

SMS AGENCIES LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MAY 2000

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SMS AGENCIES LIMITED

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SMS AGENCIES LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31ST MAY 2000

The directors present their report together with the audited financial statements for the year ended 31st May 2000.

Principal Activities and Review of Business

The company commenced trading on 1st June 1999 and the principal activity is that of a specialist agency in the provision of staff to the distribution industry. The company has consolidated its position during the year as a leading agency in this market.

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 £237,000 (1999 £-).

Future Developments

The development of new markets has been encouraging and the next year will see a rapid expansion of the company's activities in the retail sector.

Directors

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

		Ordinary Shares	
		31st	31st
		May	May
		2000	1999
B. Cook	(Appointed 8th July 1999)	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 2000

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;

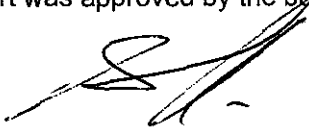
Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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 2002, and signed on its behalf.



B. Cook, Director

**AUDITORS' REPORT TO THE
SHAREHOLDERS OF SMS AGENCIES LIMITED**

We have audited the financial statements of SMS Agencies Limited for the year ended 31st May 2000 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 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Wilkins Kennedy

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 2000

	Notes	2000 £	1999 £
Turnover	2	15,118,350	-
Cost of sales		11,024,993	-
Gross Profit		4,093,357	-
Administrative expenses		3,723,100	-
Operating Profit	3	370,257	-
Interest receivable	4	1,928	-
Interest payable and similar charges	5	9,515	-
Profit on Ordinary Activities before Taxation		362,670	-
Tax on profit on ordinary activities	7	103,530	-
Profit for the Financial Year		259,140	-
Dividends	8	237,000	-
Retained Profit for the Year	16	22,140	-

All amounts relate to continuing activities.

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

SMS AGENCIES LIMITED

BALANCE SHEET

AS AT 31ST MAY 2000

	Notes	2000 £	1999 £
Fixed Assets			
Tangible assets	9	250,078	-
Current Assets			
Debtors	10	3,357,305	-
Cash at bank and in hand		100,000	3
		3,457,305	3
Creditors: Amounts Falling Due Within One Year	11	3,659,935	-
Net Current Liabilities/Assets		(202,630)	3
Total Assets Less Current Liabilities		47,448	3
Creditors: Amounts Falling Due After More Than One Year	12	25,305	-
		22,143	3
Capital and Reserves			
Share capital	15	3	3
Profit and loss account	16	22,140	-
Shareholders' Funds			
(equity interests)	17	22,143	3

These financial statements were approved by the board on 11th March 2002 and signed on its behalf.

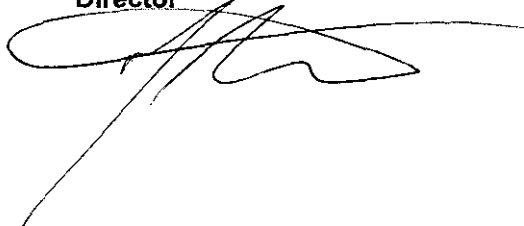
B. Cook
Director



L. Gates
Director



M. Gates
Director



SMS AGENCIES LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST MAY 2000

	Notes	2000 £	1999 £
Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities			
Operating profit		370,257	-
Depreciation		89,095	-
Loss on sale of fixed assets		7,318	-
Increase in debtors		(3,357,305)	-
Increase in creditors		3,424,657	-
Net Cash Inflow from Operating Activities		534,022	-
CASH FLOW STATEMENT			
Net Cash Inflow from Operating Activities		534,022	-
Returns on Investments and Servicing of Finance	1	(7,587)	-
Capital Expenditure and Financial Investment	1	(346,491)	-
Equity Dividends Paid		(237,000)	-
Cash Outflow Before Use of Liquid Resources and Financing		(57,056)	-
Financing	1	52,172	3
Decrease/Increase in Cash		(4,884)	3
Reconciliation of Net Cash Flow to Movement in Net Debt			
Decrease/Increase in Cash in the Year		(4,884)	3
Cash inflow from increase in net debt and lease financing	3	(52,172)	-
Increase/Decrease in Net Debt	3	(57,056)	3
Net Funds at 1st June 1999		3	-
Net Debt/Funds at 31st May 2000	3	(57,053)	3

SMS AGENCIES LIMITED

NOTES TO THE CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST MAY 2000

1

Gross Cash Flows	2000 £	1999 £
Returns on Investments and Servicing of Finance		
Interest received	1,928	-
Interest paid	(2,265)	-
Interest element of finance lease rentals payment	(7,250)	-
Net cash outflow for returns on investments and servicing of finance	(7,587)	-
Capital Expenditure and Financial Investment		
Payments to acquire tangible fixed assets	(357,591)	-
Proceeds from the sale of fixed assets	11,100	-
Net cash outflow from investing activities	(346,491)	-
Financing		
Issue of ordinary share capital	-	3
Capital element of finance lease rentals payments	52,172	-
Net cash inflow for financing	52,172	3

2

Analysis of Changes in Cash and Cash Equivalents During the Year	2000 £	1999 £
Balance at 1st June 1999	3	-
Net cash outflow	(4,884)	3
Balance at 31st May 2000	(4,881)	3

3

Analysis of Changes in Net Debt	1999 £	Cash flows £	2000 £
Cash at bank and in hand	3	99,997	100,000
Overdrafts	-	(104,881)	(104,881)
	3	(4,884)	(4,881)
Finance leases	-	(52,172)	(52,172)
	-	(52,172)	(52,172)
	3	(57,056)	(57,053)

