METASOURCE GROUP INC
Form 8-K/A
December 26, 2002

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO.1 TO

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): July 12, 2002

Commission File Number: 000-28005

MetaSource Group, Inc.
(Exact name of registrant as specified in its charter)

Nevada	88-0422028
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
40 Exchange Place, Suite 1607, New York, New York	10005
(Address of principal executive offices)	(Zip Code)

(646) 805-5141
(Registrant's Telephone Number, Including Area Code)

(Former name, if changed since last report)

(Former Address and Telephone Number of Principal Executive Offices)

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Item 1. Changes in Control of Registrant.

On July 12, 2002 ("Closing Date"), Meta Source Acquisition Corp., a Delaware corporation and our wholly-owned subsidiary ("MSAC") merged with MetaSource

Systems, Inc., a Delaware corporation ("MSS"). MSAC was formed by us for the purpose of effectuating a merger with MSS. The merger transaction between MSS and MSAC was consummated pursuant to an Agreement and Plan of Merger dated April 24, 2002 (the "Merger Agreement") which was amended on May 23, 2002 ("Amendment No. 1"), and July 11, 2002 ("Amendment No. 2"). The Merger Agreement is attached as Exhibit 2.1 to the original Form 8-K filed on July 19, 2002. Amendment No. 1 is attached as Exhibit 2.1.1 and Amendment No. 2 is attached as Exhibit 2.1.2. Pursuant to the Merger Agreement, Joe Cheung resigned as our sole officer and sole member of our Board of Directors and Courtney Smith was appointed as president, secretary, treasurer, and a member of our Board of Directors. Upon the closing of the merger, Mr. Cheung agreed to have 6,782,519 shares of his common stock cancelled.

The following table sets forth certain information regarding the beneficial ownership of our common stock as of July 18, 2002, by each person or entity known by us to be the beneficial owner of more than 5% of the outstanding shares of common stock, each of our directors and named executive officers, and all of our directors and executive officers as a group.

Title of Class	Name and Address of Beneficial Owner of Beneficial Owner	Amount and Nature
Common Stock	Courtney Smith 40 Exchange Place, Suite 1607 New York, NY 10005	3,805,755 shares(1), President, Secretary, Treasu sole director
Common Stock	Angela Chen 40 Exchange Place, Suite 1607 New York, NY 10005	3,220,610 shares(1)
Common Stock	Greater China Technology, Inc. 40 Exchange Place, Suite 1607 New York, NY 10005	1,100,000 shares(2)
Common Stock	All directors and named executive officers as a group	3,805,755 shares

(1) 1,500,000 shares are subject to an escrow agreement and will be released if we reach certain financial milestones. If we do not reach those financial milestones in the next 18 months, then those shares will be cancelled.
(2) Courtney Smith owns approximately 42% of Greater China Technology, Inc.
(3) On November 17, the Registrant effected a 1 for 1.1 forward split for holders of record on November 17, 2002. The current shareholdings are listed in the table above.

Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities. In accordance with Securities and Exchange Commission rules, shares of our common stock which may be acquired upon exercise of stock options or warrants which are currently exercisable or which become exercisable within 60 days of the date of the table are deemed beneficially owned by the optionees. Subject to community property laws, where applicable, the persons or entities named in the table above have sole voting and investment power with respect to all shares of our common stock indicated as beneficially owned by them.

Pursuant to the Merger Agreement, Mr. Smith, age 50, became our president, secretary, treasurer and director. Mr. Smith is also the president, secretary and a member of the Board of Directors of MSS. Mr. Smith is primarily responsible for our day to day operations. The duties of our chief financial officer and controller are performed by Geller & Co. Mr. Smith was the founder of the predecessor software company to MSS, Web Master, Inc. in 1996. Mr. Smith is also the president and chief executive officer of Greater China Technology, Inc. From July 1990 to the present, Mr. Smith has been the president and owner of Courtney Smith & Co., an investment advisor firm, formerly Pinnacle Capital

Management, Inc. He was also a Managing Director in the New York Representative Office of Daishin Securities Co., Ltd., from October 1994 to February 1996. Mr. Smith became Senior Vice President of Bersac International in March 1996. He is the President and owner of Pinnacle Capital Strategies, Inc. which was registered with the Commodity Futures Trading Commission as a commodity trading advisor and a commodity pool operator from December 1990 to May 2001. Mr. Smith is also the owner of CTCR, Inc. and Nexus, Inc. and the founder of DK&G WebMaster and CollegeCentral.com. Mr. Smith attended the University of British Columbia, Vancouver, British Columbia, Canada, from September 1970 to June 1971, and the Simon Fraser University, Burnaby, British Columbia, Canada, and the British Columbia Institute of Technology, Burnaby BC in 1975 and 1976. Mr. Smith is currently not an officer or director of any other reporting company.

In October 2001, a class action lawsuit was filed against numerous defendants including Mr. Smith in United States District Court in the Central District of California, Case No. CV 01-9024 SVW, alleging violations of federal securities laws. The plaintiffs ^ served an amended complaint^. Mr. Smith believes that the plaintiffs' allegations are without merit and intends to oppose this lawsuit zealously. As of December 24, 2002, a motion to dismiss has been filed by Mr. Smith.

In 2000, a lawsuit was filed against numerous defendants including Mr. Smith in United States District Court in the Eastern District of New York, Case No. 00-CV 4026, alleging violations of federal securities laws. Mr. Smith has responded to that amended complaint and the case is currently in the discovery process. Mr. Smith believes that Plaintiffs' allegations are without merit and intends to oppose this lawsuit zealously. As of December 24, 2002, the plaintiff has indicated that it may drop Mr. Smith as a defendant, and Mr. Smith believes that the matter will be resolved shortly.

Item 2. Acquisition of Assets.

Merger of MSAC and MSS.

