial year ending January 31st 2007 is the tenth year of trading for the Company

The past four years have seen a sharp decline in earnings This is due to an extended period of software development for an Internet based business, which Vibe Trading Limited has the majority interest in This development has required a full time approach, precluding normal contractual operations, which usually last between three to six months

Remuneration Policy

Generally, the remuneration policy for the Director is organised so as to provide the maximum incentive to further the activities of the Company, with a view to its further expansion This comprises an arrangement of salary, taxable benefits, and profit sharing that rewards effort For the past four financial years, income from all sources has been reduced, leading to a large decrease in remuneration to the Director This is in large part due to software development without income The rules governing Service Companies, that is IR35 are applicable to activities this company may engage in Therefore, these accounts reflect the required accountability for these rules The financial relationship between the Director and Vibe Trading Limited is discussed in detail later in these accounts

IR35 Compliance

Changes to arrangements involving service companies using intermediaries, are applicable to this Company on a contract by contract basis, from the 5th of April 2000, when IR35 legislation became active It is the responsibility of

the Company to ensure that those contracts, written or otherwise, are assessed as to whether they fall under the intention of this legislation, and correct accounting be followed to reflect this assessment. If a contract is discovered to be under IR35, then the rules pertaining to effective salary, or "Deemed Payments" apply. Otherwise, standard accounting practices, in concordance with allowable rules regarding Company Accounts apply.

For the financial year ending 31st January 2007 the Director, as the single employee of the company, was not engaged in any contract that requires assessment in respect of IR35 legislation.

Results and dividend

The modified historical cost profit on ordinary activities before taxation and including writing down allowances was -£5303.73 compared to -£11,598.26 in the year ended 2006. No dividend payment was made to the Director in this financial year.

The results are dealt with fully in the financial statements in the full accounts.

Substantial shareholders

There is one share held by the Director of the company. The Memorandum of Association provides for the further allocation of 99 additional ordinary shares. These are as yet unallocated, but it has been agreed at the Annual General Meeting that the Director has the authority to make these shares available as the need arises.

Directors and officers

The name of the Director of Vibe Trading Limited is

Gregory William Squires
96 Carthew Road
Hammersmith
London
W6 0DX

The name of the Company Secretary is

Nigel Mark Squires
96 Carthew Road
Hammersmith
London
W6 0DX

Details of the Directors' contracts, emoluments and share interests.

The officers of the Company at 31 January 2007 were the Director and the Company Secretary.

The emoluments and share interests of the Company Secretary are nil, it being an honorary role only.

The aggregate remuneration of the Director for the financial year ending 2007, which excludes dividend payment was £3448.97.

A beneficial loan is in effect for the Director for the financial year, as a loan made to a family member of the Director qualifies as such. For the financial year to 31st January 2007, this loan totals £25,583.13. The Director is therefore

liable for personal income tax on this amount, calculated using the official interest rate of 5.00% for the year. Details of calculation of benefit are shown in the notes to the full accounts.

No pension scheme exists for the Director.

The Director holds one share in the company.

No contract exists between the Director and the company.

Employees

There is one employee of the company. The Director is an employee of Vibe Trading Limited for taxation purposes, and is the only employee of the Company.

Changes in rules pertaining to private limited companies are accounted for. In particular, changes due to IR35 are reflected in the employees' remuneration if applicable.

Suppliers

The Company has few supply overheads, principally because it is an intellectual service company. It therefore has limited exposure to cash flow problems that might arise from such factors. All suppliers that are relevant to the operation of the Company, such as computer hardware and software providers, are paid with cash or by direct debit or by payment from reserves.

The company holds no credit facilities at present, of any kind.

It has no overdraft facility with its bank.

It has no credit card account.

As all transactions are on a strict cash basis, suppliers are not exposed to risk from this Company.

It has no other financial or pecuniary interest in the United Kingdom, or any other country.

