REGISTERED NUMBER: 04359421 (England and Wales)

STRATEGIC REPORT, REPORT OF THE DIRECTORS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 FOR SMARTSOURCING PLC

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SMARTSOURCING PLC (REGISTERED NUMBER: 04359421)

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SMARTSOURCING PLC

COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2016

DIRECTORS:	A R Martin J M Hall L M Martin
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 Statutory Auditors Chartered Accountants Rutland House 90-92 Baxter Avenue Southend on Sea Essex SS2 6HZ

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present their strategic report for the year ended 31 December 2016.

REVIEW OF BUSINESS

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

The company's results reflect the success of our strategy in a very competitive and unpredictable environment in which we have increased turnover, margins and underlying profits from continuing operations. The reduction in profit before tax is chiefly due to significant restructuring costs incurred as a result of the directors' strategic decision at the start of 2016 to focus on the company's core ICT recruitment activities.

In 2017 the company's strategy is to continue to increase its business across preferred supplier frameworks, with particular focus on the more flexible and profitable digital marketplace, and strategic partnerships with large system integrators.

Our strategy to increase margin is to:
- build on the success of our new division to concentrate on sales-led specialist resourcing; and
- increase our margin performance in our preferred supplier business by replacing transitioned business with new placements at higher levels of margin.

The directors continue to have confidence in the prospects for the business and, despite the challenges that the company is expected to face in 2017, are confident of maintaining profitable growth assuming there are no unforeseen economic downturns.

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the execution of the company's strategy are subject to a number of key risks:
- the uncertainty concerning the successor to Her Majesty Government's Contingent Labour framework which runs until June 2017; and
- the potential impact of the Public Sector IR35 Reform legislation effective from 6 April 2017.

RESEARCH AND DEVELOPMENT

SmartSourcing plc continues to invest in E-resourcing technologies and systems to underpin accreditation to ISO 9001 (Quality), ISO 14001 (Environmental) and IS0 27001 (Information Security Management) as an essential part of its overall service delivery strategy as well as a fundamental and pivotal element of maintaining competitive edge in tendering for new business.

ON BEHALF OF THE BOARD:

N. Levy

.....

N B Levy - Secretary

Date: 23.03.17

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present their report with the financial statements of the company for the year ended 31 December 2016.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of a specialist recruitment and consultancy organisation.

DIVIDENDS

The directors have recommended no final dividend for the year. The total distribution for the year ended 31 December 2016 will therefore amount to £nil.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2016 to the date of this report.

A R Martin
J M Hall
L M Martin

Other changes in directors holding office are as follows:

A D White - resigned 30 November 2016

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, 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. Levy

.....

N B Levy - Secretary

Date: 23.03.17

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 2016 on pages seven to twenty. 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), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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 Strategic Report and the Report of the Directors to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2016 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 Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF SMARTSOURCING PLC

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
Statutory Auditors
Chartered Accountants
Rutland House
90-92 Baxter Avenue
Southend on Sea
Essex
SS2 6HZ

Date: 31/3/2017

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 £	2015 £
TURNOVER	3	24,063,401	23,012,370
Cost of sales		22,285,680	21,304,160
GROSS PROFIT		1,777,721	1,708,210
Administrative expenses		1,431,619	1,313,977
OPERATING PROFIT	5	346,102	394,233
Costs of reorganisation	6	(100,500)	-
Potential acquisition costs	6	(38,576)	-
		207,026	394,233
Interest payable and similar expenses	7	9,311	14,082
PROFIT BEFORE TAXATION		197,715	380,151
Tax on profit	8	20,675	(41,883)
PROFIT FOR THE FINANCIAL YEAR		177,040	422,034

The notes form part of these financial statements

OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 £	2015 £
PROFIT FOR THE YEAR		177,040	422,034
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		177,040	422,034