On July 12, 2002, MSAC merged with and into MSS pursuant to the Merger Agreement (the "MSS/MSAC Merger"). The MSS/MSAC Merger has been accounted for as a reorganization. Prior to the MSS/MSAC Merger and in an effort to satisfy the conditions of the Merger Agreement, MSS had entered into agreements to acquire certain entities: Digit Digital Experiences Limited, a United Kingdom corporation ("Digit"), Global Systems and Technologies Corp., a Virginia corporation ("GSS"), PFA Research Limited, a UK corporation ("PFAR") and Prime Marketing Publications Limited, a UK corporation ("PMP") (collectively, the "Acquired Entities") which MSS believed complemented its business of providing computer solutions and consulting.

As of December 24, 2002, we have decided not to close three of these acquisitions: PMP, PFAR, and GSS. In the case of PMP and PFAR, our primary reason not closing these acquisitions was a downturn in the business prospects of these companies as our audit was being performed. In the case of GSS, the primary reason not to close the transaction was incomplete financial records as determined in our audit process. We were also having difficulty in receiving cooperation from GSS.

In performing our due diligence on these companies, we collected and verified information regarding financial performance and liability exposure. We further relied on our audit for final confirmation of all information we collected. We agreed to value our acquisitions solely on the results of our audit. Because our audit reflected declining financial performance, we believe we are under no obligation to give consideration for the acquisitions.

We decided to not to close the transaction to acquire PMP because PMP was losing significant amounts of money and PMP management had recently indicated to us that sales visibility remained low. Our management decided it was in the best interest of the shareholders to terminate our relationship with PMP in order to avoid significant losses. We believe our earnings are higher as a result of not closing this transaction. Prior to terminating our relationship with PMP, we had lent and invested over $300,000 to PMP and its principals. Our management intends to pursue all appropriate measures to gain recourse to these funds.

We decided not to close the transaction acquiring PFAR for the same reasons detailed above for PMP. PFAR was losing relatively significant amounts of money and sales visibility remained low for the foreseeable future. Our management decided it was in the best interest of the shareholders to terminate our relationship with PFAR to avoid significant losses. We believe our earnings are higher as a result of not closing the transaction to acquire PFAR. Prior to terminating our relationship with PFAR, we lent and invested over $15,000 to PFAR and its principals. We decided not to continue funding such losses and we will pursue all appropriate measures to gain recourse to these funds.

We decided not to close the transaction to acquire GSS because our audit of GSS's records revealed incomplete information. Our management decided it was in the best interest of the shareholders to not close on the acquisition in order to limit potential undiscovered liabilities. GSS also failed to cooperate with our audit, as required by the GSS Acquisition Agreement.

The Acquired Entities are described more particularly below. We intend to pursue further acquisitions with the goal of becoming a provider of software solutions and technology consulting. We intend to focus on acquiring companies that complement MSS's existing assets.

1. Mechanics of the Merger. The separate corporate existence of MSAC ceased when the Certificate of Merger was filed with the Delaware Secretary of State on July

12, 2002, and MSS was the surviving corporation. The charter documents of MSS are the charter documents of the surviving corporation.

2. Share Conversion. Pursuant to the Merger Agreement, we issued 10,986,600 shares of our common stock to the MSS shareholders in exchange for all the issued and outstanding shares of MSS common stock. The holders of MSS common stock immediately prior to the MSS/MSAC Merger will receive one share of MSG stock for each share of MSS stock owned by such holder. The number of shares issued to the MSS shareholders may be reduced pro rata if the following occurs:

If the net annual earnings for the year ending December 31, 2001 for the entities acquired pursuant to the Merger Agreement ("Acquired Entities"), do not equal or exceed $2,000,000, then the number of shares issuable under the Merger Agreement shall be reduced, pro rata, by the number of shares equal to the total shortfall. Two of our principal shareholders, Courtney Smith and Angela Chen, have agreed that any shortfall will be taken only from their holdings, and will not reduce the holdings of any other shareholders. For example, if the total net earnings of the Acquired Entities are $1,800,000, the shortfall is 10% of $2,000,000, such that the total number of shares issuable to Mr. Smith and Ms. Chen under the Merger Agreement would be reduced to account for that 10%. Net earnings are to be determined according to U.S. GAAP, as verified by our auditor.

3. Share Restrictions. The shares of MSG common stock issued pursuant to the Merger Agreement shall bear a restricted legend indicating that the shares are "restricted" securities and are not transferable unless certain conditions are satisfied pursuant to applicable securities laws. In addition to any restrictions on transfer pursuant to applicable securities laws, the shares of MSG common stock issued pursuant to the Merger shall have the following additional restrictions:

a) No shares of MSG common stock issued pursuant to the Merger Agreement may be transferred within 12 months of the Closing Date.
b) After 12 months from the Closing Date, 50% of the holder's shares may be transferred subject to the provisions of the applicable securities laws.
c) After 24 months from the Closing Date, the remaining 50% of the holder's shares may be transferred subject to the provisions of the applicable securities laws.

In addition to the above restrictions and any restrictions on transfer pursuant to the applicable securities laws, MSS's officers, directors and any of their agents, relatives, affiliates and any entities controlled by MSS's officers, directors, and any holders of more than 5% of MSG's stock issued pursuant to the MSS/MSAC Merger ("MSG Insiders") shall be subject to the following additional restrictions:

a) No shares of MSG common stock issued pursuant to the Merger may be transferred within 12 months of the issuance pursuant to the Merger.
b) After 12 months from the Closing Date, 25% of MSG common stock held by an MSG Insider may be transferred, subject to any applicable securities regulations.
c) After 18 months from the Closing Date, an additional 25% of the

MSG Insider's MSG common stock may be transferred, subject to any applicable securities regulations.

d) After 24 months from the Closing Date, an additional 25% of the MSG Insider's MSG common stock may be transferred, subject to any applicable securities regulations.

e) After 30 months from the Closing Date, the remaining 25% of the MSG Insider's MSG common stock may be transferred, subject to any applicable securities regulations.