Annual General Meeting

The Annual General Meeting was agreed by the Director and Company Secretary to be held on the first Saturday after the acquisition of the company. The next General Meeting is on Saturday 29th March 2008 and will be held at the registered office of Vibe Trading Limited.

Auditors

The Company has taken advantage of section 221 of the Companies Act pertaining to small companies, and prepares and maintains its accounts to a high level of detail. The company's accounts are unaudited but the requirements of section 226 of the Companies Act are strictly adhered to.

The accounts have been prepared on the going concern basis as the Director is satisfied that the Company's activities are sustainable for the foreseeable future.

Statement of Directors' responsibilities for preparing the financial statements

The Director is required by the Companies Act 1985 to prepare financial statements for each financial year which

give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Group for the financial year

The Director considers that in preparing the financial statements, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates and all applicable accounting standards have been followed. The Company has complied with UK disclosure requirements.

The Director has responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable him to ensure that the financial statements comply with the Companies Act 1985.

The Director has general responsibility for taking such steps as are reasonably open to him to safeguard the assets of the Company and to prevent and to detect fraud and other irregularities.

Internal control

The Director is responsible for the Company's system of internal financial control.

No system of internal financial control can provide absolute assurance against material misstatement or loss. However, the Director believes that the Company's system of internal financial control provides that assets are safeguarded, transactions authorised and recorded properly and that material errors and irregularities are either prevented or would be detected within a timely period.

The key elements of the control system in operation are:

All records pertaining to Company operations, of a financial nature, are maintained in specialised computer programs. These industry standard programs maintain financial data in double entry accounting format, and are organised in such a way as to satisfy the Companies Act 1985 in respect of allowable reporting formats for both balance sheets and profit and loss statements.

Financial data entered must provide a true and fair view of the Company's activities, and is thus finely categorised in order that reporting the financial position be accurate.

Only data reported from within the accountancy system is eligible for consideration as a financial declaration, and all declarations correspond to individual accounts.

The Board of Directors

The single Director exercises complete and effective control over the Company's activities.

The Company Secretary and the Director maintain ongoing revision of the Company's financial position.

Taxable benefits are considered to be those benefits classified by Inland Revenue as employee benefits. These include such items as travel to and from work, rent, beneficial loans and deemed payments under IR35.

The Company has no motor car assets. The Director owns a motor car which is on occasion used for work related travel. Appropriate charges are laid to the company if such usage occurs.

The Directors total income from wages and benefits for the financial year ending January 31st 2007 was £4534 30

Directors interests in shares

The Director's beneficial interests in ordinary shares of the company at the end of the financial year were as follows

1 share

Other interests

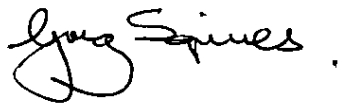
There were no contracts subsisting during or at the end of the financial year to which the Company is a party and in which the Director is or was materially interested Since 1 February 1997 the Company has not been, and is not now, a party to any material transaction or proposed transaction in which the director, or any other executive officer, any spouse or relative of any of the foregoing or any relative of such spouse has or was to have a direct or indirect material interest, excluding the beneficial loan arrangements laid out in the accounts

Pensions

Directors pension provisions

None

By order of the Director

A handwritten signature in black ink, appearing to read "Greg Spines", with a small dot at the end.

Principal accounting policies

Accounting principles

These accounts have been prepared in accordance with applicable accounting standards, under modified historical cost principles. Under these principles the Company values certain regulatory assets at depreciated replacement cost (see Tangible fixed assets below). Regulatory assets are those assets which are included in that part of the asset base which is subject to a regulatory regime. Revalued assets include computer equipment, operational land and buildings, and other plant and machinery in Great Britain. In order to maintain parity between allowable writing down expenses of 25%, the accounts for the financial year ending January 31st 1998 assume replacement cost to be identical to initial cost minus the allowable depreciation.