SMS AGENCIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MAY 2000

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:

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:

	2000	1999
	£	£
Depreciation of owned assets	69,744	-
Depreciation of assets held under finance leases and hire purchase contracts	19,351	-
Loss on disposal of fixed assets	7,318	-
Hire of equipment	5,114	-
Motor vehicle leasing	67,725	-
Hire of equipment - operating leases - land and buildings	178,137	-
Auditors' remuneration - non audit work	4,970	-
Auditors' remuneration	8,500	-
Previous auditors' remuneration	6,000	-

SMS AGENCIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MAY 2000

4	Interest Receivable	2000	1999
		£	£
	Bank interest	1,884	-
	Other interest received	44	-
		<u>1,928</u>	<u>-</u>

5	Interest Payable and Similar Charges	2000	1999
		£	£
	Bank overdrafts and loans	1,440	-
	Finance leases and hire purchase contracts	7,250	-
	Interest payable on loans other than bank loans and overdrafts	825	-
		<u>9,515</u>	<u>-</u>

6 Directors and Employees

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

	2000	1999
	£	£
Wages and salaries	11,949,690	-
Social security costs	980,375	-
	<u>12,930,065</u>	<u>-</u>

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

	2000	1999
	Number	Number
Agency employees	879	-
Administration and management	77	-
	<u>956</u>	<u>-</u>

Directors' emoluments

	2000	1999
	£	£
Emoluments	316,831	-

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

	2000	1999
	£	£
Emoluments	107,106	-

SMS AGENCIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MAY 2000

7 Taxation

	2000 £	1999 £
Based on the profit for the year		
UK corporation tax at 24%	103,530	-

8 Dividends

	2000 £	1999 £
Ordinary dividends - paid	237,000	-

9 Tangible Fixed Assets

	Improvements to premises	Motor vehicles	Fixtures, fittings and equipment	Total
Cost	£	£	£	£
Additions	16,866	90,420	250,305	357,591
Disposals	-	(24,138)	-	(24,138)
At 31st May 2000	16,866	66,282	250,305	333,453
Depreciation				
Charge for the year	4,217	22,290	62,588	89,095
Disposals	-	(5,720)	-	(5,720)
At 31st May 2000	4,217	16,570	62,588	83,375
Net Book Value				
At 31st May 2000	12,649	49,712	187,717	250,078

Assets held under finance leases originally cost £77,403 (1999: £-) and have a net book value of £58,052 (1999: £-).

10 Debtors

	2000 £	1999 £
Trade debtors	2,872,364	-
Other debtors	260,268	-
Prepayments and accrued income	224,673	-
	3,357,305	-

SMS AGENCIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MAY 2000

11	Creditors: Amounts Falling Due Within One Year	2000	1999
		£	£
	Bank loans and overdrafts	104,881	-
	Obligations under hire purchase and finance lease contracts	26,867	-
	Trade creditors	2,074,691	-
	Corporation tax	103,530	-
	Other taxes and social security	1,086,583	-
	Accruals and deferred income	263,383	-
		<u>3,659,935</u>	<u>-</u>

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

12	Creditors: Amounts Falling Due After One Year	2000	1999
		£	£
	Obligations under hire purchase and finance lease contracts (Note 13)	<u>25,305</u>	<u>-</u>

13	Obligations Under Hire Purchase and Finance Leases	2000	1999
		£	£
	Obligations under finance leases and hire purchase contracts are analysed:		
	Current obligations	26,867	-
	Obligations due between one and five years	<u>25,305</u>	<u>-</u>
		<u>52,172</u>	<u>-</u>

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

14 Operating Lease Commitments

At 31 May 2000 the company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings	Other
	2000	2000
	£	£
Operating leases which expire:		
Within one year	20,302	-
Between two and five years	52,238	92,930
After five years	25,650	-
	<u>98,190</u>	<u>92,930</u>

SMS AGENCIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MAY 2000

15	Share Capital	2000 £	1999 £
	Authorised Equity Shares		
	1,000 Ordinary shares of £1.00 each	1,000	1,000
	Allotted Equity Shares		
	3 Allotted, called up and fully paid ordinary shares of £1.00 each	3	3
16	Reserves		Profit and Loss Account
			£
	Profit for the year		22,140
	At 31st May 2000		22,140
17	Reconciliation of Shareholders' Funds	2000 £	1999 £
	Profit for the financial year	259,140	-
	Dividends	(237,000)	-
	Issue of share capital	-	3
	Increase in shareholders' funds	22,140	3
	Opening shareholders' funds	3	-
	Closing shareholders' funds	22,143	3

18 Transactions with Directors

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

B. Cook - Amounts outstanding: 2000 - £88,137, 1999 - £Nil. Maximum during the year was £90,228.
L. Gates - Amounts outstanding: 2000 - £69,009, 1999 - £Nil. Maximum during the year was £71,407.
M. Gates - Amounts outstanding: 2000 - £86,980, 1999 - £Nil. Maximum during the year was £89,078.

SMS AGENCIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MAY 2000

19 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 £36,991 (1999 - £Nil) from Cook Solutions Limited, a computer consultancy company having C. Cook (brother of B. Cook) as its sole director.

Rent totalling £51,450 (1999 - £Nil) was paid to the directors, on an equal basis, during the year.

Fixed assets at a cost of £268,888 (1999 - £Nil) were acquired from the directors, on an equal basis, during the year.