Capcon Holdings plc

Report and Financial Statements

Year Ended

30 September 2008

Capcon Holdings plc

Annual report and financial statements for the year ended 30 September 2008

Contents

Directors

Page:

1	Our Business
2	Chairman's statement
5	Board of Directors
6	Report of the directors
8	Statement of directors' responsibilities
9	Report of the independent auditors
10	Consolidated income statement
11	Consolidated statement of changes in equity
12	Consolidated balance sheet
13	Consolidated cash flow statement
14	Notes forming part of the financial statements
37	Company Accounts

Directors

K P Dulieu
C J Cavender
P F Jackson

Secretary

C J Cavender

Company number

4196004

Auditors

BDO Stoy Hayward LLP, 55 Baker Street, London, W1U 7EU

Main points

- Increased profit from operations before exceptional items has continued to grow
- Litigation successfully resolved
- Central overhead costs, excluding exceptional items, further reduced.
- Focus on core business creating stronger base
- Prospects continue to remain strong.

Operational review

During the year ended 30 September 2008 the Group achieved further progress towards sustainable operating profit growth despite seriously adverse market conditions affecting clients in our main target sector, leisure, in the period. Traditionally, many of our clients have turned to Capcon during difficult trading conditions in order to make full use of our services to assist in the preservation or increase in their gross margins. This reaction has been evident in Capcon's results for the year ended 30 September 2008 and has offset the effect of reduced volumes from some existing clients as a result of their contracting hotel, pub and restaurant estates.

The board has continued a disciplined approach to cost control throughout the year which, combined with the successful implementation of a strategy of introducing higher skilled services to our audit and stocktaking clients has led to an improvement in the overall profit margin achieved on leisure sector business.

Other investigation services, principally in Argen, have been profitable, and several new clients have been gained during the year. Considerable commitment to marketing these services will continue to be necessary as part of our strategy to rebuild this business following the loss of clients suffered during the protracted litigation proceedings.

Having achieved a satisfactory conclusion to the long running litigation proceedings with the Argen vendors, the Directors have remained focused on continuing to strengthen the core business whilst considering alternative strategies for Group development and expansion.

Financial overview

Sales for the year to 30 September 2008 were £3.83 million (2007: £4.06 million) representing a 5.7% decrease on last year which was entirely attributable to reduced activity in Argen. The overall gross margin of 37.8%, although lower than last year's level of 38.2%, was entirely attributable to the lower sales of the traditionally higher margin Argen services and masks an improvement in the overall level achieved for other core services.

The Group achieved an operating profit of £0.09 million (2007: £0.81 million) for the year after exceptional items. The Group generated a profit from operations before exceptional items for the year of £0.19 million (2007: £0.14 million). A loss was generated before tax of £0.11 million (2007: £0.59 million profit) after charging exceptional items of £0.10 million (2007:(£0.67million)) and interest of £0.20 million (2007:£0.22 million).

This year is the first in which the Group has adopted International Financial Reporting Standards and the previous year's figures have been re-stated where appropriate. The Directors considered that no further impairment of goodwill was necessary for the year.

The basic loss per share of 0.1p for the year compares with a re-stated 5.8p profit per share for the year ended 30 September 2007 and, excluding exceptional items, the loss per share was reduced to 0p compared with a 0.8p loss per share in 2007.

The Board has continued to scrutinise every aspect of the central administration of the Group in order to maintain the recent trend of reducing overheads before exceptional items and has successfully reduced these costs by 17% compared with last year. The exceptional cost of £0.10 million relates principally to the legal costs incurred by the Group in connection with the recently settled litigation proceedings involving the Argen vendors.

There was a net cash inflow from operations of £0.14 million (2007: £0.08 million outflow) reflecting the higher profit from operations before exceptional items achieved whilst maintaining good control over working capital. Bank borrowings were marginally reduced in the year by £0.01 million from £0.94 million to £0.93 million with total borrowings being maintained at the same level as last year.

The significant legal fees incurred this year leading up to the resolution of the litigation proceedings with the Argen vendors have mainly neutralised the gains made from further profit growth in the year. This, in turn, has limited the Directors' opportunity to reduce the level of Group borrowings. Additionally, the Directors do not consider that a reduction in the Group's borrowings through an equity issue is feasible at this time. Accordingly, the Directors will continue the policy of not recommending the payment of a dividend, as last year, for the time being.