Differences between modified historical cost and historical cost profit comprise:

- i) depreciation in excess of historical cost depreciation adjustment - the additional sum necessary to bring the aggregate of replacement expenditure and historical cost depreciation up to a full modified historical cost depreciation charge, which is based on the modified historical cost of fixed assets, and
- ii) disposal of tangible fixed assets adjustment - the difference between the modified historical cost and historical cost profit or loss on disposal.

Statement of principle on Goodwill

On the acquisition of a subsidiary undertaking, joint venture or associated undertaking, fair values are attributed to the net assets acquired. Following the introduction of Financial Reporting Standard (FRS) 10, 'Goodwill and Intangible Assets', goodwill, which represents the difference between the purchase consideration and the fair value of the net assets acquired, is capitalised. Goodwill which has a limited useful economic life is amortised on a systematic basis over that life.

As allowed under the transitional arrangements set out in FRS 10, goodwill previously eliminated against Company reserves has not been reinstated, but will be charged to the profit and loss account on any subsequent disposal of the businesses to which it is related.

Statement of principle on Tangible fixed assets

Regulatory tangible fixed assets in Great Britain are included in the balance sheet at depreciated replacement cost or, where lower, the estimated value in use (see Impairment of regulatory fixed assets below). Investment properties are carried at valuation. All other categories of tangible fixed assets are carried at depreciated historical cost.

a) Modified historical cost

i) land and buildings - Great Britain regulatory assets - based upon periodic valuation by chartered surveyors employed by the Company, determined on the basis of open market value for existing use.

land and buildings - investment properties - based upon periodic valuation by chartered surveyors employed by the Company, determined on the basis of open market value.

land and buildings - other - based upon historical cost.

ii) other tangible fixed assets - Great Britain regulatory assets - based upon indexation of historical cost using appropriate indices.

other tangible fixed assets - other - based upon historical cost.

Contributions received towards the cost of tangible fixed assets are included in creditors as deferred income and credited to the profit and loss account over the life of the assets

Interest charges are capitalised

b) Depreciation

Freehold land and investment properties are not depreciated Other tangible fixed assets are depreciated at a rate of 25%, till fully depreciated

Assets held under finance leases are depreciated over the shorter of the lease term or their useful economic life.

c) Impairment of regulatory fixed assets

The impairment is calculated as the difference between the carrying values of income generating units and the estimated value in use at the date the impairment loss is recognised Value in use represents the present value of expected future cash flows discounted on a pre-tax basis

Impairment of regulatory assets is recognised in the Statement of total modified historical cost recognised gains and losses until the carrying amount of the asset is reduced to depreciated historical cost Thereafter impairment is recognised in the profit and loss account.

Changes in value in use are reported in the Statement of total modified historical cost recognised gains and losses as unrealised surplus on revaluation of tangible fixed assets

Stocks

Stocks are stated at weighted average historical cost less provision for deterioration and obsolescence

Statement of principle on Foreign currencies

No activities involving foreign currencies has been entered into by the Company The accepted accounting policy is as follows

Assets and liabilities denominated in foreign currencies are translated into sterling at closing rates of exchange Differences resulting from the retranslation of the opening net assets and the results for the year are taken to reserves Exchange differences on monetary assets and liabilities are taken to the profit and loss account, except that exchange differences on foreign currency net borrowings used to finance foreign currency net investments are taken to reserves All other exchange movements are dealt with through the profit and loss account.

Deferred taxation

Deferred tax, in respect of accelerated capital allowances and other timing differences, is provided only to the extent that it is probable that a liability or asset will crystallise

Statement of principle on Leases

No leases have been entered into by the Company The accepted accounting policy on leases is as follows

Assets held under finance leases are capitalised and included in tangible fixed assets at historical cost. The obligations related to finance leases, net of finance charges in respect of future periods, are included within borrowings. The interest element of the rental obligation is allocated to accounting periods during the lease term to reflect the constant rate of interest on the remaining balance of the obligation for each accounting period. Rentals under operating leases are charged to the profit and loss account as incurred, except that a provision has been made in respect of rents payable on vacant leasehold property.

