

**SMS AGENCIES LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31ST MAY 2001**

Company No. 3529845



# **SMS AGENCIES LIMITED**

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# **SMS AGENCIES LIMITED**

## **DIRECTORS' REPORT**

**FOR THE YEAR ENDED 31ST MAY 2001**

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The directors present their report together with the audited financial statements for the year ended 31st May 2001.

### **Principal Activities and Review of Business**

The company's principal activity continued to be that of a specialist agency in the provision of staff to the distribution industry.

### **Results and Dividends**

The results for the year are set out in the profit and loss account on page 4.

The directors consider the state of the company's affairs to be satisfactory.

The directors recommend dividends amounting to £42,000 (2000 £237,000).

### **Directors**

The directors who served during the year and their beneficial interests in the company's issued share capital were:

	<b>Ordinary Shares</b>	
	<b>31st</b>	<b>31st</b>
	<b>May</b>	<b>May</b>
	<b>2001</b>	<b>2000</b>
B. Cook	1	1
L. Gates	1	1
M. Gates	1	1

### **Political and Charitable Contributions**

The company made no political or charitable contributions during the year.

### **Employees**

It is the company's policy to provide positions to disabled people where possible. All employees are made aware of the aims and objectives of the business.

# **SMS AGENCIES LIMITED**

## **DIRECTORS' REPORT**

**FOR THE YEAR ENDED 31ST MAY 2001**

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### **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 company's affairs and of the profit or loss for that year. In preparing these 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;

State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;

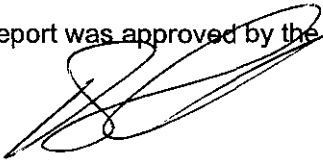
Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the company and 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**

A resolution to reappoint Wilkins Kennedy Chartered Accountants as auditors will be put to the members at the Annual General Meeting.

This report was approved by the board on 11th March 2001, and signed on its behalf.



B. Cook, Director

# AUDITORS' REPORT TO THE SHAREHOLDERS OF SMS AGENCIES LIMITED

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We have audited the financial statements of SMS Agencies Limited for the year ended 31st May 2001 which comprise the Profit and Loss account, the Balance Sheet, the Cash Flow Statement 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.

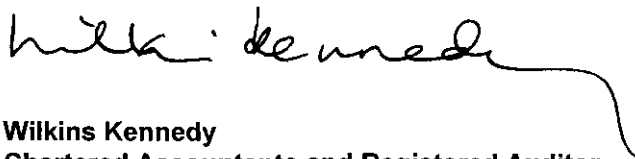
## **Basis of Opinion**

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 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 the 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 31st May 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Wilkins Kennedy**  
**Chartered Accountants and Registered Auditor**  
**BRB House**  
**180 High Street**  
**Egham**  
**Surrey**  
**TW20 9DN**  
**Date: 11th March 2002**

# SMS AGENCIES LIMITED

## PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST MAY 2001

	Notes	2001 £	2000 £
Turnover	2	17,395,018	15,118,350
Cost of sales		13,133,478	11,024,993
<b>Gross Profit</b>		<b>4,261,540</b>	<b>4,093,357</b>
Administrative expenses		4,184,270	3,723,100
<b>Operating Profit</b>	3	<b>77,270</b>	<b>370,257</b>
Interest receivable	4	2,506	1,928
Interest payable and similar charges	5	9,456	9,515
<b>Profit on Ordinary Activities before Taxation</b>		<b>70,320</b>	<b>362,670</b>
Tax on profit on ordinary activities	7	24,387	103,530
<b>Profit for the Financial Year</b>		<b>45,933</b>	<b>259,140</b>
Dividends	8	42,000	237,000
<b>Retained Profit for the Year</b>	17	<b>3,933</b>	<b>22,140</b>
<b>Retained Profit Brought Forward</b>	17	<b>22,140</b>	<b>-</b>
<b>Retained Profit Carried Forward</b>	17	<b>26,073</b>	<b>22,140</b>

All amounts relate to continuing activities.

There were no recognised gains or losses for 2001 or 2000 other than those included in the profit and loss account.