Litigation resolved

As announced on 10 December 2008, the litigation proceedings brought against the Company by the Argen vendors were dismissed following a protracted period of mediation. The outcome, as expected by the Directors in the Interim Report for the six months ended 31 March 2008, has resulted in no further payments being made to the Argen vendors and a contribution of £36,000 being made by the vendors towards the Group's legal costs. Additionally, the Group will benefit from the proceeds of sale of the Argen vendors' shares in the Company equivalent to approximately £26,000 at the current share price. The provision previously made in respect of the Group's potential liability of £0.82 million in respect of these proceedings was released in the year to 30 September 2007 in expectation of this outcome.

Audit, stocktaking and investigations - Leisure

The segmental analysis of the business, now reported in the accounts in detail under note 4, distinguishes between those services provided to the leisure sector and 'other investigation services'. Capcon's core business was founded on the provision of a range of services aimed at improving the profit margins of our clients' businesses in the leisure sector. The Directors consider that, as these services are marketed specifically to the leisure sector and represent a significant part of the overall business, they should be distinguished from our other, more specialised, investigation services which are not sector based.

Sales of £3.46 million were 1.6% higher than last year due to increased revenues from audit and stocktaking services. Profit from operations was £0.51 million compared with £0.48 million last year, a 4.7% improvement. The trend commented on in the Group's Interim Report for the six months ended 31 March 2008 whereby gross margins have increased as a result of our clients' demands for services which offer them higher added value, continued into the second half of the year. In addition, operating costs continue to be closely reviewed on an on going basis which has further improved the margin achieved this year.

We have gained several new stocktaking clients in the year and, in particular, we have been successful in attracting small pub groups, many having developed from the disposal of non core units from the larger national pub chains. In addition, some existing and new clients have requested consultancy work and audit work which is more complex than our traditional services which, in turn, has justified a higher fee rate being charged, leading to an improved margin level. This consultancy work requires our field managers to work closely with our clients' operational managers in the formulation of joint action plans to resolve stock and cash control issues. Inevitably, these assignments lead to further integration with the client and security for our services in the future.

During the year, the Group developed new relationships with several hotel chains which has led to a recurring business stream for audit and stocktaking work but, more particularly, for investigation services. The investigations division has been successful in the marketing of its traditional higher margin services and the growth of business in the hotel sector has become an important niche for future development.

Our ongoing attention to minimising costs and maximising operational efficiencies has been critical in maintaining our unit costs at a level that ensures our clients receive best value during a period of change that is unprecedented in our target market.

The tough market conditions facing the leisure sector during the year led to many clients increasing their attention to controls over cost and wastage to maximise profit margins on their lower volume of business. This trend was evident during the recession of the early 1990's and created growth opportunities for our services at that time. Consequently, we anticipate that the continuing harsh economic conditions may similarly increase demand for our audit, stocktaking and investigation services in the current year.

Other investigation services

Sales for other investigation services for the year were £0.38 million compared with £0.67 million last year, a 44% decrease. As reported in the Group's Interim Report for the six months ended 31 March 2008, the traditional services provided by Capcon Argen have suffered from the effects of the Argen litigation. Consequently, significant time and effort has been expended on marketing activities aimed at re-building this division. The decline in demand for Argen's services has been arrested and we are seeing evidence of growth in certain areas in which Argen specialises.

Several new clients have been gained in the year and marketing activity has led to some significant tenders being submitted to blue chip clients seeking an on going contractual service. Although Argen has not benefited in the period under review from such contracts, we remain optimistic that a number of current outstanding tenders may be concluded in our favour in the medium term. The traditional Argen business is assignment based and, in contrast to contractual work, is too unpredictable to be forecast with any certainty. We, therefore, remain cautious with regard to the current year's trading performance.

As previously reported, a significant and progressive rationalisation of the operating cost base has been undertaken over the past two years including a relocation of the office from London to Surrey. These cost savings have contributed to an improved operating margin percentage in the year to 30 September 2008 despite the lower level of activity. The Directors believe that overhead costs can be contained if activity increases in the current year and this will have a further beneficial effect on the operating margin level.

Group costs

I am pleased to report that our continuous attention to the reduction of central overhead costs as the Group re-focuses on core activities has resulted in further savings of 17% in the year to 30 September 2008 compared with the previous year.

Legal fees of £101,377, mainly associated with the proceedings related to the Argen vendors' pursuit of further earn out payments, have been treated as exceptional items. Legal fees of £155,535 in respect of these proceedings were incurred in the previous year. Due to the successful conclusion of these proceedings in December 2008, no related fees will be incurred after the current year.

Current trading and prospects

The new financial year has started well with sales levels for audit and stocktaking services being maintained despite the prevailing difficult economic climate. The demand from pub companies and hotels for higher skilled consultancy services continues in the current year with a consequent benefit to operating margin levels. There has been little adverse effect from the deteriorating leisure sector so far but the Directors are wary of the potential for a down turn should the current economic situation worsen and contingency plans are already in place to soften the impact on Capcon of any consequent reduction in business.