Pensions

The cost of providing retirement pensions and related benefits is charged to the profit and loss account over the periods benefiting from the employees' services. Deferred tax and interest on this provision have been accounted for in full. The regular pension cost, variations from the regular pension cost and interest are all charged within employee costs.

Research and development expenditure

Equipment used for research and development are capitalised and depreciated in accordance with the Company's depreciation policy. Other research and development expenditure is written off when incurred.

Arrangement of Directors Relationship with Vibe Trading Limited.

Vibe Trading is a small company with a single director who is also the only employee of the company. The Companies Act 1985 describes various requirements and duties of directors, applicable to both public and private companies.

In particular, they are summarised as

- 1 The liability of directors while performing the directorship of a limited liability company
- 2 The fiduciary duties of a director to a company
- 3 A duty of the director to employees while a director of a company

A general discussion of these three fundamental follows

In respect of point one, the Companies Act makes clear that directors can be held liable by the company for damage caused by negligence, and that limited liability does not extend to the director in person. It is expected that the director show a reasonable standard of general management. There is also a recognised duty of care implicit from the circumstance that the director is responsible for the property of the company. Case law has recognised however that a director is not required to have any special qualifications. Where expertise is held by the director, then a duty is owed to the company in respect of it, but a director is not expected to have all possible expertise.

In respect of the second point, the notions of trust and confidence are fundamental to the meaning of 'fiduciary'. The director has a responsibility to act equitably towards the company, and to not abuse the implied trust and confidence the company had in appointing the director. This is a strong legal requirement. This duty is owed by the director to the company, and the company can enforce it in the courts.

The requirement also exists for the director to act in the interests of the company, within objectively 'proper' constraints. In this respect, case law recognises the duty of director to the company as like one between one person and another, and not as if by the director to the individual members of the company.

In respect of point three, the director is required to have regard to the interests of the company's employees. Considering points one and two, this duty is owed to the company, and the company alone, not any employee or particular shareholder.

When considering financial arrangements in a single member company, where the director of the company is also the employee of the company, the director is obligated to consider the financial structural mechanisms that affect these three distinct entities, the Director, the Company, and the Employee. An arrangement that structurally implements a sound relationship between these three entities is not self-evident. It can not be assumed for example, that the interests of all three are the same, and it was realised at the inception of the company that it was required of the director, considering his fiduciary responsibilities under law, that some analysis of each of these entities' interests be considered.

It is perhaps easiest to discern that the company's and employees' interests are not necessarily identical. The company must ideally maintain a financial position which enables at least some profits to be available for further activities concordant with its memorandum of association. This is really the only point in creating a company after all. It is in its interests therefore to pay as little as possible out of its capital towards ongoing costs and expenses, for example, employee wages. The employees' interests, on the other hand, may vary according to personal circumstances, and its priorities as regards available capital.

may not coincide at all with an objective view of the companies best interests. And as noted above, the director must act in the best interests of the company he is a director of.

As we have noted above, the director is under a specific duty to consider the company interests, and in line with English law generally, this means that when assessing the interests of the employee, the director must consider these remembering that they cannot be in contradiction to the directors duty to the companies interests. As the director is the sole employee of the company, there exists the real possibility of a conflict of interest.

The accounts of the company demonstrate a virtual recommendation made by the director to the company regarding cash assets. It was recognised that the interests of all three parties could be better met by ensuring that all cash received by the director from the company should incur a tax liability for the employee, in the sense that the transfer of cash to the director formed an internal tax point in respect of personal income and national insurance for the employee.

It would be in the employees best interests to restrain wage demands, because the greater the take on cash assets, the greater its liability to personal tax. The employee, who is also the single shareholder, would attain a better outcome by working to keep the company in profit, and accept dividends from that profit.

For the company, this disincentive would be concordant with its interests in maintaining capital, with decisions regarding profit and dividends kept routinely separated from the day to day running of the company. And for the director, such a contract would help him meet his fiduciary responsibilities to the company regarding assets and other interests. The director would be operating in the full knowledge that conversion of company assets to cash entailed an internal tax point for the employee, which is also a disincentive for the director to draw upon those assets.