# SMS AGENCIES LIMITED

## BALANCE SHEET

AS AT 31ST MAY 2001

	Notes	2001 £	2000 £
<b>Fixed Assets</b>			
Tangible assets	9	677,710	250,078
<b>Current Assets</b>			
Debtors	10	3,342,818	3,357,305
Cash at bank and in hand		125,390	100,000
		<u>3,468,208</u>	<u>3,457,305</u>
<b>Creditors: Amounts Falling Due Within One Year</b>	11	4,015,957	3,659,935
		<u>(547,749)</u>	<u>(202,630)</u>
<b>Net Current Liabilities</b>			
<b>Total Assets Less Current Liabilities</b>		<u>129,961</u>	<u>47,448</u>
<b>Creditors: Amounts Falling Due After More Than One Year</b>	12	103,885	25,305
		<u>26,076</u>	<u>22,143</u>
<b>Capital and Reserves</b>			
Share capital	16	3	3
Profit and loss account	17	26,073	22,140
<b>Shareholders' Funds</b>			
(equity interests)	18	<u>26,076</u>	<u>22,143</u>

These financial statements were approved by the board on 11th March 2001 and signed on its behalf.

**B. Cook**  
Director

**L. Gates**  
Director

**M. Gates**  
Director

# SMS AGENCIES LIMITED

## CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST MAY 2001

	Notes	2001 £	2000 £
<b>Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities</b>			
Operating profit		77,270	370,257
Depreciation		85,731	89,095
Loss on sale of fixed assets		12,214	7,318
Decrease in debtors		14,487	(3,357,305)
Increase in creditors		102,441	3,424,657
<b>Net Cash Inflow from Operating Activities</b>		292,143	534,022
<b>CASH FLOW STATEMENT</b>			
<b>Net Cash Inflow from Operating Activities</b>		292,143	534,022
<b>Returns on Investments and Servicing of Finance</b>	1	(6,950)	(7,587)
<b>Taxation</b>		-	-
<b>Capital Expenditure and Financial Investment</b>	1	(525,576)	(346,491)
<b>Equity Dividends Paid</b>		(42,000)	(237,000)
<b>Cash Outflow Before Use of Liquid Resources and Financing</b>		(282,383)	(57,056)
<b>Financing</b>	1	92,529	52,172
<b>Decrease in Cash</b>		(189,854)	(4,884)
<b>Reconciliation of Net Cash Flow to Movement in Net Debt</b>			
<b>Decrease in Cash in the Year</b>		(189,854)	(4,884)
Cash inflow from increase in net debt and lease financing	3	(92,529)	(52,172)
<b>Increase in Net Debt</b>	3	(282,383)	(57,056)
<b>Net Debt at 1st June 2000</b>		(57,053)	3
<b>Net Debt at 31st May 2001</b>	3	(339,436)	(57,053)

The notes on pages 8 to 13 form part of these financial statements.



# SMS AGENCIES LIMITED

## NOTES TO THE CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST MAY 2001

1

Gross Cash Flows	2001 £	2000 £
<b>Returns on Investments and Servicing of Finance</b>		
Interest received	2,506	1,928
Interest paid	(2,469)	(2,265)
Interest element of finance lease rentals payment	(6,987)	(7,250)
Net cash outflow for returns on investments and servicing of finance	(6,950)	(7,587)
<b>Capital Expenditure and Financial Investment</b>		
Payments to acquire tangible fixed assets	(542,236)	(357,591)
Proceeds from the sale of fixed assets	16,660	11,100
Net cash outflow from investing activities	(525,576)	(346,491)
<b>Financing</b>		
Increase in other bank loans due within 1 year	25,740	-
Increase in bank loans due after more than 1 year	101,768	-
Capital element of finance lease rentals payments	(34,979)	52,172
Net cash inflow for financing	92,529	52,172

2

Analysis of Changes in Cash and Cash Equivalents During the Year	2001 £	2000 £
Balance at 1st June 2000	(4,881)	3
Net cash outflow	(189,855)	(4,884)
Balance at 31st May 2001	(194,736)	(4,881)

3

Analysis of Changes in Net Debt	2000 £	Cash flows £	2001 £
Cash at bank and in hand	100,000	25,390	125,390
Overdrafts	(104,881)	(215,245)	(320,126)
	(4,881)	(189,855)	(194,736)
Debt due within 1 year	-	(25,740)	(25,740)
Debt due after 1 year	-	(101,768)	(101,768)
Finance leases	(52,172)	34,979	(17,193)
	(52,172)	(92,529)	(144,701)
	(57,053)	(282,384)	(339,437)

The notes on pages 8 to 13 form part of these financial statements.

# SMS AGENCIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MAY 2001

### 1 Accounting Policies

#### Basis of Accounting

The Financial Statements have been prepared in accordance with applicable accounting standards and under the historical cost convention.

#### Turnover

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding VAT and trade discounts.