The notes form part of these financial statements

BALANCE SHEET
31 DECEMBER 2016

	Notes	2016 £	£	2015 £	£
FIXED ASSETS					
Intangible assets	10		-		-
Tangible assets	11		7,777		32,732
Investments	12		-		-
			7,777		32,732
CURRENT ASSETS					
Debtors	13	2,243,367		1,628,285	
Cash at bank and in hand		70,349		171,245	
		2,313,716		1,799,530	
CREDITORS					
Amounts falling due within one year	14	1,752,710		1,040,519	
NET CURRENT ASSETS			561,006		759,011
TOTAL ASSETS LESS CURRENT LIABILITIES			568,783		791,743
CAPITAL AND RESERVES					
Called up share capital	17		156,250		156,250
Share premium	18		43,750		43,750
Retained earnings	18		368,783		591,743
SHAREHOLDERS' FUNDS			568,783		791,743

The financial statements were approved by the Board of Directors on 23.03.17 and were signed on its behalf by:

A R Martin - Director

The notes form part of these financial statements

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Called up share capital £	Retained earnings £	Share premium £	Total equity £
Balance at 1 January 2015	156,250	489,709	43,750	689,709
Changes in equity				
Dividends	-	(320,000)	-	(320,000)
Total comprehensive income	-	422,034	-	422,034
Balance at 31 December 2015	156,250	591,743	43,750	791,743
Changes in equity				
Dividends	-	(400,000)	-	(400,000)
Total comprehensive income	-	177,040	-	177,040
Balance at 31 December 2016	156,250	368,783	43,750	568,783

The notes form part of these financial statements

SMARTSOURCING PLC (REGISTERED NUMBER: 04359421)

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 £	2015 £
Cash flows from operating activities			
Cash generated from operations	1	122,022	1,210,142
Interest paid		(8,353)	(12,029)
Interest element of hire purchase payments paid		(958)	(2,053)
Tax paid		(42,567)	(1,597)
Net cash from operating activities		70,144	1,194,463
Cash flows from investing activities			
Purchase of tangible fixed assets		(3,637)	(4,850)
Sale of tangible fixed assets		18,000	-
Net cash from investing activities		14,363	(4,850)
Cash flows from financing activities			
Capital repayments in year		(19,575)	(6,220)
Equity dividends paid		(400,000)	(320,000)
Invoice discounting funding		234,172	(750,404)
Net cash from financing activities		(185,403)	(1,076,624)
(Decrease)/increase in cash and cash equivalents		(100,896)	112,989
Cash and cash equivalents at beginning of year	2	171,245	58,256
Cash and cash equivalents at end of year	2	70,349	171,245

The notes form part of these financial statements

NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

1. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

	2016	2015
	£	£
Profit before taxation	197,715	380,151
Depreciation charges	15,935	18,309
Profit on disposal of fixed assets	(5,344)	-
Finance costs	9,311	14,082
	217,617	412,542
(Increase)/decrease in trade and other debtors	(615,082)	1,178,156
Increase/(decrease) in trade and other creditors	519,487	(380,556)
Cash generated from operations	122,022	1,210,142

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

Year ended 31 December 2016

	31.12.16	1.1.16
	£	£
Cash and cash equivalents	70,349	171,245

Year ended 31 December 2015

	31.12.15	1.1.15
	£	£
Cash and cash equivalents	171,245	58,256

The notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. STATUTORY INFORMATION

SmartSourcing plc is a public limited company, registered in England and Wales. The company's registered number and address can be found on the Company Information page.

2. ACCOUNTING POLICIES

Basis of preparing the financial statements
These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

Turnover
Turnover represents the value of services provided to the extent that there is a right to consideration and is recorded at the value of the consideration due. Partially completed services are recognised on a proportion of the total expected consideration at completion. In accordance with the industry in which the company operates, partially completed services are recognised according to the end of the working week in which the service occurs.

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 or, if held under a finance lease, over the lease term, whichever is the shorter.

Motor vehicles	-	25% on reducing balance
Office equipment	-	33.33% on cost

Investments in subsidiaries
Investments in subsidiary undertakings are recognised at cost less any provision for impairment.