The company therefore operates on these primary principles, maintained since the companies inception.

1. There is one and only one bank current account in the United Kingdom for the company, and for the employee. It is with Natwest Bank and is in the companys name.
2. The Director is the only entity that has access to cash assets, through Cash Machines with the companies cash card.
3. The director may use accessed cash for company purposes, but must provide a receipt that would be acceptable to the inland revenue as a company expense. Otherwise it is not acceptable to the company, and the company will in the normal course of events, account for this as a wages expense. If the director makes an error, for example loses a receipt, or neglects to inform the company of what would otherwise be accepted as a deductible expense, or the director as employee makes an error, then the director as employee carries the financial burden of increased tax. This event, as noted, is neither preferred by the company, or the employee. But it decreases greatly the probability that the company is in error, and provides greater incentive for the director to perform correctly, which in the view of the director, better satisfies the meaning of the Companies Act, in respect of fiduciary responsibility. Inspection of the companies accounts, during review by the Inland Revenue has indicated errors that have led to over declaration of income, leading to an overpayment that affects the director more than the company.

These are the methods that can be used to draw upon company funds.

1. Cash
2. Company cheque

3 Direct Debit from the companies bank account

Each of these three methods will be discussed in respect of the forementioned principles

Cash

All cash acquired is accounted for internally within the companies electronic accounts as a drawer upon cash assets, debited to the 'Directors Account', a specific category maintained in the companies accounting system, as wages, traditionally at two points in the year. The first is on the the 31st of January, the end of the companies accounting period. The second is on the 5th of April, the end of the personal taxpayers year.

These two points are important accounting points, and allow the company to accurately report outgoings on the directors remuneration. On the 31st January, the companies accounts show a balanced entry for all cash and other asset transactions. That is, incomings and outgoings are the same, and the company shows no cash reserves. The company can therefore report accurately the directors remuneration in its annual accounts for the companies financial year. In other words, any residual cash held as owing to the director is transferred to the directors account.

Likewise, on the 5th of April of each year, the director takes the balance of the cash drawer and adds the amount to his personal tax bill. After investigation, it has been discovered that this same surplus is assigned again to the director at the end of the companies accounting period, leading to double taxation.

The company has had, and given current circumstances, will continue to have irregular employee or director wage payments. There are many reasons for this, the most important being that the employee has an incentive to elect not to be paid a wage, as indicated above, and also that the companies turnover can be erratic.

Company Cheque

The company from time to time writes cheques. On a few occasions, cheques have been written with a view to being a substitute for cash to the director, and appear in the companies accounts as a credit to the directors account, at the point of reconciliation with the companies bank statements. It is a rare event for cheques to be thus issued, but in all circumstances, an internal balanced transaction occurs, recording the event as a payment as wages in kind.

Direct Debit

Direct debits are exclusively for the purposes of the company, except latterly in one case. The company allows a direct debit for the director under the same rules that apply to cash, except that, as with any cheques issued for a purpose connected with the director, they are credited to the directors account at the point of bank statement reconciliation.

Notes on Wage Periods

Because the Director is the wage earner, and employee, the national insurance contributions on financial remuneration are those that apply to company directors, the rules of which are described in Inland Revenue publications Leaflet NI35, Fact Card CA61 (NI274), and Employers National Insurance Contributions Manual CA28(NI269). These contributions, according to these publications must be calculated on an

annual or pro-rata annual basis, even if the director earns a weekly or monthly wage

The director has operated in the past a wage system that was synchronised to his national insurance contribution liabilities. That is, total income was aggregated over the year in the same manner as national insurance. After a review, by the Inland Revenue compliance office, this system requires amendment so that quarterly declarations can be made to the Inland Revenue, and leads to five important accounting points for the company