4. Financing. On July 12, 2002, and pursuant to the Merger Agreement, we issued three convertible debentures to three investors for a total of $2,000,000. One of those investors had previously loaned us $350,000, which we had loaned to MSS pursuant to the Merger Agreement, Amendment No.1 and Amendment No. 2. Upon the closing of the MSS/MSAC Merger, the investor agreed to convert that promissory note in exchange for a convertible debenture in the amount of $350,000. The terms of those convertible debentures are as follows:

a) The debentures shall bear interest of eight percent (8%).

b) Interest and principal shall be due and payable on July 12, 2003.

c) The debenture holders shall have the right, at any time on or prior to July 11, 2003, to convert that debt into one share of our common stock at $2.25 per share and one warrant to purchase one share of our common stock at $2.50 per share.

d) Upon seventy five (75) days prior written notice, we have the right to require and compel the debenture holders to convert the principal indebtedness into shares of common stock at such time as our historical net annual income, evidenced by reviewed financial statements, exceeds Five Million Dollars ($5,000,000).

Merger of MetaSource Systems UK and MSS. Immediately prior to the MSS/MSAC Merger, MSS merged with MetaSource Systems UK, a United Kingdom corporation ("MSS UK"). MSS became the surviving entity in that merger. Courtney Smith, our sole officer and director, is a director and a shareholder of MSS UK. The Agreement of Merger between MSS and MSS UK is attached to this Form 8-K as Exhibit 2.6. MSS agreed to issue 986,600 shares of MSS common stock to the shareholders of MSS UK in exchange for all the issued and outstanding stock of MSS UK. The merger between MSS and MSS UK will be accounted for as a reorganization.

MetaSource Systems (MSS/MSS UK) Business Description. MSS is a New York and London-based company which provides solutions to software development and maintenance problems that companies encounter in the current business environment.

MSS provides professional services through an integrated business model that combines technical, project and relationship management teams located in the U.S. and U.K., along with development companies located in China, Russia and Taiwan. MSS's solutions include application development and integration, application management, and re-engineering services. MSS's core competencies include webcentric applications, database programming, and client-server systems.

To date, MSS has assembled the following resources:

Sales, Project Management and Client Service Team. MSS performs all client-facing functions using local sales, service and project management personnel. The experienced, high quality professionals ensure seamless integration of client needs and company capabilities.

Offshore development platform in China. Through an exclusive agreement with Greater China Technology, Inc. located in China, MSS has an exclusive agreement to outsource programming and development work at costs significantly less than those in the U.S.

Corporate strategy & finance team. Many smaller IT solutions providers have focused their resources mainly on building technical and sales & marketing expertise and therefore lack the strategic and financial managerial expertise to drive sustained long-term growth. MSS has assembled an in-house team dedicated solely to developing corporate and financial strategies aimed at building a world-leading provider of IT solutions within the context of the current depressed market environment.

MSS focuses first and foremost on managing the software development process. MSS can provide complete system analysis and design as well as hard core project management. Typically, MSS will receive program specifications from the client so that the primary function of MSS is to ensure that the project is implemented on time and on budget. MSS professionals will work with the client to ensure that the specifications will precisely solve the clients' problem.

MSS's approach to technical development is based on a combination of Prince II and Rational methodologies. All of our work is completely PMBOK(R) compliant. Our global staff is highly trained in project management disciplines.

The methodology is design to reduce implementation duration and risk, while ensuring effective resource-based management. MSS's main aim is to establish business goals and deliver results that provide our clients with strategic advantage in their industry.

MSS Agreement with PFAR.

(material omitted)

As of December 24, 2002, we have decided not to close the transaction concerning PFAR, primarily because of a downturn in the business prospects of this company that became evident during our audit. We determined that PFAR was losing relatively significant amounts of money and sales visibility remained low for the foreseeable future. Our management decided it was in the best interest of the shareholders to terminate our relationship with PFAR in order to avoid significant losses. We believe that our earnings will be higher as a result of not closing the transaction to PFAR.

PFA Research Business Description.

(material omitted)

MSS Agreement with Digit. Pursuant to an acquisition agreement (the "Digit Agreement"), MSS obtained the right to acquire Digit. The Agreement of Merger between MSS, Digit, and Digit Stockholders is attached as Exhibit 2.2. According to the Digit Agreement, the shareholders of Digit will be issued shares of MSS's common stock (the "Digit Exchange Shares") in exchange for all the issued and outstanding stock of Digit. Each Digit shareholder is to be issued Digit Exchange Shares based on their pro rata ownership of Digit stock. The ultimate number of Digit Exchange Shares to be issued to the Digit shareholders will be calculated using the following formula: ADD--the average of 5 times Digit net earnings from April 1, 2001 through March 31, 2002 with 5 times the Digit net earnings from April 1, 2002 through March 31, 2003, and DIVIDE BY the average trading price (defined hereinafter) of MSS's common stock on the first twenty days of public trading of MSS's shares. "Net earnings" are to be determined by MSS's auditor using U.S. GAAP. The "average trading price" shall be calculated with reference to the average of high and low prices on the first twenty days of public trading as reported on finance.yahoo.com.

The Digit shareholders agreed to place all of the Digit Exchange Shares in escrow for a period of one year. Within 60 days of March 31, 2003, additional Digit Exchange Shares will be added according to the formula above if Digit's net earnings for the period beginning April 1, 2002 and ending March 31, 2003 are greater than the average of April 1, 2001 through March 31, 2002 Digit earnings. If Digit net earnings for the period beginning April 1, 2002 and ending March 31, 2003 are less than the average of April 1, 2001 through March 31, 2002, Digit earnings, the appropriate number of Digit Exchange Shares will be subtracted according to the formula above.

