

4.
Registration number 2027199

Metaskil plc

Directors' report and financial statements

for the year ended 31 March 2003



Metaskil plc

Company information

Directors	Donald Richard Hornblow Wilfred Christopher Eaton
Secretary	Donald Richard Hornblow
Company number	2027199
Registered office	7 Fortuna Court Calleva Park Aldermaston Reading Berks RG7 8UB
Auditors	Accountancy Business Corporation Ltd Penvose House Broad Lane Upper Bucklebury Reading Berks RG7 6QH
Business address	7 Fortuna Court Calleva Park Aldermaston Reading Berks RG7 8UB
Bankers	Lloyds TSB Bank plc PO Box 2566 Reading Berks RG1 2RS

Metaskil plc

Contents

	Page
Directors' report	1 - 2
Auditors' report	3 - 4
Profit and loss account	5
Balance sheet	6
Cash flow statement	7
Notes to the financial statements	8 - 15

Metaskil plc

Directors' report for the year ended 31 March 2003

The directors present this report and the financial statements for the year ended 31 March 2003.

Principal activity and review of the business

The principal activity of the company continued to be the provision of a range of services centred on staff supply.

The company has realised benefits during this year from the substantial investment made in the previous accounting period. Revenue has grown by 30% on a pro rata basis and the company has returned a small profit. This growth has been achieved in a continuing climate where other companies in the sector have seen significant falls in their revenues. A key component of the growth in company revenue has come from the newly established Management Solutions business. The directors expect this growth to continue for the year ahead

Results and dividends

The results for the year are set out on page 5.

The directors do not recommend payment of a final dividend.

Directors and their interests

The directors who served during the year and their interests in the company are as stated below:

	Ordinary shares	
	31/03/03	01/04/02

Donald Richard Hornblow	-	-
Wilfred Christopher Eaton	-	-

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the company and of the profit or loss of the company for that year. In preparing these the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

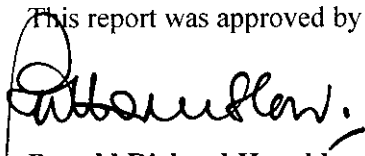
Metaskil plc

**Directors' report
for the year ended 31 March 2003**

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution proposing that Accountancy Business Corporation Ltd be reappointed as auditors of the company will be put to the Annual General Meeting.

This report was approved by the Board on 28 October 2003 and signed on its behalf by



Donald Richard Hornblow
Director

Metaskil plc

Independent auditors' report to the shareholders of Metaskil plc

We have audited the financial statements of Metaskil plc for the year ended 31 March 2003 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

Respective responsibilities of directors and auditors

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.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Metaskil plc

Independent auditors' report to the shareholders of Metaskil plc continued

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink, appearing to read 'Philip Thorne', with a large, stylized initial 'P'.

Accountancy Business Corporation Ltd
Registered Auditors
28 October 2003

Penvose House Broad Lane
Upper Bucklebury
Reading
Berks
RG7 6QH

Metaskil plc

**Profit and loss account
for the year ended 31 March 2003**

		Continuing operations	
		2003	2002
	Notes	£	£
Turnover	2	3,193,831	3,741,148
Cost of sales		(2,599,175)	(3,130,209)
Gross profit		<u>594,656</u>	<u>610,939</u>
Administrative expenses		(566,269)	(840,195)
Operating profit/(loss)	3	<u>28,387</u>	<u>(229,256)</u>
Other interest receivable and similar income	5	164	581
Amount written off investments	4	-	(55,000)
Interest payable and similar charges	6	<u>(55)</u>	<u>-</u>
Profit/(loss) on ordinary activities before taxation		28,496	(283,675)
Tax on profit/(loss) on ordinary activities	9	<u>188</u>	<u>34,715</u>
Retained profit/(loss) for the year		28,684	(248,960)
Retained profit brought forward		<u>79,746</u>	<u>328,705</u>
Retained profit carried forward		<u><u>108,430</u></u>	<u><u>79,745</u></u>

There are no recognised gains or losses other than the profit or loss for the above two financial years.

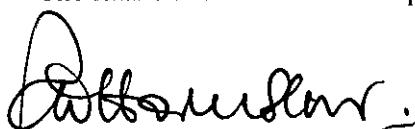
The notes on pages 8 to 15 form an integral part of these financial statements.

Metaskil plc

**Balance sheet
as at 31 March 2003**

		2003		2002	
	Notes	£	£	£	£
Fixed assets					
Tangible assets	10		-		19,384
Current assets					
Debtors	11	643,612		367,547	
Cash at bank and in hand		(52,229)		743	
		591,383		368,290	
Creditors: amounts falling due within one year	12	(381,703)		(206,679)	
Net current assets			209,680		161,611
Net assets			209,680		180,995
Capital and reserves					
Called up share capital	13		52,083		52,083
Share premium account	14		49,167		49,167
Profit and loss account	14		108,430		79,745
Equity shareholders' funds	15		209,680		180,995

The financial statements were approved by the Board on 28 October 2003 and signed on its behalf by



Donald Richard Hornblow
Director

The notes on pages 8 to 15 form an integral part of these financial statements.