These are the balancing of accounts on the 31st of January, for the purposes of the companies accounts and four separate balancing periods on the following dates

- 1 The 5th April of any year
- 2 The 5th July of any year
- 3 The 5th October of any year
- 4 The 5th January of any year

This method has no implication it is believed for National Insurance, which must be calculated by the rules applying to company directors, but entails further reconciliation occurrences, beyond the two that already occur, of cash recorded as due the director

Balance sheet

As at 31st January 2007

	2006	£ 2007
A. Called-up share capital not paid	—	—
B. Fixed Assets		
I Intangible Assets		
1 Development Costs	—	—
2 Concessions, patents, licences, trade marks and similar rights and assets.	—	—
3 Goodwill	—	—
4. Payments on account	—	—
II Tangible Assets		
1 Land and buildings	—	—
2 Plant and Machinery	—	—
3 Fixtures, fittings, tools and equipment	1566 69	1400 79
4. Payments on account and assets in course of construction	—	—
C. Current Assets		
I Stocks		
1 Raw materials and consumables	—	—
2 Work in progress	—	—
3 Finished goods and goods for resale	—	—
4. Payments on account	—	—
II Debtors		
1 Trade debtors	—	—
2 Amounts owed by group undertakings	—	—
3. Amounts owed by undertakings in which the company has a participating interest	—	—
4 Other debtors	27051.63	23065.31
5 Called-up share capital not paid	—	—
6 Prepayments and accrued income	—	—
III Investments		
1. Shares in group undertakings.	—	—
2 Own shares	1.00	1 00
3 Other investments	—	—
IV Cash at bank and in hand	126 60	80.39

Balance sheet

As at 31st January 2007

	£	
	2006	2007
D. Prepayments and accrued income.	—	—
E. Creditors: amounts falling due within one year.		
1 Debenture loans	—	—
2 Bank loans and overdrafts	—	—
3 Payments received on account	—	—
4 Trade creditors	—	—
5 Bills of exchange payable	—	—
6. Amounts owed to group undertakings	—	—
7 Amounts owed to undertakings in which the company has a participating interest	—	—
8 Other creditors including taxation and social security	250 83	-125 05
9 Accruals and deferred income	—	—
F. Net current assets	28494 09	23065.31
G. Total assets less current liabilities.	28243.26	23190 36
H. Creditors: amounts falling due after more than one year.		
1 Debenture loans	—	—
2 Bank loans and overdrafts	—	—
3. Payments received on account	—	—
4 Trade creditors	—	—
5 Bills of exchange payable.	—	—
6 Amounts owed to group undertakings	—	—
7 Amounts owed to undertakings in which the company has a participating interest	—	—
8 Other creditors including taxation and social security	—	—
9 Accruals and deferred income	—	—
I. Provisions for liabilities and charges.		
1 Pensions and similar obligations.	—	—
2 Taxation, including deferred taxation	—	—
3 Other provisions	—	—
3 Other provisions	—	—

Balance sheet

As at 31st January 2007

	£	
	2006	2007
J. Accruals and deferred income.	—	—
K. Capital and reserves.		
I Called up share capital	1 00	1 00
II Share premium account	—	—
III Revaluation reserve	—	—
IV Other reserves		
1 Capital redemption reserve	—	—
2 Reserve for own shares	—	—
3 Reserves provided for by the articles of association	—	—
4 Other reserves	0 00	0 00
V Profit and loss account	28242 26	23189 36

- i. for the year ended January 31st 2007 the company was entitled to the exemption under sub-section (1) of section 249A of the Companies Act 1985
- ii no notice from members requiring an audit, has been deposited under section 249B(2) of the Companies Act 1985, and
- iii the directors acknowledge their responsibility for
 - a) ensuring the company keeps accounting records which comply with section 221, and,
 - b) preparing accounts which give a true and fair view of the state of affairs of the company as at the end of the financial year, and of its profit or loss for the financial year, in accordance with the requirements of section 226, and which otherwise comply with the requirements of the Companies Act relating to accounts, so far as applicable to the company
 - c) preparing the accounts in accordance with the special provisions in Part VII of the Companies Act 1985 relating to small companies