Digit Business Description. Since 1995, Digit has provided interactive digital business solutions to a corporate client base. Those solutions include a combination of design, marketing, branding, merchandising and technology integration skills to create business value. Digit specializes in navigation and flow within interactive design solutions and are experienced structural architects for complex information management systems. By carefully selecting technologies Digit has navigated an uncertain market environment by establishing a reputation as the European leader in design and innovation. Recognition of Digit's work has resulted in the award of a BAFTA for Interface Design and Best of Show at the International Design Week Awards 2001. Furthermore in a recent Financial Times survey of the leading 50 Creative Minds of 2001, Digit's Creative Director, Daljit Singh, was the only New Media personality to feature alongside the likes of Greg Dyke, Sir Paul Smith, Sir Martin Sorrell and Ridley Scott.

Recent Work includes:

Habitat - Digit has redesigned and revitalized Habitat's global website which was launched in September in five countries - the UK, Eire, France, Spain and Germany. The new site has been designed to allow a seamless migration to e-commerce elements in the future. Partnering with Dataforce to handle all of Habitat's online customer relationship marketing, Digit will introduce dynamic digital mailers throughout the year, informing customers of promotions and new ranges within the stores.

World Wide Learning - Part of News Corporation, (a division of the News International plc). WorldWide Learning has commissioned Digit to look at the branding and design for several projects both on and off-line. Digit has been asked to re-design their existing corporate Worldwide Learning website, as well as design an interface and navigation for one of their main on-line learning products - LENS. In addition to these on-line projects Worldwide Learning has asked Digit to design and produce their company information brochure pack.

MTV Source - MTV approached Digit to design and produce a viral flash animation and a dedicated micro site. The brief for the animation was that it should attract students and non-professional designers to design screen identifications for the MTV channel. After viewing the animation the user then clicks on a link taking them directly to the microsite, which gives further information about the project. The animation is around twenty seconds long and under MB in size and produced entirely in Flash.

Disney Channel - Digit has completed several projects and is currently working with Disney Channel on various activities. One such project is the Disney Channel site, the brief was to create an entertaining and animation rich environment that allows children to explore and interact directly with the Live Studio in an innovative way. It aims to encourage interactivity and communication with playful and humorous content.

The project is divided into two phases, the second phase currently being developed concentrates on interactive content and gaming. The aim is to create a synergy between the on-air studio and the website. Children will be able to interact and affect aspects of the studio by visiting the site which will encourage children to stay and re-visit regularly. www.disneychannel.co.uk

Other projects completed for Disney include a re-design of the Disney Kids Awards Site, the brief was to take the existing content for the Kids Awards site www.disney.co.uk/kidsawards, and to redesign and incorporate new content, the look and feel of the site needed to be in keeping with the existing marketing collateral produced for the event. Digit has also produced several content specific homepage re-fresh for the main European Disney channel homepage, the existing Buzz Lightyear page is soon to be replaced with a new Tarzan themed homepage.

MSS Agreement with PMP.

(material omitted)

As of December 24, 2002, we have decided not to close the transaction to acquire PMP, primarily because of a downturn in PMP's business prospects that became evident during the course of our audit.

We decided not to close the transaction to acquire PMP because PMP was losing significant amounts of money and PMP's management had recently indicated to our management that sales visibility remained low. Our management decided it was in the best interest of the shareholders to terminate our relationship with PMP in order to avoid significant losses. We believe that our earnings are higher as a result of not closing the acquisition of PMP. Prior to terminating our relationship with PMP, we lent and invested over $300,000 to PMP and its principals. We decided not to continue funding such losses and we will pursue all appropriate measures to gain recourse to these funds.

PMP Business Description.

(material omitted)

MSS Agreement with GSS.

(material omitted)

As of December 24, 2002, we have decided not to close the transaction concerning GSS. We decided not to complete our acquisition of GSS because our audit of GSS records revealed incomplete information. We were also having difficulty receiving cooperation with GSS. GSS failed to cooperate with our audit as required by the GSS acquisition agreement. Our management decided it was in the best interest of our shareholders to not complete this acquisition in order to limit potential undiscovered liabilities.

GSS Business Description.

(material omitted)

Merger of Kensington Consulting Acquisition Corporation and Kensington Group, Inc. Immediately following the MSS/MSAC Merger, and also on July 12, 2002, our wholly-owned subsidiary, Kensington Consulting Acquisition Corporation, a Delaware corporation ("KCAC") filed a Certificate of Merger to merge into and with (the "KG/KCAC Merger") Kensington Group, Inc., a Massachusetts corporation ("KG"). KCAC was to be the surviving entity and take the name "Kensington Management Consulting, Inc."("KMC"). KCAC changed its name on December 13, 2002 to "KGI: Kensington Management Consultants, Inc." The KG/KCAC Merger is attached as Exhibit 2.7 and was consummated with the following terms and conditions:

Prior to the consummation of KG/KCAC Merger, Norma LaRosa, officer and director of KG, entered into a Share Purchase Agreement whereby she agreed to purchase all the stock of Efrem Mallach. Norma LaRosa ("KG Shareholder") entered into the KG/KCAC Merger Agreement as the sole shareholder of KG. Pursuant to that agreement, the KG Shareholder shall receive an amount of our common stock (the "KG Exchange Shares") according to the following formula: KG's net income for the calendar year ended December 31, 2001 (the "2001 Income"), multiplied by five (5), divided by the average between the high, low and closing price of shares of our common stock on July 16, 2002 (the "Average Price"), but not more than $5.50 per share. "Net Income" shall be determined by our auditor in accordance with U.S. GAAP applying the accounting policies and procedures historically used by KG. The KG Exchange Shares shall be held in escrow as described below.

