REGISTERED NUMBER: 04359421 (England and Wales)

REPORT OF THE DIRECTORS AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

FOR

SMARTSOURCING PLC

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SMARTSOURCING PLC

COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2011

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:	04359421 (England and Wales)
AUDITORS:	Goldwyns Limited Registered Auditor Chartered Accountants Rutland House 90-92 Baxter Avenue Southend on Sea Essex SS2 6HZ

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2011

The directors present their report with the financial statements of the company for the year ended 31 December 2011

PRINCIPAL ACTIVITY
The principal activity of the company in the year under review was that of recruitment consultants

REVIEW OF BUSINESS
The results for the year and financial position of the company are as shown in the annexed financial statements

The predicted impacts to the business made in the last accounts have been proven to be correct with a significant downturn in public sector business

The directors have reviewed its ongoing strategy as a result of the turbulence in the economic climate and in particular the pressures on expenditure by the public sector

The new strategy has focussed on balancing its business from the public and private sector rather than being heavily biased by public sector contracts It features sales led, rather than preferred supplier led, business, forming strategic partnerships with large system integrators and increasing overall margins

The new strategy has enabled SmartSourcing plc to remain profitable despite a drastic reduction in public sector business and establish a more balanced business profile

The directors continue to have confidence in the prospects for the business and are confident of returning to profitable growth , subject to external downturns

DIVIDENDS
An interim dividend of £1 152 per share was paid on 21 January 2011 The directors recommend that no final dividend be paid

The total distribution of dividends for the year ended 31 December 2011 will be £180,000

A dividend of £0 320 per share was declared on 23rd January 2012 in respect of the year ended 31st December 2011

RESEARCH AND DEVELOPMENT
SmartSourcing plc continues to invest in E-resourcing technologies as an essential part of its overall service delivery strategy as well as a fundamental and pivotal element of its competitive edge in tendering for new business

DIRECTORS
The directors shown below have held office during the whole of the period from 1 January 2011 to the date of this report

A R Martin
A D White
J M Hall

COMPANY'S POLICY ON PAYMENT OF CREDITORS
The company's normal practice is to pay trade creditors within 30 days of the invoice but adheres to any special arrangements made with each individual supplier

Trade creditor days of the company at 31 December 2011 were an average of 24 days (2010 - 21 days) in respect of outstanding purchase invoices

PRINCIPAL RISKS AND UNCERTAINTIES
The management of the business and the execution of the company's strategy are subject to a number of risks

The dependence SmartSourcing plc has on a limited number of customers

Any further downturn in the UK economy

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2011

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 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

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information

AUDITORS

The auditors, Goldwyns Limited, will be proposed for re-appointment at the forthcoming Annual General Meeting

ON BEHALF OF THE BOARD:

N B Levy - Secretary

Date 01 03 12

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF SMARTSOURCING PLC

We have audited the financial statements of SmartSourcing plc for the year ended 31 December 2011 on pages five to fourteen The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 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 a Report of the Auditors 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 explained more fully in the Statement of Directors' Responsibilities set out on page three, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the financial statements to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements
In our opinion the financial statements
- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

A R Millman FCA (Senior Statutory Auditor)
for and on behalf of Goldwyns Limited
Registered Auditor
Chartered Accountants
Rutland House
90-92 Baxter Avenue
Southend on Sea
Essex
SS2 6HZ

Date 6/3/2012

SMARTSOURCING PLC (REGISTERED NUMBER. 04359421)

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	2011 £	2010 £
TURNOVER	2	12,201,443	15,151,570
Cost of sales		11,207,495	13,853,583
GROSS PROFIT		993,948	1,297,987
Administrative expenses		959,827	1,032,824
OPERATING PROFIT	4	34,121	265,163
Interest payable and similar charges	5	10,801	9,038
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		23,320	256,125
Tax on profit on ordinary activities	6	8,498	53,559
PROFIT FOR THE FINANCIAL YEAR		14,822	202,566

CONTINUING OPERATIONS
None of the company's activities were acquired or discontinued during the current year or previous year

TOTAL RECOGNISED GAINS AND LOSSES
The company has no recognised gains or losses other than the profits for the current year or previous year

The notes form part of these financial statements

BALANCE SHEET
31 DECEMBER 2011

	Notes	2011 £	£	2010 £	£
FIXED ASSETS					
Intangible assets	8		25,000		50,000
Tangible assets	9		20,629		29,741
Investments	10		-		-
			45,629		79,741
CURRENT ASSETS					
Debtors	11	1,726,770		1,621,601	
Cash at bank and in hand		56,323		50,953	
		1,783,093		1,672,554	
CREDITORS					
Amounts falling due within one year	12	1,384,344		1,142,739	
NET CURRENT ASSETS			398,749		529,815
TOTAL ASSETS LESS CURRENT LIABILITIES			444,378		609,556
CAPITAL AND RESERVES					
Called up share capital	15		156,250		156,250
Share premium	16		43,750		43,750
Profit and loss account	16		244,378		409,556
SHAREHOLDERS' FUNDS	20		444,378		609,556