Instructions for Argen's specialised investigation services are slowly increasing from the lower activity base that was established last year and the Directors remain optimistic that, based on the quality of feedback from an increasing client base, this part of the Capcon business will continue to grow in the medium term. However, Argen is an assignment based business which makes any short term forecasting difficult.

Having successfully resolved the long running legal dispute with the Argen vendors, whilst simultaneously restoring profit in the core Capcon business, the Group has been, once again, growing in strength. Nevertheless, at present, the Directors are limited in the options open for future development until the current difficulties of funding growth are resolved. The Directors are considering various alternative strategies for Group development which take account of the Group's high level of gearing and limited scope for a new equity issue.

K P Dulieu
Chairman

27 March 2009

Directors

Board of directors

Ken Dulieu (Chairman)

After a career with the police force, Ken Dulieu was appointed, inter alia, security adviser to divisions of Allied Breweries plc and Whitbread plc. In 1983, he founded K & J Dulieu Limited (trading as Capitol Consultants), later renamed Capitol Group plc in 1994 on its admission to the Official List. He was Chief Executive of that company until its sale to Carlisle Holdings plc for £23.5 million in 1998. He became executive Chairman of Capcon Holdings plc on its admission to AIM.

Cliff Cavender (Managing Director)

Cliff Cavender is a fellow of the Chartered Institute of Management Accountants and member of the Chartered Institute of Management. He trained and qualified with Reed International plc. Subsequently, he held various senior financial positions, including five years as Financial Director for Pizza Express Limited before joining Capitol Group plc in 1994 as Finance Director and company secretary. He became Finance Director and company secretary of Capcon Limited, subsequently Capcon Holdings plc, at the time the Company purchased certain of its businesses from Carlisle Holdings plc in 1999.

Paul Jackson (Non-executive Director)

Paul Jackson qualified as a Chartered Accountant in 1973 and is Chief Executive of Vantis plc. In addition to his responsibilities as non-executive Director, he also chairs the audit and remuneration committees and undertakes corporate finance activities on behalf of the Company.

The directors present their report together with the audited financial statements for the year ended 30 September 2008.

Results and dividends

The results of the Group for the year are set out on page 10 and show a loss, before taxation, for the year of £105,612 (2007 – Profit £586,929).

No interim dividend was paid (2007 - £nil) and the directors do not propose a final dividend (2007 - £nil) for the year ended 30 September 2008.

Principal activities

The principal activities of the Group during the year were the provision of audit compliance & stock reconciliation services, commercial research, investigation and business intelligence services.

Principal developments, business review and future developments

The principal developments along with a business review, as required by S234ZZB of the Companies Act 1985, are detailed in the Chairman's statement.

Key performance indicators

The following KPI's are the main measures used to evaluate performance and these are further discussed in the Chairman's statement.

	2008	**2007**
Sales	£3.83million	£4.06million
Gross margin	37.8%	38.2%
Profit from operations*	£0.19million	£0.14million
Earnings per share	(0.1p)	5.8p
Cash flow from operating activity	£0.14million	(£0.08million)
Net debt	£1.70million	£1.70million

* Profit from operations for the year, before exceptional items, interest, amortisation and impairment of goodwill

Financial instruments

Details regarding the Group's use of financial instruments and their associated risks are given in note 18 to the financial statements.

Policy on the payment of creditors

The Group's policy is to pay its creditors promptly.

It is the Group's policy to agree the terms of payment at the time the contract supply is made, to ensure that suppliers are aware of the terms of payment and to make payments in accordance therewith subject to terms and conditions being met by suppliers. At the end of the year, the Group had an average of 53 days (2007 - 41 days) purchases in trade creditors.

The Company has no trade creditors.

Share Option Scheme

The Company's share option scheme was established in May 2001, shortly prior to the Company's flotation on AIM. The terms of the share option scheme currently limit the number of unissued Ordinary shares that may be made subject to the grant of options to employees of the Group under that scheme to fifteen per cent (15%) of the issued share capital of the Company at any day of grant of an option.

Further details are given in note 20 to the financial statements.

Directors

The directors of the company who held office during the year were as follows:

Kenneth Paul Dulieu
Clifford John Cavender
Paul Francis Jackson
Robin Boyle (Resigned April 2008)

Robin Boyle resigned from the board on 29th April 2008.

Further details of the directors' share options and long term incentive scheme are shown in note 20, which also shows the movements during the year. Details of any directors' interest in transactions of the group are given in note 23.