On or before August 30, 2003, the KG Exchange Shares issued to the KG Shareholder will be adjusted according to the following formula: as soon as practicable after June 30, 2003, KG will determine its net income for the period from July 1, 2002 to June 30, 2003 (the "2003 Income"). If the average of the 2003 Income and the 2001 Income exceeds, by more than 10%, the 2001 Income, then the KG Shareholder will be issued additional KG Exchange Shares determined by multiplying (A) the difference between (i) the average of the 2003 Income and the 2001 Income and (ii) the 2001 Income by (B) 5 and dividing that product by the Average Price.

If the average of KG's 2003 Income and the 2001 Income is more than 10% less than the 2001 Income, then the KG Shareholder shall return to us that number of KG Exchange Shares determined by multiplying (A) the difference between (i) the 2001 Income and (ii) the average of the 2001 Income and the 2003 Income by (B) 5 and dividing that product by the Average Price.

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In the event that the average of 2003 Income and the 2001 Income exceeds the 2001 Income by more than 10%, we have agreed to issue additional KG Exchange

Shares, as determined herein, within 5 business days of the determination of the 2003 Income, but in no event later than August 30, 2003. In the event that the 2001 Income exceeds the average of the 2001 Income and 2003 Income by more than 10%, we will receive that number of KG Exchange Shares determined in accordance with the formula above within 5 business days of the determination of the 2003 Income, but in no event later than August 30, 2003. In the event that the average of the 2003 Income and 2001 Income is within 10% of (either plus or minus) the 2001 Income, there shall be no adjustment.

Additionally, certificates representing 50% of the immediately issued KG Exchange Shares shall be delivered to an escrow agent and certificates evidencing and representing the remaining 50% of the immediately issued KG Exchange Shares shall be delivered to the KG Shareholder pursuant to the provisions of the KG/KCAC Merger Agreement.

Pursuant to the terms of an employment agreement, Norma LaRosa, co-founder of KG, has agreed to serve as the chief executive officer of KMC, which is now our wholly-owned subsidiary. The term of the employment agreement is two years beginning July 12, 2002, and is renewable on a yearly basis thereafter. Her gross annual salary shall be $85,000, plus certain employee benefits as detailed in the employment agreement attached hereto as an exhibit.

Kensington Group, Inc. Business Description. Kensington Group, Inc. provides companies with services such as research, consulting, and training to assist their clients to achieve corporate objectives, maximize sales and business opportunities, and increase shareholder value. Kensington Group, Inc. has clients which are Fortune 500 and Global 2000 companies. Kensington Group, Inc. believes its customers benefit by Kensington Group, Inc.'s knowledge and hands-on experience as its principals have over 20 years of experience in the information technology ("IT") industry.

Kensington Group, Inc. provides its clients with research that exposes those factors which could influence a company's future success such as:

> Custom Influencer Win/Loss Analysis -- Kensington Group, Inc. will work with clients to determine the impact of certain influencers on corporate sales and take corrective action to resolve negative influences on a particular companies business, whether real or perceived. The term "influencers" covers industry analysts, consultants, the press, and others who can impact customers' buying decisions.
>
> Analyst Quotation Tracking System(TM) -- Kensington Group Inc. uses a global system that tracks trends and industry analysts' and financial analysts' quotes in the media, both print and online, of business, trade and news press. Media quotations are a key channel through which analysts influence the course of the market and the fortunes of individual companies. This service comes with unlimited access to Kensington Group, Inc.'s extensive "searchable and sortable" database and custom, monthly executive "key indicator" reports.
>
> Public Analyst/Consultant Relations Effectiveness Benchmark Studies(TM) for IT and telecommunications companies. This is an annual series of reports to companies that includes performance measurements, program concepts, best practices and recommendations for all IT and telecommunications companies worldwide.
>
> Watching the Watchers(TM). An annual benchmark study for users, vendors, venture capitalists and others. These reports seek to answer important questions such as: Who uses which research firms, and for what? How much are they really spending? Who is really being used to influence sales? What are their strengths and weaknesses? Kensington

Group, Inc. is in a position to answer these questions and provide an objective guide to these critical influencers.

Best Practices and Trends Report. These reports detail lessons learned in eleven years of industry studies. They incorporate thousands of interviews with analysts and consultants from around the world in an understandable format.

Analyst Relations Manager's Companion and Guide. This guide is a one-stop-shopping guide to influencer programs and processes: planning, templates, checklists and concepts for today's analyst or consultant relations professional. The Guide is updated annually to address new and changing market conditions.

Kensington Group, Inc. also provides public and private forums for their clients' analyst and consultant relations staff. The available forums are detailed immediately below.

Private Forums include:

Specialized Analyst Relations Training and Coaching: During these forums, Kensington Group, Inc. stresses message development, briefing preparation, spokesperson training and executive coaching with a clear focus on content, information flow and style.

Custom Public Relations Agency Training: These training sessions focus on learning how to be more competitive in analyst relations.

Consulting Services: Kensington Group, Inc. works to analyze its client's specific needs for analyst and consultant services. Kensington Group, Inc. provides its clients with a customized approach to analyst and consultant relations.

ITEM 5. OTHER EVENTS.

LaRosa Promissory Notes. MSS agreed to loan Norma LaRosa, the officer and director of KG, the sum of $560,000 at 2.84% interest per annum. The loan is full-recourse. The funds are to be distributed to Ms. LaRosa in separate payments occurring over approximately one year depending on several factors. The principal and all accrued interest is due and payable no later than July 12, 2004. As collateral for the loan, Ms. LaRosa agreed to deposit in escrow that portion of our shares owned by her equal in value to $560,000 as determined by taking the average of the high, low, and closing price of our stock on July 16, 2002.

PMP Financing Agreement.