DIRECTOR

Profit and Loss Account at January 31st 2007

1	Turnover	0.00
2	Change in stocks of finished goods and in work in progress	0.00
3	Own work capitalised	0.00
4	Other operating income	0.00
5	a Raw Materials and consumables	0.00
	b Other external charges	0.00
6	Staff costs.	
	a wages and salaries	3448.97
	b social security costs	0.00
	c other pension costs	0.00
7	a Depreciation and other amounts written off tangible and intangible fixed assets	165.90
	b Exceptional amounts written off current assets	0.00
8	Other operating charges	1697.28
9	Income from shares in group undertakings	0.00
10	Income from participating interests	0.00
11	Income from other fixed asset investments	0.00
12	Other interest receivable and similar income	8.42
13	Amounts written off investments	0.00
14	Interest payable and similar charges	0.00
15	Tax on profit or loss on ordinary activities	0.00
16	Profit or loss on ordinary activities after taxation	-5303.73
17	Extraordinary income	0.00
18	Extraordinary charges	0.00
19	Extraordinary profit or loss	0.00
20	Tax on extraordinary profit or loss	0.00
21	Other taxes not shown under the above items	0.00
22	Profit or loss for the financial year	-5303.73

Notes to the Accounts

These explanatory notes describe categories specified in the Profit and Loss sheet

Cash at bank and in hand.

This figure is the reconciled amount as at close of business on the 31st January 2007. It is reconciled against business bank account statements for that date. All bank statements are reconciled against the Company's accounts. The Company's bank account details are

Natwest bank
Dean Street
PO Box 2162
20 Dean Street
London
W1A 1SX
Account Number 82219966
Branch Sort code 603003

Income

Computer Support

Activities that generate income, and that are not part of the principle contracting activities of the Company are accrued to this account. These activities are those that do not flow from contracts with Agencies or Companies, but are none the less computer related. They are therefore invoiced for VAT purposes and are credited to income.

Computer Contracting

All income received as a consequence of the Company's principal activities are credited to this account. This account contains the main income for the Company, and is subject to IR35 assessment when income is derived via intermediaries.

Purchases

All fixed asset purchases are generated via purchase orders, and then credited either to the current account, via either cheque or direct debit, or through the cash drawer if a cash purchase.

Expenses

Advertising

The advertising account contains incidental charges for services such as photocopying, which are essential for communication between the company and agencies or prospective contractual clients.

Vehicle Expenses

Under Inland Revenue rules regarding business related employee car usage, the fixed rate of 40p per mile for mileage

up to 10,000 kilometers is used to calculate any non taxable benefit to the employee Any payments are made only for those journeys directly related to company business For the current financial year, the amount charged to the accounts is Nil

Depreciation

Depreciation is calculated on the basis that tangible fixed assets have a working life of less than 25 years, and are therefore eligible for 25% per year writing down allowances Equipment added to the asset pool which is for exclusive business use is calculated with the full allowance. Other items which have partial business use are proportionally depreciated in line with the proportion of use The proportion not accrued to business use is allocated to the employees taxable benefits

In line with Inland Revenue rules regarding write down allowances, depreciation ignores value adding to assets, and balancing charges are accounted for The total write down allowance for the current financial year is £165 90 credited to the accumulated depreciation account on the 31st January 2006

The calculated values are based upon continuing 25% depreciation on fixed assets from 1998 through 2006 and a 25% depreciation of assets acquired during the current financial year ending 2007 There were no assets subject to first year depreciation in the current financial year

Employee Benefits

Employee benefits are a credit to the accounts based on the following method

Creditation is based on the proportion incurred in an expense All expenses are calculated after adjustment for subsidy received and then proportionally credited as an employee benefit.