Going Concern

After making enquiries, the directors have a reasonable expectation at the time of approving the financial statements that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. In making this assessment, the directors have taken account of the matters set out in note 1 to the financial statements regarding going concern.

Auditors

All of the current directors have taken steps to make themselves aware of any information needed by the company's auditors for the purpose of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

A resolution to reappoint BDO Stoy Hayward LLP as auditors will be proposed at the next annual general meeting.

By order of the Board

C J Cavender
Secretary

27th March 2009

Statement of directors' responsibilities

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group, for safeguarding the Group's assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Report of the Directors which complies with the requirements of the Companies Act 1985.

Financial statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the group's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with the Companies Act 1985. The Directors are required to prepare financial statements for the Group in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and Article 4 of the IAS Regulations and have chosen to prepare financial statements for the Company in accordance with UK GAAP.

Group financial statements

Company law requires the Directors to prepare such financial statements in accordance with IFRS as adopted by the EU, the Companies Act 1985 and Article 4 of the IAS Regulation. IAS 1 "Presentation of Financial Statements" requires that financial statements present fairly for each financial year the Group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'.
In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards. A fair presentation also requires the Directors to:

- consistently select and apply appropriate accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

Parent company financial statements

Company law requires the Directors to prepare financial statements for each financial year which 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 estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it inappropriate to assume that the company will continue in business; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.

Report of the independent auditors

To the shareholders of Capcon Holdings plc

We have audited the group and parent company financial statements (the "financial statements") of Capcon Holdings plc for the year ended 30 September 2008 which comprise the Consolidated Income Statement, the Consolidated Statement of changes in equity, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Accounting Standards "IFRSs" as adopted by the European Union are set out in the Statement of Directors' Responsibilities.
Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).
We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with those financial statements. We also report to you if, in our opinion, 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 other transactions is not disclosed.
We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report and the Chairman's Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.
Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.
We planned and performed our audit so as to obtain all the 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 information in the financial statements.

Opinion
In our opinion:

- the group financial statements give a true and fair view, in accordance with International Financial Reporting Standards as adopted by the European Union, of the state of the group's affairs as at 30 September 2008 and of its loss for the year then ended;

- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 30 September 2008;

- the financial statements have been properly prepared in accordance with the Companies Act 1985; and

- the information given in the Directors' Report is consistent with the financial statements.

BDO STOY HAYWARD LLP
Chartered Accountants and Registered Auditors
London
27 March 2009

Capcon Holdings plc

Consolidated income statement for the year ended 30 September 2008

	Note	2008 £	2007 £
Revenue	4	3,829,100	4,055,593
Cost of sales		(2,382,182)	(2,505,749)
Gross profit		1,446,918	1,549,844
Administrative expenses		(1,353,430)	(744,146)
Profit from operations before exceptional items.		194,865	140,582
Exceptional items	6	(101,377)	665,116
Profit from operations	5	93,488	805,698
Finance income	9	-	41
Finance expense	9	(199,100)	(218,810)
(Loss)/ profit before taxation		(105,612)	586,929
Tax expense	10	-	-
(Loss)/profit for the year attributable to equity shareholders		(105,612)	586,929
(Loss) / earnings per share for (loss)/profit attributable to the equity holders of the parent during the year.	11		
Basic		(0.1p)	5.8p
Diluted		(0.1p)	5.8p

The notes on pages 14 to 36 form part of these financial statements.

Capcon Holdings plc

Consolidated statement of changes in equity for the year ended 30 September 2008

Group	Share Capital	Share premium account	Merger reserve	Retained earnings	Total Equity
	£	£	£	£	£
At 1 October 2006	101,568	2,774,094	950,000	(5,102,441)	(1,276,779)
Profit for the year	-	-	-	586,929	586,929
At 1 October 2007 and 30 September 2007	101,568	2,774,094	950,000	(4,515,512)	(689,850)
Loss for the year	-	-	-	(105,612)	(105,612)
Total recognised income and expense	101,568	2,774,094	950,000	(4,621,124)	(795,462)
Issue of Share Capital	15,235	43,801	-	-	59,036
At 30 September 2008	116,803	2,817,895	950,000	(4,621,124)	(736,426)

The notes on pages 14 to 36 form part of these financial statements.

