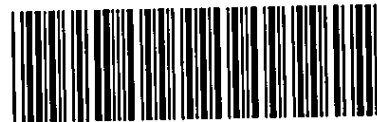


Citizen Connect Limited

**Directors' report and financial
statements**

**Registered number 3464607
30 June 2005**

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Contents

Directors' report	1
Statement of directors' responsibilities	3
Independent auditors' report to the members of Citizen Connect Limited	4
Profit and loss account	5
Reconciliation of movements in shareholders' funds	5
Balance sheet	6
Notes	7

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 June 2005

Principal activities

The main business activity of the company is to encourage and facilitate economic inclusion and social regeneration through the application of technologies and the development of effective diagnostic tools to empower individuals to maximise their own potential and economic contribution to a learning society

Business review

The results of the business for this year are shown on page 5

The main thrust of the marketing impetus of Citizen Connect was to develop the sales of Application Software, which was centred mainly in the field of e-learning, career management and continuous professional development. The main target markets for these products included governments and governmental organizations, as well as a range of various public and private sector businesses.

Citizen Connect will continue to extend the existing target client base by utilising the web-enabled applications software that the organization develops in alternative market and client sectors.

Post balance sheet events

On 31 March 2006 the entire share capital of the Company was purchased by one of its Directors, S A Walker from Axia NetMedia Corporation for consideration of \$1 (CDN).

Dividends

The directors do not recommend the payment of a dividend.

Directors and directors' interests

The directors who held office during the period were as follows:

Steve Walker	
Murray Wallace	(resigned 29 March 2006)
Robert Mozley	(resigned 31 March 2006)
Richard Etheridge	(resigned 29 March 2006)
Bryan Forbes	(resigned 31 August 2004)

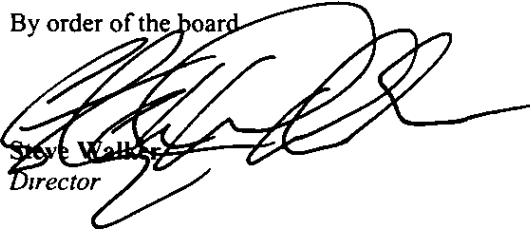
None of the directors had any interest in the ordinary shares of the company, according to the register of directors' interests either at the beginning or at the end of the period. The interests of the directors in group companies are shown in the financial statements of the ultimate parent undertaking.

Directors' report *(continued)*

Auditors

The directors do not anticipate the re-appointment of KPMG LLP as auditors of the company going forward and will appoint new auditors for the forthcoming accounting period

By order of the board



Steve Walker
Director

Unit 68
Annexe 4
Batley Business & Technology Centre
Batley
WF17 6ER

3 July 2007

Statement of directors' responsibilities

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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 judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- 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 its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



1 The Embankment
Neville Street
Leeds
LS1 4DW
United Kingdom

Independent auditors' report to the members of Citizen Connect Limited

We have audited the financial statements on pages 5 to 14

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 directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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.

Basis of opinion

We conducted our audit in accordance with 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 30 June 2005 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP
Chartered Accountants
Registered Auditors

3 July 2007

Profit and loss account
for the year ended 30 June 2005

	<i>Note</i>	2005 £	2004 £
Turnover	2	435,472	840,010
Cost of sales		(9,120)	(233,479)
Gross profit		426,352	606,531
Administrative expenses		(837,872)	(1,042,643)
Other operating income		2,840	-
Operating loss		(408,680)	(436,112)
Interest payable and similar charges	6	(2,453)	(3,875)
Loss on ordinary activities before taxation	3-5	(411,133)	(439,987)
Tax on loss on ordinary activities	7	-	-
Retained loss for the period	15	(411,133)	(439,987)

There are no other gains or losses in the periods other than the results shown above

Reconciliation of movements in shareholders' funds
for the year ended 30 June 2005

	2005 £	2004 £
Retained loss for the period	(411,133)	(439,987)
Net addition to shareholders' deficit	(411,133)	(439,987)
Opening shareholders' deficit	(2,774,558)	(2,334,571)
Closing shareholders' deficit	(3,185,691)	(2,774,558)