#### Depreciation

Depreciation is calculated to write down the cost or valuation less estimated residual value of all tangible fixed assets other than freehold land over their expected useful lives. The rates and periods generally applicable are:

Freehold premises	4% per annum on a straight line basis
Improvements to premises	25% per annum on a straight line basis
Motor vehicles	25% per annum on a reducing balance basis
Fixtures and fittings	25% per annum on a reducing balance basis

#### Leased Assets

Assets held under finance leases and hire purchase contracts are capitalised in the Balance Sheet and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the Profit and Loss Account over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the Profit and Loss Account on a straight line basis over the lease term.

### 2 Turnover

The turnover was derived from the company's principal activity which was carried out wholly in the UK.

### 3 Operating Profit

The operating profit is arrived at after charging or crediting:

	2001	2000
	£	£
Depreciation of owned assets	73,537	69,744
Depreciation of assets held under finance leases and hire purchase contracts	12,194	19,351
Hire of equipment	1,461	5,114
Motor vehicle leasing	101,317	67,725
Hire of equipment - operating leases - land and buildings	207,997	178,137
Auditors' remuneration - non audit work	4,000	4,970
Auditors' remuneration	8,500	8,500
Previous auditors' remuneration	5,500	6,000

# SMS AGENCIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MAY 2001

<b>4</b>	<b>Interest Receivable</b>	<b>2001</b>	<b>2000</b>
		<b>£</b>	<b>£</b>
	Bank interest	2,506	1,884
	Other interest received	-	44
		<u>2,506</u>	<u>1,928</u>

<b>5</b>	<b>Interest Payable and Similar Charges</b>	<b>2001</b>	<b>2000</b>
		<b>£</b>	<b>£</b>
	Bank overdrafts and loans	1,069	1,440
	Finance leases and hire purchase contracts	6,987	7,250
	Interest payable on loans other than bank loans and overdrafts	1,400	825
		<u>9,456</u>	<u>9,515</u>

### **6 Directors and Employees**

Staff costs, including directors' remuneration, were as follows:

	<b>2001</b>	<b>2000</b>
	<b>£</b>	<b>£</b>
Wages and salaries	14,005,724	11,949,690
Social security costs	1,170,905	980,375
	<u>15,176,629</u>	<u>12,930,065</u>

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

	<b>2001</b>	<b>2000</b>
	<b>Number</b>	<b>Number</b>
Agency employees	867	879
Administration and management	90	77
	<u>957</u>	<u>956</u>

#### Directors' emoluments

	<b>2001</b>	<b>2000</b>
	<b>£</b>	<b>£</b>
Emoluments	<u>324,797</u>	<u>316,831</u>

The highest paid director received emoluments and benefits as follows:-

	<b>2001</b>	<b>2000</b>
	<b>£</b>	<b>£</b>
Emoluments	<u>112,747</u>	<u>107,106</u>

# SMS AGENCIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MAY 2001

### 7 Taxation

	2001 £	2000 £
Based on the profit for the year		
UK corporation tax at 20% (2000 - 24%)	24,387	103,530

### 8 Dividends

	2001 £	2000 £
Ordinary dividends - paid	42,000	237,000

### 9 Tangible Fixed Assets

	Freehold premises	Improvements to premises	Motor vehicles	Fixtures, fittings and equipment	Total
	£	£	£	£	£
<b>Cost</b>					
At 1st June 2000	-	16,867	66,282	250,305	333,454
Additions	500,000	-	-	42,236	542,236
Disposals	-	-	(45,973)	-	(45,973)
<b>At 31st May 2001</b>	500,000	16,867	20,309	292,541	829,717
<b>Depreciation</b>					
At 1st June 2000	-	4,217	16,570	62,588	83,375
Charge for the year	-	3,162	9,414	73,155	85,731
Disposals	-	-	(17,099)	-	(17,099)
<b>At 31st May 2001</b>	-	7,379	8,885	135,743	152,007
<b>Net Book Value</b>					
<b>At 31st May 2001</b>	500,000	9,488	11,424	156,798	677,710
At 31st May 2000	-	12,650	49,712	187,717	250,079

Assets held under finance leases originally cost £31,430 (2000: £77,403) and have a net book value of £16,985 (2000: £58,052).

Freehold premises relates to three properties transferred from the directors, at market value, all secured by personal guarantees of the directors.