(material omitted)

Bridge Loan to MSS. Prior to the closing of the MSS/MSAC Merger, we loaned $350,000 to MSS as a bridge loan (the "Bridge Loan"). The Bridge Loan accrues interest at 8% per annum.

ITEM 6. RESIGNATIONS OF REGISTRANT'S DIRECTORS.

On July 12, 2002, Joe Cheung resigned as our president, secretary, treasurer and a member of our Board of Directors. The resignation was not the result of any disagreement with us on any matter relating to our operations, policies or practices. A copy of Mr. Cheung's resignation is filed as Exhibit 17.1 to the Form 8-K filed July 19, 2002.

ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS

Proforma Consolidated June 30, 2002

Balance Sheet

	Combined Proforma	Combined	Kensington	
ASSETS				
Current Assets				
Cash and Equivalents	101,079	101,079	1,877	
Due from officers		9,511		
Notes receivable - affiliates	254,403	254,403		
Work in progress	308,853	308,853		
Prepaid expenses	99,408	99,408		
Accounts Receivable	417,130	417,130	88,650	
Total Current Assets	1,180,873	1,190,384	90,527	
Property, Plant & Equipment	6,661	6,661	6,661	
Goodwill	562,960	0		
Other assets	147,690	147,690	4,455	
Total assets	1,898,184	1,344,735	101,643	
LIABILITIES AND STOCKHOLDERS DEFICIT				
Liabilities				
Current liabilities				
Notes payable	728,375	728,375		
Bank overdraft and factor		445,604		
Accounts payable	447,842	447,842	7,900	
Other Liabilities	157,260	157,260	3,761	
Total current liabilities	1,779,081	1,779,081	11,661	1
Long term liabilities				
Notes payable	0	0		
Total Liabilities	1,779,081	1,779,081	11,661	1
Stockholder's Deficit				
Common Stock, $.001 par value	10,639	28,503	2,000	
Treasury Stock		10,000		
Authorized 10000000 shares	0	0		
Issued and outstanding: 10,639,174 and 10,639,174 respectively	0	0		
Additional paid in capital	(18,069)	812,611		

Translation adjustment	47,994	47,994	
Retained earnings (deficit)	(523,754)	(1,332,865)	87,982
Total Stockholders Deficit	(483,190)	(433,757)	89,982
TOTAL LIABILITIES AND STOCKHOLDERS DEFICIT	1,295,891	1,345,324	101,643

The accompanying footnotes are an integral part of these financial statements

Consolidated

Statement of OperationsYear ended December 31, 2001

	Proforma Combined	Combined	Kensington	Dig
Revenue	$ 2,546,164	$ 2,546,164	$ 1,191,524	$ 1,3
Cost of Goods	1,724,773	1,724,773	779,976	9
Gross Profit	821,391	821,391	411,548	4
Costs and expenses				
Research and development	342,253	342,253		3
Depreciation and amortization	107,676	107,676	6,760	1
General and Administrative expenses	806,805	1,112,445	484,432	4
Operating income	(435,343)	(740,983)	(79,644)	(5
Other (income) expenses				
Interest expense	54,528	54,528	22	
	54,528	54,528	22	
Income (loss) before taxes	(489,871)	(795,511)	(79,666)	(5
Provision (recovery) for income taxes	(49,962)	(49,962)	-	(
Net (loss) income	$ (439,909)	$ (745,549)	$ (79,666)	$ (5
Basic & diluted net loss per share	$ (0.04)	$ (0.07)		

Consolidated

Statement of Operations six months June 30, 2002

	Proforma Combined	Combined	Kensington	D
Revenue	$ 1,549,033	$ 1,549,033	$ 589,692	$ 8
Cost of Goods	1,061,973	1,061,973	424,220	5
Gross Profit	487,060	487,060	165,472	2
Costs and expenses				
Research and Development	200,778	200,778		2
Depreciation and amortization	51,763	51,763	3,429	
General and Administrative expenses	731,523	797,170	68,248	2
Operating income	(497,004)	(562,651)	93,795	(1
Other (income) expenses				
Interest expense	24,955	24,955	-	
	24,955	24,955	-	
Income (loss) before taxes	(521,959)	(587,606)	93,795	(2
Provision (recovery) for income taxes	-	-	-	
Net (loss) income	$ (521,959)	$ (587,606)	$ 93,795	$ (2
Basic & diluted net loss per share	$ (0.05)	$ (0.06)		
Weighted average shares used in computing basic and diluted net loss per share	10,639,174	10,639,174		

Decrease in G&A expenses in Proforma Combined is a result of reclassifying certain elements of ow
shifting from a Sub-Chapter S corporation to a Sub-Chapter C corporation.

MetaSource Systems, Inc.

Balance Sheet Six months

	ended June 30, 2002 unaudited
ASSETS	
Current Assets	
Cash and Equivalents	99,202
Accounts Receivable	74,150
Notes Receivable - Affiliates	384,670
Prepaid Expense	80,000
Total Current Assets	638,022
Total assets	638,022
LIABILITIES AND STOCKHOLDERS DEFICIT	
Liabilities	
Current liabilities	
Notes payable	350,000
Accounts payable and accrued expenses	10,684
Total current liabilities	360,684
Stockholder's Equity	
Common Stock, ($.01 par value, 10 million authorized, 9409154 issued and outstanding as of Dec 31, 2001/ 30 million autho10,050 $.001 par val94,092,050,000 issued and outstanding as of June 30, 2002)	
Additional paid in capital	791,042
Retained earnings (deficit)	(523,754)
Total Stockholders Deficit	277,338
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	638,022

The accompanying footnotes are an integral part of these financial statements

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MetaSource Systems, Inc.
Statement of Stockholders Equity

	Common Stock Shares	Amount	Additional Paid-in Capital	Re Ea (De
Issuance of founders shares for services	9,309,154	93,092	0	
Sale of Common Stock	100,000	1,000	49,000	
Net loss				

Balance at December 31, 2001	9,409,154	94,092	49,000
Sale of common stock	640,846	6,408	651,592
Adjustment to par value		(90,450)	90,450
Net loss			
Balance at June 30, 2002 (unaudited)	10,050,000	10,050	700,592

The accompanying footnotes are an integral part of these financial statements

MetaSource Systems, Inc.