Rent

The director lives in share accomodation, paying a monthly rent of £328 00 plus incidentals The company does not pay for these costs The formula used for calculation is IR publication 480(2005), with recognition given to total useable area, and the proportion given over exclusively to company activities

Other expenses are calculated by reference to these guidelines are Electricity, Gas and other essentials The VAT component of the expense is credited to VAT and debited from employee expenses, when the company has any inputs to declare Otherwise, the director absorbs these costs

For example

Nominal Journal Entry			
NJ000435			
17/2/99			
Employee Electricity			
Acct	Name	Debit	Credit
6-2330	Directors Benefits	£5.24	
6-2920	Electricity		£5.24
6-2330	Directors Benefits	£0.26	
2-1810	VAT Due		£0.26

There is a beneficial loan in effect because of a loan made to a relative of the Director This loan is to be repayed in the next financial year The amounts forwarded are

12 days at 27050 63 @5 00%
22 days at 27020 63 @5 00%
94 days at 26940 63 @5 00%
14 days at 26640 63 @5 00%
10 days at 26340 63 @5 00%
8 days at 26170 63 @5 00%
7 days at 26070 63 @5 00%
9 days at 25770 63 @5 00%
5 days at 25370 63 @5 00%
22 days at 25070 63 @5 00%
7 days at 24590 63 @5 00%
12 days at 24470 63 @5 00%
7 days at 24170 63 @5 00%
6 days at 23870 63 @5 00%
1 days at 23570 63 @5 00%
6 days at 23270 63 @5 00%
7 days at 22670 63 @5 00%
28 days at 22370 63 @5 00%
42 days at 21783 13 @5 00%
44 days at 21583 13 @5 00%

In total, this comprises a £123031 taxable benefit to the Director

Telephone (Land line)

Telephone usage and charges are also calculated with the same formula, though in general most telephone usage is Company related This is due to the following reasons

The major part of local call charges are incurred through internet connection As a computer professional, most research is carried out with this medium

The land line is used to organise consultancy work, and to liaise with agencies and contracted clients

Office Expense

All deductible expenses relating to the ongoing running of the business are debited from this account. Allowable expenses include stationary, books about company function (for example Company law statutes), materials essential to the running of the business and so on Where space and Company business is performed within the Directors home, a nominal service charge for usage is charged to this expense account

Dividend payments

As the only income payable to the director and sole employee is subject to the Deemed Payment requirement of IR35, no dividend payment was paid The directors account is not overdrawn Benefits, fees and wages are treated as separate individual accounts Note has been taken of CA61 (NI274), N35 and CA28

Postage

Stamps and envelopes used for company business are treated as a deductible expense

Clothing

Expenses incurred by the cash drawer for clothing are all credited to the Directors account. No advantage in respect of the VAT component of such purchases is attempted. No clothing expense is therefore incurred by the company

Wages

Because of the endeavours of the company, the Director is paid only the minimum required for subsistence. Because turnover is at or near nil, the company is not able to plan or even reasonably provide a budgeted wage. Money is borrowed, or received back from the beneficial loan in effect, for redirection to the Director on an as need basis. Borrowed money is not a relevant issue for these accounts. Sums received from the beneficiary of a company loan are accounted for as a credit to the current account from that asset account. This provides income for the Director, which is then liable to ordinary tax and National Insurance. The total taxable benefit accrued in the Directors wages account for the current financial year is £3,448.97. This equates to an average monthly income of £287.41. The minimum amount received by the director is the amount required to pay his rent, though this does not necessarily all come from the company. The Director elects not to become unemployed, believing that the companies future income prospects are good. The company therefore runs at a loss. A beneficial loan, the details of which are laid out above, were also in effect. For details of amounts please refer to Employee Benefits above.

Employers NIC

Employers National Insurance Contributions calculations are performed on the basis of special rules pertaining to Company Directors, laid out in Internal Revenue publication CA44

Council Tax

Council tax, if applicable, is proportionally divided between the Company and the Director; after calculating subsidy. For the current financial year council tax is not applicable, nor charged.