Capcon Holdings plc

Consolidated balance sheet at 30 September 2008

	Note	2008 £	2007 £
Assets			
Non current assets			
Intangible assets	12	1,425,264	1,425,264
Property plant and equipment	13	56,420	65,819
Total Non current assets		1,481,684	1,491,083
Current assets			
Trade and other receivables	15	856,503	900,585
Cash and cash equivalents		657	35
Total current assets		857,160	900,620
Total assets		2,338,844	2,391,709
Liabilities			
Non current liabilities			
Loans and borrowings	17	675,000	666,317
Current liabilities			
Trade and other payables	16	1,251,852	1,269,065
Loans and borrowings	17	1,031,368	1,037,867
Provision	19	117,050	108,304
Total current liabilities		2,400,270	2,415,236
Total liabilities		3,075,270	3,081,553
Net liabilities		(736,426)	(689,850)
Capital and reserves			
Called up share capital	20	116,803	101,568
Share premium account	21	2,817,895	2,774,094
Merger reserve	21	950,000	950,000
Retained earnings	21	(4,621,124)	(4,515,512)
Shareholders' deficit		(736,426)	(689,850)

The financial statements were approved by the Board and authorised for issue on 27th March 2009

C J Cavender
Director

The notes on pages 14 to 36 form part of these financial statements.

Capcon Holdings plc

Consolidated cashflow statement for the year ended 30 September 2008

	2008 £	2007 £
Cash flows from operating activities		
Profit/(loss) for the period	(105,612)	586,929
Depreciation	29,304	66,122
Finance Expense	199,100	218,769
Cash flows from operating activities before changes in working capital	122,792	871,820
Decrease in debtors	44,082	165,015
(Decrease)/increase in creditors	(25,724)	(1,119,385)
Net cash generated/ (outflow) from operating activities	141,150	(82,550)
Investing Activities		
Purchase of property, plant and equipment.	(19,905)	(12,888)
Net Cash used in Investing Activities	(19,905)	(12,888)
Financing activities		
Issue of ordinary shares	59,036	-
Interest paid	(156,332)	(117,012)
Repayment of loans	(648)	(57,335)
Invoice discounting facilities	(33,197)	43,314
Principal payment under finance leases	(8,534)	(16,265)
Net cash used in Financing Activities	(139,675)	(147,298)
(Decrease) in cash in the year	(18,430)	(242,736)
Cash and Cash equivalents at the beginning of year	(525,610)	(282,874)
Cash and Cash equivalents at the end of year	(544,040)	(525,610)

The notes on pages 14 to 36 form part of these financial statements.

1 Accounting policies

The principle accounting policies used in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and interpretations as endorsed by the European Union. The financial statements for the year ended 30th September 2008 are the first to be prepared in accordance with IFRS. Comparative figures for 30th September 2007 have been restated accordingly. The date of transition to IFRS was 1st October 2006.

In preparing these financial statements, the group has elected to apply the following transitional arrangements as permitted by IFRS 1 "First time adoption of International Financial Reporting Standards"

- The carrying amount of capitalised goodwill at 30 September 2006 that arose on business combinations accounted for using the acquisition method under UK GAAP was frozen at this amount and tested for impairment at 1 October 2006.
- Business combinations effected before 1 October 2006, including those that were accounted for using merger method of accounting under the accounting standards have not been restated.

Changes in accounting policies

(a) New standards, amendments to published standards and interpretations to existing standards effective in 2008 adopted by the group

- IFRS 7, Financial Instruments: disclosures and a complementary amendment to IAS 1, Presentation of Financial Statements – capital disclosures (effective for accounting periods beginning on or after 1 January 2007). IFRS 7 introduces new requirements aimed at improving the disclosure of information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk. Where those risks are deemed to be material to the group it requires disclosures based on the information used by key management. It replaces the disclosure requirements in IAS 32 'Financial Instruments: disclosure and presentation'. It is applicable to all entities that report under IFRS.
The amendment to IAS 1 introduces disclosures about the level and management of an entity's capital. The Group has applied IFRS 7 and the amendment to IAS 1 to the accounts for the period beginning on 1 January 2007.

- IFRIC 8, Scope of IFRS 2 (effective for accounting periods beginning on or after 1 May 2006). IFRIC 8 requires consideration of transactions involving the issue or grant of equity instruments to establish whether or not they fall within the scope of IFRS 2. It applies to situations where the identifiable consideration received is or appears to be less than the fair value of the equity instruments issued. There was no impact on the group's accounts from its adoption.

- IFRIC 9, Reassessment of embedded derivatives (effective for accounting periods beginning on or after 1 June 2006). IFRIC 9 requires an assessment of whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when an entity becomes a party to the contract. There was no impact on the group's accounts from its adoption.

IFRIC 10, Interim Financial Reporting and Impairment (effective for accounting periods beginning on or after 1 November 2006). IFRIC 10 prohibits impairment losses recognised in an interim period on goodwill and investments in equity instruments and on financial assets carried at cost to be reversed at a subsequent balance sheet date. There was no impact on the group's accounts from its adoption.