Statement of Operations

	Six months ended June 30, 2002 unaudited	Year ended December 31 2001
Revenue	114,501	
Cost of Goods	54,430	
Gross Profit	60,071	
Costs and Expenses		
General and Admin	442,573	142,764
Interest and finance (income)	(1,512)	
Total Costs and expenses	441,061	142,764
Net Loss	(380,990)	(142,764)
Basic and diluted net loss per share	$ (0.04)	$ (0.02)
Weighted average shares used in computing basic and diluted net loss per share	10,500,000	9,409,154

The accompanying footnotes are an integral part of these financial statements

MetaSource Systems, Inc.

Statement of Cash Flows

	For the six months ended June 30 2002 (Unaudited)	Year ended December 31 2001
Cash flows from operating activities		
Net income (loss)	$ (380,990)	$ (142,764)
Adjustments to reconcile net loss to net cash used operating activities		
Common stock issued to founders for services		93,092
Changes in operating assets and liabilities		
Prepaid Costs	(60,000)	(20,000)
Accounts Receivable	(74,150)	-
Accounts payable and accrued expenses	(15,510)	26,194
Net cash used in operating activities	(530,650)	(43,478)
Cash flow from investing activity		
Loans outstanding	(384,670)	-
Net cash used in investing activities	(384,670)	-
Cash flow from financing activities		
Net proceeds from sale of common shares	658,000	50,000
Proceeds from loans	350,000	
Net cash provided by financing activities	1,008,000	50,000
Net increase in cash	92,680	6,522
Cash and cash equivalents at beginning of the period	6,522	-
Cash and cash equivalents at the end of the period	$ 99,202	$ 6,522
Supplemental Disclosures		
Interest Paid	None	None
Income Taxes Paid	None	None

Supplemental Schedule of Non-Cash Activities

During 2001, The Company

Issued 9,309,154 shares of common stock to the founders for services rendered

The accompanying footnotes are an integral part of these financial statements

Digit Digital Experiences Limited
Balance Sheet

	For the six months ended June 30 2002	For the year December 2001	
ASSETS	(Unaudited)		
Current Assets			
Accounts receivable, net	$ 254,330	$ -	$
Due from officers	-	-	
Work in progress	308,853	264,510	
Prepaid expenses	19,408	-	
Total Current assets	582,591	264,510	
Property plant & equipment, net	143,235	178,057	
Total assets	$ 725,826	$ 442,567	$
LIABILITIES & STOCKHOLDERS' DEFICIT			
Liabilities			
Current liabilities			
Notes payable-short term	$ 306,000	$ 288,958	$
Due to factor	76,378	48,136	
Bank overdraft	369,226	64,432	
Accounts payable and accrued expenses	393,882	253,423	
Dividends payable	-	-	
Due to officers	153,499	112,892	
Deferred revenue	-	217,725	
Income taxes payable	-	-	
Total current liabilities	1,298,984	985,566	
Long term liabilities			
Notes payable	130,267		
Deferred income taxes payable	-	-	
Total liabilities	1,429,251	985,566	
Stockholders' Deficit			
Common stock, $1.45 par value Authorized 150,000 shares Issued and outstanding : 2,050 and 2,050 and 2,050 respectively	2,973	2,973	
Retained earnings (deficit)	(754,393)	(539,378)	
Translation adjustment	47,994	(6,594)	
Total Stockholders' Deficit	(703,426)	(543,000)	
TOTAL LIABILITIES & STOCKHOLDERS' DEFICIT	$ 725,826	$ 442,567	$

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Digit Digital Experiences Ltd
Statement of Stockholders Equity

	Common Stock	Shares	Additional Paidin Capital	Retained Earnings (Defiiciency)
Balance at January 1, 2000	2,973	2,050	0	59,546
Translation adjustment				
Net Income/loss				(89,844)
Balance at December 31, 2000	2,973	2,050	0	(30,298)
Translation adjustment				
Net Income/Loss				(509,079)
Balance at December 31, 2001	2,973	2,050	0	(539,377)
Translation adjustment				
Net Income/Loss				(215,016)
Balance at June 30, 2002 (unaudited)	2,973	2,050	0	(754,393)

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Digit Digital Experiences Limited
Statement of Operations

	For the six months ended June 30 2002 unaudited	2001 unaudited	For the y 2001
Revenue	$ 844,840	835,277	$ 1,3
Cost of Goods	583,323	592,960	9
Gross Profit	261,517	242,317	4
Costs and expenses			
Research and development	200,778	16,272	3
Depreciation and amortization	48,334	53,248	1
General and Administrative expenses	200,954	227,546	4

Operating income	(188,549)	(54,749)	(5
Other (income) expenses			
Interest expense	26,467	36,555	
	26,467	36,555	
Income (loss) before taxes	(215,016)	(91,305)	(5
Provision (recovery) for income taxes	-		(
Net (loss) income	$ (215,016)	$ (91,305)	$ (5
Basic & diluted net loss per share	$ (104.89)	(44.54)	$ (2
Weighted average shares used in computing basic and diluted net loss per share	2,050	2,050	

The accompanying footnotes are an integral part of these financial statements

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Digit Digital Experiences Limited