Balance sheet
at 30 June 2005

	<i>Note</i>	2005	2004
		£	£
Fixed assets			
Tangible assets	8	38,849	74,269
Investment	9	-	-
		<u>38,849</u>	<u>74,269</u>
Current assets			
Debtors	10	122,694	184,252
Cash at bank and in hand		29,467	22,878
		<u>152,161</u>	<u>207,130</u>
Creditors: amounts falling due within one year	11	(3,376,701)	(3,055,957)
		<u>(3,376,701)</u>	<u>(3,055,957)</u>
Net current liabilities		<u>(3,224,540)</u>	<u>(2,848,827)</u>
Net liabilities		<u>(3,185,691)</u>	<u>(2,774,558)</u>
Capital and reserves			
Called up share capital	13	7,500	7,500
Profit and loss account	14	(3,193,191)	(2,782,058)
		<u>(3,185,691)</u>	<u>(2,774,558)</u>
Shareholders' deficit - equity		<u>(3,185,691)</u>	<u>(2,774,558)</u>

These financial statements were approved by the board of directors on 3 July 2007 and were signed on its behalf by


Richard Etheridge
Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention

The financial statements have been prepared on the going concern basis, notwithstanding net liabilities of £3,185,691 (2004 £2,774,558), which the directors believe to be appropriate for the following reasons

Post year end on 31 March 2006 the entire share capital of the company was acquired by one of its directors, S A Walker. As part of the sale Axia NetMedia Corporation agreed to waive the inter group creditor balance as at 1 April 2006 of c£3.9m (30 June 2005 £3.3m) as well as making a cash contribution to the business of £40k per month until May 2007 in respect of contracts taken on by the Company post sale

Post sale the significant reduction in headcount and Group central costs has meant the cost base of the business is now significantly reduced resulting in positive trading results and cashflow forecasts for the foreseeable future

Based on the above factors the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate

Cash flow statement

The company is exempt from the requirement of Financial Reporting No. 1 to prepare a cash flow statement as it is a wholly owned subsidiary

Revenue recognition

Subscription Revenue is triggered when a subscription is taken up and is recognised over 12 months from the month the first subscription is taken up. If a subscription is not taken up within the allowable time frame (12 months) then all the revenue corresponding to those subscriptions will be recognised at the end of the allowable time frame

Hosting Revenue is recognised in the period in which it is earned

Development Revenue is recognised when the milestones outlined in the contract are completed

Intangible fixed assets and amortisation

Concessions, patents, licences and trademarks purchased by the company are amortised to nil by equal annual instalments over their useful economic lives, generally their respective unexpired periods up to 3 years

Fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows

Computer Equipment	-	3 years
Furniture	-	5 years

Notes *(continued)*

1 **Accounting policies** *(continued)*

Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of work in progress, cost is taken at production costs incurred, less those transferred to the profit and loss account after deducting foreseeable losses and payments on account not matched with turnover.

Long Term Contracts

The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at the cost appropriate to their stage of completion less amounts recognised in previous years. Provision is made for any losses as soon as they are foreseen.

Contract work in progress is stated at costs, less those transferred to the profit and loss account, after deducting foreseeable losses and payments on account matched with turnover.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Research and development expenditure

Expenditure on research and development is written off against profits in the year in which it is incurred.

Taxation

The charge for taxation is based on the result for the period and takes into account taxation deferred, without discounting, because of timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS19.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers.

Notes (continued)

2 Turnover

The geographical split of turnover is as follows

	2005 £	2004 £
United Kingdom	361,913	671,311
Italy	73,559	168,699
	<u>435,472</u>	<u>840,010</u>

3 Loss on ordinary activities before taxation

	2005 £	2004 £
Loss on ordinary activities before taxation is stated after charging:		
Auditors' remuneration		
Audit	3,024	5,150
Depreciation and other amounts written off tangible and intangible fixed assets		
Owned	36,936	35,476
Foreign exchange losses	662	-
After crediting		
Foreign exchange gains	<u>2,841</u>	<u>14,905</u>

4 Remuneration of directors

	2005 £	2004 £
Directors' emoluments	<u>118,000</u>	<u>161,333</u>

Notes (continued)

5 Staff numbers and costs

The average number of persons employed by the company during the year, analysed by category, was as follows

	Number of employees	
	2005	2004
Other staff	9	9
	<u>9</u>	<u>9</u>

The aggregate payroll costs of these persons were as follows

	2005	2004
	£	£
Wages and salaries	437,665	614,973
Social security costs	77,852	70,421
	<u>515,517</u>	<u>685,394</u>

6 Interest payable and similar charges

	2005	2004
	£	£
Group interest	-	-
Bank charges	2,453	3,875
	<u>2,453</u>	<u>3,875</u>