1 Accounting policies *(Continued)*

(b) Standards, interpretations and amendments to published standards effective in 2008 but which are not relevant to the group

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2008 but are currently not relevant to the group's operations:

- IFRIC 7, Applying the restatement approach under IAS 29, Financial Reporting in Hyperinflationary Economies (effective for accounting periods beginning on or after 1 March 2006). IFRIC 7 is not relevant to the group as none of the group companies has a currency of a hyperinflationary economy as its functional currency.

(c) Standards, amendments and interpretations to published standards not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the group's accounting periods beginning on or after 1 January 2008 or later periods and which the group has decided not to adopt early. These are:

- IFRS 8, Operating Segments (effective for accounting periods beginning on or after 1 January 2009). This standard sets out requirements for the disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers. It replaces IAS 14, Segmental Reporting. The group expects to apply this standard in the accounting period beginning on 1 October 2009. As this is a disclosure standard it will not have any impact on the results or net assets of the group.

- IAS 23, Borrowing Costs (revised) (effective for accounting periods beginning on or after 1 January 2009). The revised IAS 23 has been endorsed by the EU. The main change from the previous version is the removal of the option of immediately recognising as an expense borrowing costs that relate to qualifying assets, broadly being assets that take a substantial period of time to get ready for use or sale. The adoption of this standard is unlikely to have any impact on the group financial statements.

- IFRIC 11, IFRS 2 - Group and Treasury Share Transactions (effective for accounting periods beginning on or after 1 March 2007). IFRIC 11 requires share-based payment transactions in which an entity receives services as consideration for its own equity instruments to be accounted for as equity settled. This applies regardless of whether the entity chooses or is required to buy those equity instruments from another party to satisfy its obligations to its employees under the share-based payment arrangement. It also applies regardless of whether: (a) the employee's rights to the entity's equity instruments were granted by the entity itself or by its shareholder(s); or (b) the share-based payment arrangement was settled by the entity itself or by its shareholder(s). Management is currently assessing the impact of IFRIC 11 on the accounts.

- IFRIC 12, Service Concession Arrangements (effective for accounting periods beginning on or after 1 January 2008). IFRIC 12 gives guidance on the accounting for public-to-private service concession arrangements. IFRIC 12 is not relevant to the group's operations due to absence of such arrangements.

- IFRIC 13, Customer Loyalty Programmes (effective for accounting periods beginning on or after 1 July 2008). IFRIC 13 addresses sales transactions in which the entities grant their customers award credits that, subject to meeting any further qualifying conditions, the customers can redeem in future for free or discounted goods or services. IFRIC 13 is not relevant to the group's operations due to absence of such arrangements.

- IFRIC 14, IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for accounting periods beginning on or after 1 January 2008). IFRIC 14 is still to be endorsed by the EU. This standard is not relevant to the group as it does not have any defined benefit pension funds.

- IFRIC 15, Agreement for the construction of Real Estate Arrangements (effective for accounting periods beginning on or after 1 January 2008). The interpretation clarifies the definition of a construction contract and is not relevant to the group's operations due to absence of such arrangements.

1 Accounting policies *(Continued)*

- IFRIC 16 Hedges of a Net Investment in a Foreign Operation (effective for accounting periods beginning on or after 1 October 2008). IFRIC 16 is not relevant to the group's operations due to absence of such investments.

- IFRIC 17 Distribution of Non cash Assets to Owners (effective for accounting periods beginning on or after 1 July 2009). This addresses how an entity should measure the distribution of assets other than cash when it pays dividends. Management is currently assessing the impact of IFRIC 17 on the accounts.

- Revised IFRS 1 First-time Adoption of international Financial Reporting Standards Operation (effective for accounting periods beginning on or after 1 January 2009). The revised version of IFRS 1has an improved structure but does not contain any technical changes.

- Revised IFRS 3,Business Combinations and complementary Amendments to IAS 27,'Consolidated and separate financial statements (both effective for accounting periods beginning on or after 1 July 2009).This revised standard and amendments to is still to be endorsed by the EU. The revised IFRS 3 and amendments to IAS 27 arise from a joint project with the Financial Accounting Standards Board(FASB), the US standards setter, and result in IFRS being largely converged with the related, recently issued, US requirements. There are certain very significant changes to the requirements of IFRS, and options available, if accounting for business combinations. Management is currently assessing the impact of revised IFRS 3 and amendments to IAS 27 on the accounts.