Taxation
Taxation for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that that have been enacted or substantively enacted by the balance sheet date.

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

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

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.

continued...

2. ACCOUNTING POLICIES - continued

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 profit or loss in the period to which they relate.

3. TURNOVER

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

An analysis of turnover by class of business is given below:

	2016 £	2015 £
Contract fees	23,983,873	22,885,066
Permanent placement fees	79,528	127,304
	24,063,401	23,012,370

4. EMPLOYEES AND DIRECTORS

	2016 £	2015 £
Wages and salaries	995,252	852,599
Social security costs	118,087	96,431
Other pension costs	51,639	37,502
	1,164,978	986,532

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

	2016	2015
Directors	2	2
Administration	24	23
	26	25

	2016 £	2015 £
Directors' remuneration	135,682	116,865
Directors' pension contributions to money purchase schemes	3,930	3,157

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

Money purchase schemes	1	1

continued...

5. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	2016	2015
	£	£
Hire of plant and machinery	20,561	23,333
Depreciation - owned assets	12,117	12,817
Depreciation - assets on hire purchase contracts	3,819	5,492
Profit on disposal of fixed assets	(5,344)	-
Auditors' remuneration	4,600	4,400
Taxation compliance services	1,000	1,000

6. EXCEPTIONAL ITEMS

	2016	2015
	£	£
Costs of reorganisation	(100,500)	-
Potential acquisition costs	(38,576)	-
	(139,076)	-

During the year, the directors restructured the company's management team to strengthen its focus on the company's core services. As part of this process, two senior personnel came to an exit agreement with the company. The additional costs of their departure are considered exceptional by the directors and have been presented accordingly.

Separate to the above, the company entered into discussions concerning potential merger and acquisition activity which ultimately proved abortive. The directors consider the costs incurred in this process to be exceptional to the company's usual activities and have presented them accordingly.

7. INTEREST PAYABLE AND SIMILAR EXPENSES

	2016	2015
	£	£
Discounting interest	8,353	12,029
Hire purchase interest	958	2,053
	9,311	14,082

8. TAXATION

Analysis of the tax charge/(credit)
The tax charge/(credit) on the profit for the year was as follows:

	2016	2015
	£	£
Current tax:		
UK corporation tax	20,675	42,401
Adjustments in respect of prior periods	-	(84,284)
Tax on profit	20,675	(41,883)

continued...

8. **TAXATION - continued**

Reconciliation of total tax charge/(credit) included in profit and loss
The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2016 £	2015 £
Profit before tax	197,715	380,151
Profit multiplied by the standard rate of corporation tax in the UK of 20% (2015 - 20.246%)	39,543	76,965
Effects of:		
Expenses not deductible for tax purposes	8,107	655
Depreciation in excess of capital allowances	1,051	2,013
Adjustments to tax charge in respect of previous periods	(317)	(84,285)
Marginal relief	-	(332)
Provision for enhanced expenditure relief	(27,709)	(36,899)
Total tax charge/(credit)	20,675	(41,883)

9. **DIVIDENDS**

	2016 £	2015 £
Ordinary shares of £1 each		
Final	400,000	320,000

10. **INTANGIBLE FIXED ASSETS**

	Patents and licences £
COST	
At 1 January 2016 and 31 December 2016	125,000
AMORTISATION	
At 1 January 2016 and 31 December 2016	125,000
NET BOOK VALUE	
At 31 December 2016	-
At 31 December 2015	-

continued...