The financial statements were approved by the Board of Directors on 01 03 12 and were signed on its behalf by

A R Martin - Director

The notes form part of these financial statements

SMARTSOURCING PLC (REGISTERED NUMBER: 04359421)

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	2011 £	2010 £
Net cash (outflow)/inflow from operating activities	1	(122,902)	551,186
Returns on investments and servicing of finance	2	(10,801)	(9,038)
Taxation		(52,467)	(97,916)
Capital expenditure	2	(465)	(23,675)
Equity dividends paid		(180,000)	(250,000)
		(366,635)	170,557
Management of liquid resources	2	372,005	(167,329)
Increase in cash in the period		5,370	3,228
Reconciliation of net cash flow to movement in net funds	3		
Increase in cash in the period		5,370	3,228
Change in net funds resulting from cash flows		5,370	3,228
Movement in net funds in the period		5,370	3,228
Net funds at 1 January		50,953	47,725
Net funds at 31 December		56,323	50,953

The notes form part of these financial statements

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

1 RECONCILIATION OF OPERATING PROFIT TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES

	2011 £	2010 £
Operating profit	34,121	265,163
Depreciation charges	34,577	35,287
Loss on disposal of fixed assets	-	1,609
(Increase)/Decrease in debtors	(105,169)	128,512
(Decrease)/Increase in creditors	(86,431)	120,615
Net cash (outflow)/inflow from operating activities	(122,902)	551,186

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

	2011 £	2010 £
Returns on investments and servicing of finance		
Interest paid	(10,801)	(9,038)
Net cash outflow for returns on investments and servicing of finance	(10,801)	(9,038)
Capital expenditure		
Purchase of tangible fixed assets	(465)	(31,974)
Sale of tangible fixed assets	-	8,299
Net cash outflow for capital expenditure	(465)	(23,675)
Management of liquid resources		
Invoice discounting	372,005	(167,329)
Net cash inflow/(outflow) from management of liquid resources	372,005	(167,329)

3 ANALYSIS OF CHANGES IN NET FUNDS

	At 1 1 11 £	Cash flow £	At 31 12 11 £
Net cash			
Cash at bank and in hand	50,953	5,370	56,323
	50,953	5,370	56,323
Total	50,953	5,370	56,323

The notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

1 ACCOUNTING POLICIES

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

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

Intangible assets
Acquired Intellectual Property Rights are recognised on the balance sheet as intangible assets at cost, and are amortised evenly over their estimated useful life of five years

Tangible fixed assets
Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life

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

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

Foreign currencies
Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction Exchange differences are taken into account in arriving at the operating result

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

Rentals paid under operating leases are charged to the profit and loss account as incurred

Pension costs and other post-retirement benefits
The company operates a defined contribution pension scheme Contributions payable to the company's pension scheme are charged to the profit and loss account in the period to which they relate

2 TURNOVER

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

An analysis of turnover by geographical market is given below

	2011	2010
	£	£
United Kingdom	12,030,026	15,151,570
European markets	171,417	-
	12,201,443	15,151,570

continued

3 STAFF COSTS

	2011	2010
	£	£
Wages and salaries	566,247	581,962
Social security costs	66,416	69,755
Other pension costs	19,163	27,482
	651,826	679,199

The average monthly number of employees during the year was as follows

	2011	2010
Directors	2	2
Administration	15	14
	17	16

4 OPERATING PROFIT

The operating profit is stated after charging

	2011	2010
	£	£
Other operating leases	21,225	26,168
Depreciation - owned assets	9,577	10,288
Loss on disposal of fixed assets	-	1,609
Patents and licences amortisation	25,000	25,000
Auditors' remuneration	3,800	5,600
Other services relating to taxation	1,040	1,235
Foreign exchange differences	1,523	-
Directors' remuneration	94,977	123,733
Directors' pension contributions to money purchase schemes	2,690	2,690

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

Money purchase schemes	1	1

5 INTEREST PAYABLE AND SIMILAR CHARGES

	2011	2010
	£	£
Discounting interest	10,801	9,038

continued

6 TAXATION

Analysis of the tax charge
The tax charge on the profit on ordinary activities for the year was as follows

	2011 £	2010 £
Current tax		
UK corporation tax	8,498	53,559
Tax on profit on ordinary activities	8,498	53,559

Factors affecting the tax charge
The tax assessed for the year is higher than the standard rate of corporation tax in the UK The difference is explained below