Statement of Cash Flows

	For the six months ended June 30, 2002 (Unaudited)	For the ye 2001
Cash flows from operating activities		
Net income (loss)	$ (215,017)	$ (509,078)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	48,334	100,916
Translation adjustment	54,588	(4,473)
Changes in operating assets and liabilities		
Accounts receivable	(254,330)	72,638
Work in progress	(44,343)	(123,216)
Prepaid expenses	(19,408)	10,142
Due to factor	28,242	46,136
Accounts payable and accrued expenses	140,459	132,860
Deferred revenue	(217,725)	217,725
Income taxes payable	-	(53,172)

Deferred income taxes	-	(51,771)
Net cash provided by (used in) operating activities	(479,200)	(161,293)
Cash flow from investing activity		
Purchase of property and equipment	(13,510)	(3,095)
Net cash(used in) investing activities	(13,510)	(3,095)
Cash flow from financing activities		
Proceeds (payments) bank overdraft	304,794	22,733
Bank note	17,042	
Due to/from officers	40,607	141,655
Proceeds from issuance of notes	130,267	-
Net cash provided by financing activities	492,710	164,388
Net increase (decrease) in cash	-	-
Cash and cash equivalents at beginning of the period	1	1
Cash and cash equivalents at the end of the period	$ 1	$ 1

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Kensington

Balance Sheet	For the 6 months ended June 30 2002 (Unaudited)	For th 20
ASSETS		
Current Assets		
Cash and cash equivalents	$ 1,877	$
Accounts Receivable, net of allowance for doubtful accounts of	88,650	
Total Current assets	90,527	
Property plant & equipment, net	6,661	
Cap. Software		

Other assets	4,455	
Total assets	$ 101,644	$
LIABILITIES & STOCKHOLDERS' EQUITY		
Liabilities		
Current liabilities		
Accounts payable	$ 7,900	$
Accrued expenses - related party	-	
Accrued expenses	-	
Other Liabilities	3,761	
Deferred Revenue	-	
Total current liabilities	11,662	
Total liabilities	11,662	
Stockholders' Equity		
Common stock, $.01 par value	2,000	
Authorized 200,000 shares		
Issued and outstanding: 200,000 and 200,000 respectively		
Preferred Stock		
Retained earnings (deficit)	87,982	
Total Stockholders' Equity	89,982	
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	$ 101,644	$

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Kensington Group, Inc.
Statement of Stockholders Equity

	Common Stock	Shares	Additional Paidin Capital	Retained Earnings (Defiiciency
Balance at January 1, 2000	2,000	200,000	0	150,783
Net Income/loss				(76,930)
Balance at December 31, 2000	2,000	200,000	0	73,853
Net Income/Loss				(79,666)
Balance at December 31, 2001	2,000	200,000	0	(5,813)
Net Income/Loss				93,795
Balance at June 30, 2002	2,000	200,000	0	87,982

(unaudited)

Kensington
Statement of Operations

	For the six months ended June 30 2002 unaudited	2001 unaudited	Fo
Revenue	$ 589,692	$ 484,235	$
Cost of Goods	424,220	347,851	
Gross Profit	165,472	136,384	
Gross Margin	28%	28%	
Costs and expenses			
General and Administrative expenses	68,248	206,347	
Interest and finance expense			
Depreciation	3,429	3,380	
Total costs and expenses	71,677	209,727	
Net income (loss)	$ 93,795	$ (73,343)	$
Basic & diluted net loss per share	0.47	(0.37)	
Weighted average shares used in computing basic and diluted net loss per share	200,000	200,000	

The accompanying footnotes are an integral part of these financial statements

Kensington

Statement of Cash Flows	For the 6 months ended June 30 2002 (Unaudited)	For the 6 months ended June 30 2001 (Unaudited)	F
Cash flows from operating activities			
Net income (loss)	$ 93,795	$ 113,339	$
Adjustments to reconcile net loss to net cash used by operating activities			
Depreciation	3,429	3,380	
Changes in operating assets and liabilities			
Accounts receivable	42,815	(87,246)	
Deferred Revenue	(176,333)	-	
Other assets	(4,455)	528	
Accounts payable and accrued expenses	(25,376)	(10,946)	
Other current liabilities	2,936	791	
Net cash used by operating activities	(63,189)	19,846	
Cash flow from investing activity			
Purchase of property and equipment	(399)	(4,068)	
Net cash used in investing activities	(399)	(4,068)	
Cash flow from financing activities			
Net proceeds from issuance of Preferred Stock			
Proceeds from bridge loans			
Proceeds (payments) on lines of credit			
Payments on capital lease obligations			
Payments to (provided by) shareholders			
Net cash provided by financing activities	-	-	
Net increase (decrease) in cash	(63,588)	15,778	
Cash and cash equivalents at beginning of the year	65,466	14,679	
Cash and cash equivalents at the end of the year	$ 1,878	$ 30,457	$

The accompanying footnotes are an integral part of these fiinancial statements

Index to Exhibits

2.1	Agreement and Plan of Merger between MSS, MSG and MSAC*
2.1.1	Amendment No. 1 to Agreement and Plan of Merger between MSS, MSG and MSAC*
2.1.2	Amendment No. 2 to Agreement and Plan of Merger between MSS, MSG and MSAC*
2.2	Agreement of Merger between MSS, Digit, and Digit Stockholders*
2.3	Acquisition Agreement between MSS and Stockholders of PFAR*
2.4	Acquisition Agreement between MSS and PMP Stockholders*
2.5	Agreement of Merger between MSS, GSS and Stockholders of GSS*
2.6	Agreement of Merger between MSS, MSS UK, and Stockholders of MSS UK*
2.7	Agreement and Plan of Merger between MSAC, KG, and Stockholders of KG*
17.1	Resignation of Mr. Cheung*

* Filed as Exhibits to Form 8-K filed July 19, 2002.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MetaSource Group, Inc.

December 24, 2002 By: /s/ Courtney Smith

Courtney Smith, President