Metaskil plc

Cash flow statement for the year ended 31 March 2003

	Notes	2003 £	2002 £
Reconciliation of operating profit/(loss) to net cash outflow from operating activities			
Operating profit/(loss)		28,387	(229,256)
Depreciation		-	15,053
(Increase) in debtors		(276,065)	328,290
Increase in creditors		192,329	(228,160)
Net cash outflow from operating activities		<u>(55,349)</u>	<u>(114,073)</u>
Cash flow statement			
Net cash outflow from operating activities		(55,349)	(114,073)
Returns on investments and servicing of finance	18	109	581
Taxation	18	35,000	(70,098)
Capital expenditure	18	19,385	(23,453)
		(855)	(207,043)
Financing	18	-	50,000
Decrease in cash in the year		<u>(855)</u>	<u>(157,043)</u>
Reconciliation of net cash flow to movement in net debt (Note 19)			
Decrease in cash in the year		(855)	(157,043)
Net debt at 1 April 2002		(53,362)	103,681
Net debt at 31 March 2003		<u>(54,217)</u>	<u>(53,362)</u>

Metaskil plc

Notes to the financial statements for the year ended 31 March 2003

1. Accounting policies

1.1. Accounting convention

The financial statements are prepared under the historical cost convention .

The company has consistently applied all relevant accounting standards.

1.2. Turnover

Turnover represents the total invoice value, excluding value added tax, of sales made during the year.

Acquired goodwill is written off in equal annual instalments over its estimated useful economic life.

1.3. Research and development

Research expenditure is written off to the profit and loss account in the year in which it is incurred.

1.4. Tangible fixed assets and depreciation

Depreciation is provided at rates calculated to write off the cost less residual value of each asset over its expected useful life, as follows:

Leasehold properties	-	Straight line over the life of the lease
Plant and machinery	-	33% on cost
Fixtures, fittings and equipment	-	15% on cost
Office equipment	-	15% on cost

1.5. Leasing

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

1.6. Pensions

Contributions are charged to the profit and loss account, as they become due, in accordance with the rules of the scheme.

1.7. Deferred taxation

Deferred tax is provided in respect of the tax effect of all timing differences, to the extent that it is probable that a liability or asset will crystallise in the foreseeable future, at the rates of tax expected to apply when the timing differences reverse.

1.8. Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange prevailing at the accounting date. Transactions in foreign currencies are recorded at the date of the transactions. All differences are taken to the Profit and Loss account.

Metaskil plc

**Notes to the financial statements
for the year ended 31 March 2003**

..... continued

2. Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the UK.

	2003 £	2002 £
Class of business		
Contract	2,677,212	3,451,057
Other	516,619	290,091
	<u>3,193,831</u>	<u>3,741,148</u>

3. Operating profit/(loss)

Operating profit/(loss) is stated after charging:

	2003 £	2002 £
Depreciation and other amounts written off tangible assets	-	10,352
Research and development		
- expenditure in current year	-	4,700
Operating lease rentals		
- Plant and machinery	23,151	47,658
Auditors' remuneration	3,000	3,500
	<u> </u>	<u> </u>
and after crediting:		
Profit on foreign currencies	-	(2,390)
	<u> </u>	<u> </u>

4. Amounts written off investments

	2003 £	2002 £
Amounts written off current asset investments	-	55,000
	<u> </u>	<u> </u>

5. Interest receivable and similar income

	2003 £	2002 £
Bank interest	164	581
	<u> </u>	<u> </u>

6. Interest payable and similar charges

	2003 £	2002 £
On bank loans and overdrafts	55	-
	<u> </u>	<u> </u>

Metaskil plc

**Notes to the financial statements
for the year ended 31 March 2003**

..... continued

7. Employees

Number of employees

The average monthly numbers of employees
(including the directors) during the year were:

	2003	2002
Administration	2	2
Operations	7	6
	<u>9</u>	<u>8</u>

Employment costs

	2003 £	2002 £
Wages and salaries	279,865	403,858
Social security costs	39,445	44,193
Other pension costs	19,722	25,466
	<u>339,032</u>	<u>473,517</u>

7.1. Directors' emoluments

	2003 £	2002 £
Remuneration and other emoluments	52,000	150,770
Pension contributions	12,000	17,000
	<u>64,000</u>	<u>167,770</u>

	Number	Number
Number of directors to whom retirement benefits are accruing under a money purchase scheme	<u>1</u>	<u>1</u>

8. Pension costs

The company contributes to a personal pension plan for a director. The pension cost charge represents contributions payable by the company to the fund and amounted to £12,000 (2002 £17,000).