- Amendment to IFRS 2 , Share-based payments: vesting conditions and cancellations (effective for accounting periods beginning on or after 1 January 2009). This amendment has been endorsed by the EU. The Amendment to IFRS 2 is of particular relevance to companies that operate employee shares save schemes. This is because it results in an immediate acceleration of the IFRS 2 expense that would otherwise have been recognised in future periods should an employee decide to stop contributing to the savings plan, as well as a potential revision to the fair value of the awards granted to factor in the probability of employees withdrawing from such a plan. Management is currently assessing the impact of the Amendment on the accounts.

- Amendments to IAS 32 and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation (effective for accounting periods beginning on or after 1 January 2009). This amendment results in certain types of financial instrument that meet the definition of a liability, but represent the residual interest in the net assets of the entity, being classified as equity. Management is currently assessing the impact this amendment on the accounts.

- Amendments to IAS 39 and IFRS 7: Reclassification of Financial Instruments (effective for accounting periods beginning on or after 1 July 2009). This amendment permits an entity to reclassify certain non-derivative financial assets out of the fair value through profit or loss category or available for sale category in particular circumstances.

- Amendments to IFRS 1 and IAS 27 Cost of an Investment in a subsidiary, jointly-controlled entity or associate. This amendment is not relevant to the Group as it does not have any jointly controlled entities or associates.

- Amendment to IAS 39 Financial Instruments (effective for accounting periods beginning on or after 1 July 2009) This amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in the designation of a one-sided risk in a hedged item, and inflation in a financial hedged item. Management is currently assessing the impact this amendment on the accounts.

- Amendment to IAS 1 Presentation of Financial Statements (effective for accounting periods beginning on or after 1 January 2009). An entity will be required to present, in a statement of changes of equity, all owner changes in equity. All non-owner changes in equity are required to be presented separately.

- Amendment to IAS 27 Consolidated and Separate Financial Statements (effective for accounting periods beginning on or after 1 July 2009). This amendment relates to acquisition of subsidiaries in stages and disposal of interests with differences in accounting depending on whether control is gained or not. The amendment does not require the restatement of previous transactions.

1 Accounting policies *(Continued)*

The principal accounting policies are:

Basis of consolidation
The consolidated financial statements incorporate the results of Capcon Holdings plc and its subsidiary using the purchase method of accounting.

Going concern
The financial statements have been prepared on the going concern basis as, in the opinion of the directors, at the time of approving the financial statements, there is a reasonable expectation that the group will continue in operational existence for the foreseeable future. The group finances part of its working capital needs through a group overdraft facility. Since the period end the group has secured a new overdraft facility that following draw down will be available until 31 December 2009. The group's bankers have indicated that there are currently no reasons to believe that this facility will not be renewed on similar terms.

In view of the matters noted above, the directors believe that it is appropriate to prepare the financial statements on a going concern basis.

The financial statements do not include any adjustments which might be required from the Group over draft facility not being renewed on similar terms.

Exceptional Items
Following the implementation of IFRS, the Group has decided to continue with its separate presentation of certain items as exceptional. These are significant or one off items which, in the judgement of the Directors, need to be disclosed separately for the reader to obtain a proper understanding of the financial information.

Goodwill
Goodwill arising on an acquisition of a subsidiary undertaking is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. Goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses. Impairment losses are recognised as an administrative expense in the income statement.

Revenue recognition
Revenue represents sales to external customers at invoiced amount less value added tax, adjusted as necessary to reflect those services provided in the year. Revenue recognised represents revenue earned appropriate to the stage if completion of each contract.

Property, plant and equipment
Property, plant and equipment is stated at cost less depreciation.
Depreciation is provided to write off the cost, less estimated residual values, of all property, plant and equipment , over their expected useful lives. It is calculated at the following rates:

Fixtures, fittings and equipment - 25% to 33.3% reducing balance or straight line, as appropriate

Foreign currency
Foreign currency transactions are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet dates. Any differences are taken to the income statement.

1 Accounting policies *(Continued)*

Deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the balance sheet differs to its tax base, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- investments in subsidiaries and jointly controlled entities where the group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

Financial Instruments

Financial assets

The group's financial assets, all of which are categorised as loans and receivables, comprise trade receivables, other receivables and cash and cash equivalents.

Trade and other receivables are measured initially at fair value and subsequently at amortised cost. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired.

Cash and cash equivalents comprise cash at bank and in hand. Bank overdrafts are included within current liabilities unless there is a right of offset with cash balances.

Financial liabilities

The group's financial liabilities are recognised on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest method. The group's financial liabilities comprise trade and other payables, an invoice discounting facility, bank loans and overdrafts, finance lease arrangements and loan stock.

