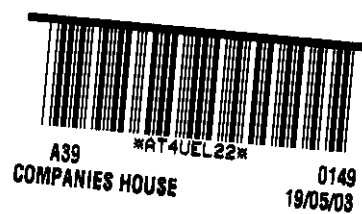


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**Report of the Directors and
Financial Statements for the Period 24 January 2002 to 31 December 2002
for
SmartSourcing PLC**



SmartSourcing PLC

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SmartSourcing PLC
Company Information
for the Period 24 January 2002 to 31 December 2002

DIRECTORS: A R Martin
A D White
J M Hall

SECRETARY: N B Levy

REGISTERED OFFICE: Tanglewood
90-92 Vicarage Hill
South Benfleet
Essex
SS7 1PE

REGISTERED NUMBER: 4359421 (England and Wales)

AUDITORS: Alan Kitson & Company Limited
Accountants & Registered Auditors
65 Kingswood Chase
Leigh-on-Sea
Essex
SS9 3BB

SmartSourcing PLC

Report of the Directors for the Period 24 January 2002 to 31 December 2002

The directors present their report with the financial statements of the company for the period 24 January 2002 to 31 December 2002.

INCORPORATION

The company was incorporated on 24 January 2002 and commenced trading on the same date.

PRINCIPAL ACTIVITY

The principal activity of the company in the period under review was that of recruitment consultants.

REVIEW OF BUSINESS

The results for the period and financial position of the company are as shown in the annexed financial statements.

This being the first period of trading, the directors are satisfied with the results. The directors are confident that the company will trade satisfactorily in the future.

DIVIDENDS

No dividends will be distributed for the period ended 31 December 2002.

DIRECTORS

The directors during the period under review were:

A R Martin	- appointed 24.1.02
J Adlington	- appointed 24.1.02
	- resigned 31.10.02
A D White	- appointed 31.10.02
J M Hall	- appointed 31.10.02

The beneficial interests of the directors holding office on 31 December 2002 in the issued share capital of the company were as follows:

	31.12.02	at date of appointment
Ordinary £1 shares		
A R Martin	45,346	45,346
A D White	22,673	22,673
J M Hall	5,668	5,668

All the directors, being eligible, offer themselves for election at the forthcoming first Annual General Meeting.

STATEMENT OF 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 affairs of the company and of the profit or loss of the company for that period. In preparing those 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.

SmartSourcing PLC

**Report of the Directors
for the Period 24 January 2002 to 31 December 2002**

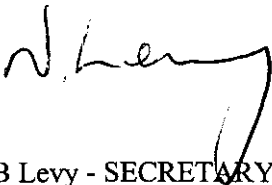
STATEMENT OF DIRECTORS' RESPONSIBILITIES - continued

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.

AUDITORS

The auditors, Alan Kitson & Company Limited, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD:



N B Levy - SECRETARY

Dated: 22 April 2003

SmartSourcing PLC

Report of the Independent Auditors to the Shareholders of SmartSourcing PLC

We have audited the financial statements of SmartSourcing PLC for the period ended 31 December 2002 on pages six to sixteen. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

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 auditors' 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

As described on page three the company's directors are responsible for the preparation of 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 Report of the Directors 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 Report of the Directors 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.

SmartSourcing PLC

**Report of the Independent Auditors to the Shareholders of
SmartSourcing PLC**

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2002 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Alan Kitson & Company Limited
Accountants & Registered Auditors
65 Kingswood Chase
Leigh-on-Sea
Essex
SS9 3BB

Alan Kitson & Company Limited

Dated: 22 April 2003

SmartSourcing PLC

**Profit and Loss Account
for the Period 24 January 2002 to 31 December 2002**

	Notes	£
TURNOVER	2	859,724
Cost of sales		<u>715,835</u>
GROSS PROFIT		143,889
Administrative expenses		<u>258,835</u>
OPERATING LOSS	4	(114,946)
Interest payable and similar charges	5	<u>4,581</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(119,527)
Tax on loss on ordinary activities	6	<u>-</u>
LOSS FOR THE FINANCIAL PERIOD AFTER TAXATION		<u>(119,527)</u>
DEFICIT CARRIED FORWARD		<u>£(119,527)</u>

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current period.

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the loss for the current period.