7 Taxation

	2005	2004
	£	£
UK corporation tax at 30% (2004 30%)		
- current year charge	-	-
- prior year adjustment	-	-
	<u>-</u>	<u>-</u>

Notes (continued)

7 Taxation (continued)

Reconciliation of current year charge

The standard rate of corporation tax for the year is 30% The current year tax charge is lower (2004 lower) than 30% for the reasons set out in the following reconciliation

	2005 £	2004 £
Loss on ordinary activities before taxation	(411,133)	(439,987)
Tax on loss on ordinary activities at standard rate	(123,340)	(131,996)
Factors affecting charge		
Movement in unprovided deferred tax	109,061	122,784
Expenses not deductible for tax purposes	3,000	9,212
Capital allowances in excess of depreciation	11,279	-
Current tax charge for year	-	-

8 Tangible assets

	Computer equipment £
Cost	
At beginning of period	197,001
Additions	2,176
Disposals	(660)
At end of period	198,517
Depreciation	
At beginning of period	122,732
Charge for period	36,936
Disposals	-
At end of period	159,668
Net book value	
At 30 June 2005	38,849
At 30 June 2004	74,269

9 Investment

Citizen Connect Limited has a £100 investment in Lifeskills Learning Ltd representing 100% of the share capital The company is dormant and is registered in the UK The investment has been written down to £nil

Notes (continued)

10 Debtors

	2005 £	2004 £
Trade debtors	84,630	167,606
Other debtors and prepayments	38,064	16,646
	<u>122,694</u>	<u>184,252</u>

11 Creditors: amounts falling due within one year

	2005 £	2004 £
Trade creditors	10,358	16,013
Other creditors	17,929	-
Other tax and social security	7,291	-
Amounts owed to group companies	3,327,124	2,994,669
Accruals and deferred income	14,000	45,275
	<u>3,376,702</u>	<u>3,055,957</u>

12 Provision for liabilities and charges

The amounts provided for deferred taxation and the amounts not provided are set out below

	2005		2004	
	Provided £	Unprovided £	Provided £	Unprovided £
<i>Deferred tax asset</i>				
Difference between accumulated depreciation and amortisation and capital allowances	-	49,674	-	38,395
Other timing differences	-	906,921	-	789,319
	<u>-</u>	<u>956,595</u>	<u>-</u>	<u>827,714</u>

Notes (continued)

13 Called up share capital

	2005 £	2004 £
<i>Authorised</i>		
Equity Class A £1 ordinary shares	7,500	7,500
Equity Class B £1 ordinary shares	2,500	2,500
	<u>10,000</u>	<u>10,000</u>
<i>Allotted, called up and fully paid</i>		
Equity Ordinary shares of £1 each – Class A	<u>7,500</u>	<u>7,500</u>
<i>Allotted, called up and unpaid</i>		
Equity Ordinary shares of £1 each – Class B	<u>-</u>	<u>-</u>

14 Reserves

	Profit and loss account £
At beginning of period	(2,782,058)
Retained loss for the period	(411,133)
	<u>-</u>
At end of period	<u>(3,193,191)</u>

15 Commitments

Annual commitments under non-cancellable operating leases are as follows

	2005 £	2004 £
Operating leases which expire		
Within one year	-	-
In the second to fifth year inclusive	39,750	38,592
	<u>39,750</u>	<u>38,592</u>

Notes *(continued)*

16 Related party transactions

During the period Citizen Connect Limited received charges of £49,781 (2004 £5,931) from Axia NetMedia Corporation for services rendered

At the period end Citizen Connect Limited owed £3,327,124 (2004 £2,994,669) to Axia NetMedia Corporation

The full balance owed to Axia NetMedia Corporation was waived by Axia NetMedia Corporation as a result of the management buyout in April 2006

All transactions were at arms length

17 Ultimate parent company

During the period the company was a 100% subsidiary undertaking of Axia NetMedia Corporation, incorporated in Canada. The largest group in which the results of the company are consolidated is that headed by Axia NetMedia Corporation. The consolidated accounts are available to the public and may be obtained from Axia NetMedia Corporation, Suite 3300, 450-1st Street S W, Calgary, Alberta, T2P 5H1, Canada

18 Post balance sheet events

On 31 March 2006 the entire share capital of the Company was purchased by one of its Directors, S A Walker from Axia NetMedia Corporation for consideration of \$1 (CDN)