Metaskil plc

Notes to the financial statements for the year ended 31 March 2003

..... continued

9. Tax on profit/(loss) on ordinary activities

Analysis of charge in period	2003 £	2002 £
Current tax		
UK corporation tax	1,800	(35,000)
Prior period adjustments	(1,988)	285
	<u>(188)</u>	<u>(34,715)</u>
Total current tax charge	<u>(188)</u>	<u>(34,715)</u>
Tax on profit on ordinary activities	<u>(188)</u>	<u>(34,715)</u>

Factors affecting tax charge for period

The tax assessed for the period is higher than the standard rate of corporation tax in the UK (19 per cent). The differences are explained below:

	2003 £	2002 £
Profit/(loss) on ordinary activities before taxation	<u>28,496</u>	<u>(283,675)</u>
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (31 March 2002 : 20%)	5,414	(56,735)
Expenses not deductible for tax purposes	3,378	14,183
Capital allowances for period in excess of depreciation	2,859	(2,890)
Utilisation of tax losses	(8,312)	-
Adjustments to tax charge in respect of previous periods	(1,988)	285
Other adjustments	(1,539)	10,442
Current tax charge for period	<u>(188)</u>	<u>(34,715)</u>

Metaskil plc

**Notes to the financial statements
for the year ended 31 March 2003**

..... continued

10. Tangible fixed assets	Short leasehold property £	Plant and machinery £	Fixtures, fittings and equipment £	Office equipment £	Total £
Cost					
At 1 April 2002	7,045	59,021	5,087	17,888	89,041
Disposals	(7,045)	(59,021)	(5,087)	(17,888)	(89,041)
At 31 March 2003	-	-	-	-	-
Depreciation					
At 1 April 2002	6,637	41,575	4,424	17,020	69,656
On disposals	(6,637)	(41,575)	(4,424)	(17,020)	(69,656)
At 31 March 2003	-	-	-	-	-
Net book values					
At 31 March 2002	408	17,446	663	868	19,385

11. Debtors	2003 £	2002 £
Trade debtors	460,792	217,808
Other debtors	-	5,000
Prepayments and accrued income	182,820	144,739
	<u>643,612</u>	<u>367,547</u>

Metaskil plc

**Notes to the financial statements
for the year ended 31 March 2003**

..... continued

12. Creditors: amounts falling due within one year	2003 £	2002 £
Bank overdraft	-	54,105
Trade creditors	191,494	92,734
Amounts owed to group undertaking	(67,773)	(33,376)
Corporation tax	1,800	(35,000)
Other taxes and social security costs	78,496	11,318
Accruals and deferred income	177,686	116,898
	<u>381,703</u>	<u>206,679</u>

The company has an invoice discounting facility with Lloyds TSB Commercial Finance. The funds in use at 31 March 2003 were £74,740 (31 March 2002 - £50,760). The company has given a debenture over all of its assets as security for funds advanced under the facility.

13. Share capital	2003 £	2002 £
Authorised equity		
97,000 Ordinary shares of £1 each	<u>97,000</u>	<u>97,000</u>
Allotted, called up and fully paid equity		
52,083 Ordinary shares of £1 each	<u>52,083</u>	<u>52,083</u>

14. Equity Reserves	Share premium account £	Profit and loss account £	Total £
At 1 April 2002	49,167	79,746	128,913
Retained profit/(loss) for the year		28,684	28,684
At 31 March 2003	<u>49,167</u>	<u>108,430</u>	<u>157,597</u>

Metaskil plc

**Notes to the financial statements
for the year ended 31 March 2003**

..... continued

15. Reconciliation of movements in shareholders' funds	2003	2002
	£	£
Profit/(loss) for the year	28,684	(248,960)
Net proceeds of equity share issue	-	50,000
Net addition to shareholders' funds	28,684	(198,960)
Opening shareholders' funds	180,996	379,956
Closing shareholders' funds	209,680	180,996

16. Financial commitments

At 31 March 2003 the company had annual commitments under non-cancellable operating leases as follows:

	2003	Other 2002
	£	£
Expiry date:		
Within one year	3,730	-
Between one and five years	59,902	61,866
	63,632	61,866

17. Ultimate parent undertaking

The company considers Metaskil Group Ltd, a company incorporated in England, to be it's ultimate holding company.

Metaskil plc

**Notes to the financial statements
for the year ended 31 March 2003**

..... continued

18. Gross cash flows

Returns on investments and servicing of finance

Interest received	164	581
Interest paid	(55)	-
	<u>109</u>	<u>581</u>

Taxation

Corporation tax paid	-	(70,098)
Corporation tax repaid	35,000	-
	<u>35,000</u>	<u>(70,098)</u>

Capital expenditure

Payments to acquire tangible assets	-	(23,453)
Receipts from sales of tangible assets	19,385	-
	<u>19,385</u>	<u>(23,453)</u>

Financing

Issue of ordinary share capital	-	50,000
---------------------------------	---	--------

19. Analysis of changes in net funds

	Opening balance	Cash flows	Closing balance
	£	£	£
Cash at bank and in hand	743	(52,972)	(52,229)
Overdrafts	(54,105)	54,105	-
	<u>(53,362)</u>	<u>1,133</u>	<u>(52,229)</u>
Net funds	<u>(53,362)</u>	<u>1,133</u>	<u>(52,229)</u>