The notes form part of these financial statements

SmartSourcing PLC

Balance Sheet 31 December 2002

	Notes	£	£
FIXED ASSETS:			
Tangible assets	7		22,600
CURRENT ASSETS:			
Debtors	8	341,115	
Cash at bank		46,259	
		<u>387,374</u>	
CREDITORS: Amounts falling due within one year	9	357,960	
		<u>357,960</u>	
NET CURRENT ASSETS:			<u>29,414</u>
TOTAL ASSETS LESS CURRENT LIABILITIES:			52,014
CREDITORS: Amounts falling due after more than one year	10		9,041
			<u>9,041</u>
			<u>£42,973</u>
CAPITAL AND RESERVES:			
Called up share capital	13		140,625
Share premium	14		21,875
Profit and loss account			(119,527)
			<u>£42,973</u>
SHAREHOLDERS' FUNDS:	18		<u>£42,973</u>

ON BEHALF OF THE BOARD:



A R Martin - DIRECTOR

Approved by the Board on 22 April 2003

SmartSourcing PLC

Cash Flow Statement for the Period 24 January 2002 to 31 December 2002

	Notes	£
Net cash outflow from operating activities	1	(351,108)
Returns on investments and servicing of finance	2	(4,581)
Capital expenditure	2	(13,169)
		<u>(368,858)</u>
Management of liquid resources	2	207,489
Financing	2	162,500
Increase in cash in the period		<u>£1,131</u>
Reconciliation of net cash flow to movement in net debt	3	
Increase in cash in the period		<u>1,131</u>
Change in net debt resulting from cash flows		1,131
New finance leases		<u>(16,274)</u>
Movement in net debt in the period		<u>(15,143)</u>
Net debt at 24 January		<u>-</u>
Net debt at 31 December		<u>£(15,143)</u>

The notes form part of these financial statements

SmartSourcing PLC

Notes to the Cash Flow Statement for the Period 24 January 2002 to 31 December 2002

1. RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	£
Operating loss	(114,946)
Depreciation charges	6,843
Increase in debtors	(341,115)
Increase in creditors	98,110
Net cash outflow from operating activities	(351,108)

2. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	£
Returns on investments and servicing of finance	
Interest paid	(3,769)
Interest element of hire purchase payments	(812)
Net cash outflow for returns on investments and servicing of finance	(4,581)
Capital expenditure	
Purchase of tangible fixed assets	(13,169)
Net cash outflow for capital expenditure	(13,169)
Management of liquid resources	
Factoring of debtors	207,489
Net cash inflow from management of liquid resources	207,489
Financing	
Cash receipt re share issue	140,625
Share premium	21,875
Net cash inflow from financing	162,500

The notes form part of these financial statements

SmartSourcing PLC

Notes to the Cash Flow Statement for the Period 24 January 2002 to 31 December 2002

3. ANALYSIS OF CHANGES IN NET DEBT

	At 24.1.02 £	Cash flow £	Other non-cash changes £	At 31.12.02 £
Net cash:				
Cash at bank	-	46,259		46,259
Bank overdraft	-	(45,128)		(45,128)
	<u>-</u>	<u>1,131</u>		<u>1,131</u>
Debt:				
Hire purchase	-	-	(16,274)	(16,274)
	<u>-</u>	<u>-</u>	<u>(16,274)</u>	<u>(16,274)</u>
Total	<u>-</u>	<u>1,131</u>	<u>(16,274)</u>	<u>(15,143)</u>

Analysed in Balance Sheet

Cash at bank	-	46,259
Bank overdraft	-	(45,128)
Hire purchase		
within one year	-	(7,233)
after one year	-	(9,041)
	<u>-</u>	<u>(15,143)</u>

SmartSourcing PLC

Notes to the Financial Statements for the Period 24 January 2002 to 31 December 2002

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention.

Turnover

Turnover represents net invoiced sales of goods, excluding value added tax.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Office equipment	- 33% on cost
Motor vehicles	- 25% on reducing balance

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Hire purchase and leasing commitments

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to the profit and loss account over the relevant period. The capital element of the future payments is treated as a liability.

Pensions

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions payable for the period are charged in the profit and loss account.

2. TURNOVER

The turnover and loss before taxation are attributable to the one principal activity of the company.

All of the turnover and loss for the period arises from the company's trading activities in the United Kingdom.

3. STAFF COSTS

	£
Wages and salaries	139,323
Social security costs	13,877
Other pension costs	4,215
	157,415

SmartSourcing PLC

Notes to the Financial Statements for the Period 24 January 2002 to 31 December 2002

3. STAFF COSTS - continued

The average monthly number of employees during the period was as follows:

Directors	2
Administration	4
	6

4. OPERATING LOSS

The operating loss is stated after charging:

	£
Depreciation - owned assets	1,894
Depreciation - assets on hire purchase contracts	4,949
Auditors' remuneration	1,000
Formation costs	160
Directors' emoluments	16,778
Directors' pension contributions to money purchase schemes	375

The number of directors to whom retirement benefits were accruing was as follows:

Money purchase schemes	1

5. INTEREST PAYABLE AND SIMILAR CHARGES

	£
Bank interest	1,298
Factoring interest	2,471
Hire purchase	812
	4,581

6. TAXATION

Analysis of the tax charge

No liability to UK corporation tax arose on ordinary activities for the period.