### 10 Debtors

	2001 £	2000 £
Trade debtors	2,964,135	2,872,364
Other debtors	8,009	260,268
Prepayments and accrued income	370,674	224,673
	3,342,818	3,357,305

# SMS AGENCIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MAY 2001

<b>11</b>	<b>Creditors: Amounts Falling Due Within One Year</b>	<b>2001</b>	<b>2000</b>
		<b>£</b>	<b>£</b>
	Bank loans and overdrafts (Note 14)	345,866	104,881
	Obligations under hire purchase and finance lease contracts	15,076	26,867
	Trade creditors	2,236,160	2,074,691
	Corporation tax	127,917	103,530
	Other taxes and social security	858,730	1,086,583
	Other creditors	20,635	-
	Accruals and deferred income	411,573	263,383
		<u>4,015,957</u>	<u>3,659,935</u>

The bank overdrafts are secured by a fixed and floating charge over all of the company's assets.

<b>12</b>	<b>Creditors: Amounts Falling Due After One Year</b>	<b>2001</b>	<b>2000</b>
		<b>£</b>	<b>£</b>
	Bank loans and overdrafts (Note 14)	101,768	-
	Obligations under hire purchase and finance lease contracts (Note 13)	2,117	25,305
		<u>103,885</u>	<u>25,305</u>

The bank overdrafts are secured by a fixed and floating charge over all of the company's assets and by a debenture dated 19th October 1999, all in the name of HSBC Bank plc.

<b>13</b>	<b>Obligations Under Hire Purchase and Finance Leases</b>	<b>2001</b>	<b>2000</b>
		<b>£</b>	<b>£</b>
	Obligations under finance leases and hire purchase contracts are analysed:		
	Current obligations	15,076	26,867
	Obligations due between one and five years	2,117	25,305
		<u>17,193</u>	<u>52,172</u>

The above obligations are secured on the assets of the company.

# SMS AGENCIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MAY 2001

14	Loans	2001 £	2000 £
	Amounts included in creditors and payable in more than five years by instalments:		
	Loans repayable by instalments	10,899	-
	Amounts repayable:		
	In one year or less, or on demand	25,740	-
	Between one and two years	27,800	-
	Between two and five years	63,069	-
		116,609	-
	In five years or more	10,899	-
		127,508	-

The above loans relate to mortgages on three freehold properties transferred from the directors and secured by personal guarantees of the directors.

The loan repayable in more than five years carries interest at an annual rate of 3% above the base rate of HSBC Bank plc.

### 15 Operating Lease Commitments

At 31 May 2001 the company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings		Other	
	2001 £	2000 £	2001 £	2000 £
Operating leases which expire:				
Within one year	16,654	20,302	46,788	-
Between two and five years	35,130	52,238	46,185	92,930
After five years	29,300	25,650	-	-
	81,084	98,190	92,973	92,930

16	Share Capital	2001 £	2000 £
	<b>Authorised Equity Shares</b>		
	1,000 Ordinary shares of £1.00 each	1,000	1,000
	<b>Allotted Equity Shares</b>		
	3 Allotted, called up and fully paid ordinary shares of £1.00 each	3	3

# SMS AGENCIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MAY 2001

### 17 Reserves

	Profit and Loss Account
	£
Profit for the year	22,140
At 1st June 2000	22,140
Profit for the year	3,933
<b>At 31st May 2001</b>	<b>26,073</b>

### 18 Reconciliation of Shareholders' Funds

	2001 £	2000 £
Profit for the financial year	45,933	259,140
Dividends	(42,000)	(237,000)
Increase in shareholders' funds	3,933	22,140
Opening shareholders' funds	22,143	3
Closing shareholders' funds	26,076	22,143

### 19 Transactions with Directors

During the year the company provided interest free loans to directors as follows:

B. Cook - Amounts outstanding: 2001 - £484 Cr, 2000 - £88,137 Dr. Maximum during the year was £121,665.

L. Gates - Amounts outstanding: 2001 - £13,290 Cr, 2000 - £69,009 Dr. Maximum during the year was £107,780.

M. Gates - Amounts outstanding: 2001 - £192 Cr, 2000 - £86,980 Dr. Maximum during the year was £133,966.

### 20 Related Parties

The company was under the control of B. Cook, L. Gates and M. Gates, the directors of the company, throughout the year.

The company used services during the year costing £1,000 (2000 - £36,991) from Cook Solutions Limited, a computer consultancy company with C. Cook (brother of B. Cook) as its sole director.

Rent totalling £55,200 (2000 - £51,450) was paid to the directors, on an equal basis, during the year.

Fixed assets at a cost of £500,000 (2000 - £268,888) were acquired from the directors, on an equal basis, during the year.