11. **TANGIBLE FIXED ASSETS**

	Motor vehicles £	Office equipment £	Totals £
COST			
At 1 January 2016	41,965	61,687	103,652
Additions	-	3,637	3,637
Disposals	(41,965)	-	(41,965)
At 31 December 2016	-	65,324	65,324
DEPRECIATION			
At 1 January 2016	25,490	45,430	70,920
Charge for year	3,819	12,117	15,936
Eliminated on disposal	(29,309)	-	(29,309)
At 31 December 2016	-	57,547	57,547
NET BOOK VALUE			
At 31 December 2016	-	7,777	7,777
At 31 December 2015	16,475	16,257	32,732

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

	Motor vehicles £
COST	
At 1 January 2016	41,965
Disposals	(41,965)
At 31 December 2016	-
DEPRECIATION	
At 1 January 2016	25,490
Charge for year	3,819
Eliminated on disposal	(29,309)
At 31 December 2016	-
NET BOOK VALUE	
At 31 December 2016	-
At 31 December 2015	16,475

continued...

12. FIXED ASSET INVESTMENTS

	Shares in group undertakings £
COST	
At 1 January 2016 and 31 December 2016	100
PROVISIONS	
At 1 January 2016 and 31 December 2016	100
NET BOOK VALUE	
At 31 December 2016	-
At 31 December 2015	-

The company's investments at the Balance Sheet date in the share capital of companies include the following:

E-Smartsourcing Limited
Registered office:
Nature of business: Dormant

Class of shares:	% holding
Ordinary	100.00

	2016 £	2015 £
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.

13. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016 £	2015 £
Trade debtors	2,234,022	1,615,509
Other debtors	445	8,509
Prepayments	8,900	4,267
	2,243,367	1,628,285

At 31 December 2016 £649,474 of the trade debtor balance was subject to financing agreements by HSBC Invoice Finance (UK) Ltd (2015 - £1,079,815). Cash advances made against these agreements are included separately under creditors.

continued...

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016	2015
	£	£
Hire purchase contracts (see note 15)	-	19,575
Trade creditors	1,244,297	813,349
Tax	19,930	41,822
Social security and other taxes	82,502	37,399
VAT	130,279	96,208
Other creditors	257	-
Invoice discounting advances	234,172	-
Accrued expenses	41,273	32,166
	1,752,710	1,040,519

15. LEASING AGREEMENTS

Minimum lease payments fall due as follows:

	Hire purchase contracts	
	2016	2015
	£	£
Gross obligations repayable:		
Within one year	-	20,773
Finance charges repayable:		
Within one year	-	1,198
Net obligations repayable:		
Within one year	-	19,575

	Non-cancellable operating leases	
	2016	2015
	£	£
Within one year	-	4,000
Between one and five years	8,148	13,295
	8,148	17,295

continued...

16. SECURED DEBTS

The following secured debts are included within creditors:

	2016	2015
	£	£
Hire purchase contracts	-	19,575
Invoice discounting advances	234,172	-
	234,172	19,575

Hire purchase liabilities were secured on the assets to which they relate.

The company has granted a fixed charge and a floating charge to HSBC Invoice Finance (UK) Limited and HSBC Bank plc. The company has also assigned its rights under its contract with HSBC Invoice Finance (UK) Limited to HSBC Bank plc as security for all of its debts and liabilities owed to HSBC Bank plc.

17. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2016	2015
			£	£
156,250	Ordinary	£1	156,250	156,250

18. RESERVES

	Retained earnings	Share premium	Totals
	£	£	£
At 1 January 2016	591,743	43,750	635,493
Profit for the year	177,040		177,040
Dividends	(400,000)		(400,000)
At 31 December 2016	368,783	43,750	412,533

19. PENSION COMMITMENTS

During the year the company made contributions of £51,639 (2015 - £37,502) to stakeholder pension schemes. There were no contributions outstanding at the year end.

20. RELATED PARTY DISCLOSURES

During the year, the company's total compensation to key management personnel (including directors) amounted to £368,996 (2015 - £312,476).

During the year, the company paid dividends of £277,199 (2015 - £221,759) to key management personnel .

At the balance sheet date the company was owed £11,248 by companies under the control of the shareholders of SmartSourcing plc (2015 - £11,248). Full provision against these debts have been made in previous periods.

21. ULTIMATE CONTROLLING PARTY

There is no ultimate controlling party.