SmartSourcing PLC

Notes to the Financial Statements for the Period 24 January 2002 to 31 December 2002

7. TANGIBLE FIXED ASSETS

	Office equipment	Motor vehicles	Totals
	£	£	£
COST:			
Additions	5,694	23,749	29,443
At 31 December 2002	5,694	23,749	29,443
DEPRECIATION:			
Charge for period	1,894	4,949	6,843
At 31 December 2002	1,894	4,949	6,843
NET BOOK VALUE:			
At 31 December 2002	3,800	18,800	22,600

Fixed assets, included in the above, which are held under hire purchase contracts are as follows:

	Motor vehicles
	£
COST:	
Additions	23,749
At 31 December 2002	23,749
DEPRECIATION:	
Charge for period	4,949
At 31 December 2002	4,949
NET BOOK VALUE:	
At 31 December 2002	18,800

8. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	£
Trade debtors	340,815
Other debtors	300
	341,115

At 31 December 2002 £275,236 of the trade debtor balance had been factored to Bank of Scotland Cashflow Finance.

SmartSourcing PLC

Notes to the Financial Statements for the Period 24 January 2002 to 31 December 2002

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	£
Bank loans and overdrafts (see note 11)	45,128
Factoring account (see note 11)	207,489
Hire purchase contracts (see note 12)	7,233
Trade creditors	48,162
Social security and other taxes	42,825
Accrued expenses	7,123
	<u>357,960</u>

10. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	£
Hire purchase contracts (see note 12)	<u>9,041</u>

11. LOANS AND OVERDRAFTS

An analysis of the maturity of loans and overdrafts is given below:

	£
Amounts falling due within one year or on demand:	
Bank overdrafts	45,128
Factoring account	207,489
	<u>252,617</u>

The company has granted a debenture in favour of HSBC Republic Bank (UK) Limited giving a fixed and floating charge over its asset (excluding its trade debtors which are factored) in respect of the bank overdraft.

SmartSourcing PLC

Notes to the Financial Statements for the Period 24 January 2002 to 31 December 2002

12. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS

	£
Gross obligations repayable:	
Within one year	8,209
Between one and five years	10,261
	<u>18,470</u>
Finance charges repayable:	
Within one year	976
Between one and five years	1,220
	<u>2,196</u>
Net obligations repayable:	
Within one year	7,233
Between one and five years	9,041
	<u>16,274</u>

13. CALLED UP SHARE CAPITAL

Authorised:			
Number:	Class:	Nominal value:	£
10,000,000	Ordinary	£1	10,000,000
			<u>10,000,000</u>
Allotted, issued and fully paid:			
Number:	Class:	Nominal value:	£
140,625	Ordinary	£1	140,625
			<u>140,625</u>

The following shares were allotted and fully paid for cash at par during the period:

125,000 Ordinary shares of £1 each

The following fully paid shares were allotted during the period at a premium as shown below:

15,625 Ordinary shares of £1 each at £1.4 per share

14. SHARE PREMIUM

	£
Cash share issue	21,875
	<u>21,875</u>

SmartSourcing PLC

Notes to the Financial Statements for the Period 24 January 2002 to 31 December 2002

15. OTHER FINANCIAL COMMITMENTS

The company holds an operating lease for its offices. The rent payable under the lease is £6,000 per annum and it is renewable yearly on 1st March.

16. TRANSACTIONS WITH DIRECTORS

During the period the company was charged £5,325 and invoiced £1,100 for consultancy fees by and to companies controlled by A Martin.

During the period the company was charged £9,932 for software development by a company controlled by J Adlington, a former director.

17. RELATED PARTY DISCLOSURES

During the period the company was charged £9,305 by N Levy, the company Secretary, in respect of consultancy fees.

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	£
Loss for the financial period	(119,527)
Shares issued	140,625
Share premium	21,875
Net addition to shareholders' funds	42,973
Opening shareholders' funds	-
Closing shareholders' funds	42,973
Equity interests	42,973

19. PENSION SCHEMES

During the period the company made contributions of £4,215 to stakeholder pension schemes.