	2011 £	2010 £
Profit on ordinary activities before tax	23,320	256,125
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20 246% (2010 - 21%)	4,721	53,786
Effects of		
Expenses not deductible for tax	3,024	1,502
Accelerated capital allowances	753	(1,729)
Current tax charge	8,498	53,559

7 DIVIDENDS

	2011 £	2010 £
Ordinary shares of £1 each		
Interim	180,000	250,000

8 INTANGIBLE FIXED ASSETS

	Patents and licences £
COST	
At 1 January 2011 and 31 December 2011	125,000
AMORTISATION	
At 1 January 2011	75,000
Amortisation for year	25,000
At 31 December 2011	100,000
NET BOOK VALUE	
At 31 December 2011	25,000
At 31 December 2010	50,000

continued

9 TANGIBLE FIXED ASSETS

	Motor vehicles £	Office equipment £	Totals £
COST			
At 1 January 2011	25,414	48,639	74,053
Additions	-	465	465
At 31 December 2011	25,414	49,104	74,518
DEPRECIATION			
At 1 January 2011	4,435	39,877	44,312
Charge for year	5,245	4,332	9,577
At 31 December 2011	9,680	44,209	53,889
NET BOOK VALUE			
At 31 December 2011	15,734	4,895	20,629
At 31 December 2010	20,979	8,762	29,741

10 FIXED ASSET INVESTMENTS

	Shares in group undertakings £
COST	
At 1 January 2011 and 31 December 2011	100
PROVISIONS	
At 1 January 2011 and 31 December 2011	100
NET BOOK VALUE	
At 31 December 2011	-
At 31 December 2010	-

The company's investments at the balance sheet date in the share capital of companies include the following

E-Smartsourcing Limited
Nature of business Dormant

Class of shares	% holding
Ordinary	100 00

	2011 £	2010 £
Aggregate capital and reserves	100	100

Due to the immaterial nature of its subsidiaries, the company is exempt from preparing consolidated accounts under Section 405 of the Companies Act 2006

continued

11 DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2011	2010
	£	£
Trade debtors	1,695,138	1,601,444
Other debtors	6,610	5,138
Prepayments	25,022	15,019
	1,726,770	1,621,601

At 31 December 2011 £1,263,819 (2010 - £989,100) of the trade debtor balance had been discounted by HSBC Invoice Finance (UK) Ltd

12 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2011	2010
	£	£
Trade creditors	746,291	811,311
Tax	8,507	52,476
Social security and other taxes	32,785	38,382
VAT	33,247	44,602
Invoice discounting advances	547,044	175,039
Accrued expenses	16,470	20,929
	1,384,344	1,142,739

13 OPERATING LEASE COMMITMENTS

The following operating lease payments are committed to be paid within one year

	Other operating leases	
	2011	2010
	£	£
Expiring		
Within one year	2,612	8,106

14 SECURED DEBTS

The following secured debts are included within creditors

	2011	2010
	£	£
Invoice discounting advances	547,044	175,039

The company has granted a fixed charge and a floating charge to HSBC Invoice Finance (UK) Limited and HSBC Bank plc

15 CALLED UP SHARE CAPITAL

Allotted, issued and fully paid

Number	Class	Nominal value	2011	2010
			£	£
156,250	Ordinary	£1	156,250	156,250

continued

16 RESERVES

	Profit and loss account £	Share premium £	Totals £
At 1 January 2011	409,556	43,750	453,306
Profit for the year	14,822		14,822
Dividends	(180,000)		(180,000)
At 31 December 2011	244,378	43,750	288,128

17 PENSION COMMITMENTS

During the year the company made contributions of £19,164 (2010 - £27,482) to stakeholder pension schemes There were no contributions outstanding at the year end

18 RELATED PARTY DISCLOSURES

During the year, the company paid dividends of £5,629 (2010 - £7,818) to J M Hall, a director

During the year, the company paid dividends of £26,119 (2010 - £36,277) to A D White, a director

During the year, the company paid dividends of £27,910 (2010 - £38,778) to A R Martin, a director

During the year, the company made payments on behalf of Trusted Faces Limited, a company under the control of the shareholders of SmartSourcing plc At the balance sheet date, Trusted Faces Limited owed £9,168 (2010 - £nil) to SmartSourcing plc although the accounts include a full provision against this debt

19 ULTIMATE CONTROLLING PARTY

There is no ultimate controlling party

20 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2011 £	2010 £
Profit for the financial year	14,822	202,566
Dividends	(180,000)	(250,000)
Net reduction of shareholders' funds	(165,178)	(47,434)
Opening shareholders' funds	609,556	656,990
Closing shareholders' funds	444,378	609,556