Interest

Interest payable is charged to the income statement as incurred

Invoice discounting

The group discounts its trade receivables. The policy is to include trade receivables within current assets as trade receivables and to record cash advances within current liabilities as other financial liabilities. Discounting fees and interest are charged to the income statement when incurred as part of finance expense. Bad debts are borne by the group and are charged to the income statement when incurred as part of administrative expenses.

Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the income statement.

Lease payments are analysed between capital and interest components. The interest element of the payment is charged to the income statement over the period of the lease as part of finance expense and is calculated so that it represents a constant proportion of the balances of capital repayments outstanding. The capital element reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to the income statement on a straight line basis over the term of the lease.

The land and building elements of property leases are considered separately for the purpose of lease classification.

1 Accounting policies *(Continued)*

Pension costs
Contributions to the group's defined contribution pension scheme are charged to the income statement in the year in which they become payable.

Share-based payments
Where share options are awarded to employees, the fair value of the options at the date of the grant is charged to the income statement over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest.
Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the income statement over the remaining vesting period.
Where equity instruments are granted to persons other than employees, the income statement is charged with the fair value of goods and services received.

2 Critical accounting estimates

The group have made certain estimates and assumptions regarding the future. Actual experience may differ from these estimates and assumptions. The estimates and assumptions that may have significant risk of causing a material adjustment are discussed below:

Impairment of Goodwill
The group is required to test, on an annual basis, whether goodwill has suffered any impairment The recoverable amount is determined based on value in use which requires an estimation of future cash flows and choice of discount rate in order to calculate the present value of the cash flows. The carrying value of the goodwill at 30th September 2008 is £1,425,264 (2007 - £1,425,264).

Dilapidations
Leasehold dilapidations relate to the estimated cost of returning a leasehold property to its original state
at the end of the lease in accordance with the lease terms. The damage to the leasehold properties or alterations that will be necessary at the end of the lease is reviewed on a regular basis and an estimate of the cost of the work required under the lease terms is provided for.

3 Transition to IFRS

The group reported under UK GAAP in its previously published financial statements for the year ended 30 September 2007. The tables below reconcile net liabilities and profit and loss for the year as reported previously under UK GAAP and those now reported under IFRS for the period ended 30 September 2007. A reconciliation of net liabilities at 1 October 2006 is also provided, being the date of transition to IFRS.

3 Transition to IFRS *(Continued)*

UK GAAP to IFRS net profit and loss reconciliation

	Year ended 30 September 2007 £
UK GAAP profit on ordinary activities	485,121
Amortisation of goodwill under UK GAAP for the year ended 30 September 2007	101,808
IFRS profit on ordinary activities	586,929

UK GAAP to IFRS net liabilities reconciliation

	30 September 2007 £	**1 October 2006 £**
UK GAAP net liabilities	(791,658)	(1,276,779)
Amortisation of goodwill	101,808	-
IFRS net liabilities	(689,850)	(1,276,799)

In preparing these financial statements, the group has elected to apply the transitional arrangements permitted by IFRS 1 "First time adoption of International Financial Reporting Standards" in relation to Business Combinations. Accordingly, the carrying amount of capitalised goodwill at 30 September 2006 that arose on business combinations accounted for using the Acquisition method under UK GAAP was frozen at this amount and tested for impairment at 1 October 2006. Previously amortised amounts in the UK GAAP accounts for the year ended 30 September 2007 of £101,808 has therefore been reversed in the IFRS income statement.

4 Segmental analysis

	Audit Stocktaking & Investigations - Leisure 2008 £	Other Investigations 2008 £	Unallocated 2008 £	Total 2008 £
Revenue				
Total segment revenue	3,462,142	375,233	-	3,837,375
Inter-segment revenue	(1,525)	(6,750)	-	(8,275)
	3,460,617	368,483	-	3,829,100
Profit/(loss) from Operations	505,404	67,354	(479,270)	93,488
Finance Expense	(3,497)	(6,435)	(189,168)	(199,100)
Profit/(loss) for the year	501,907	60,919	(668,438)	(105,612)
Other segment items included in the statement are as follows:				
Depreciation (note 13)	*22,376*	*2,036*	*4,892*	*29,304*

	Audit Stocktaking & Investigations - Leisure 2007 £	Other Investigations 2007 £	Unallocated 2007 £	Total 2007 £
Revenue				
Total segment revenue	3,413,618	666,183	-	4,079,801
Inter-segment revenue	(7,538)	(16,670)	-	(24,208)
	3,406,080	649,513	-	4,055,593
Profit from Operations	482,714	102,995	219,989	805,698
Finance Income	-	-	41	41
Finance Expense	(2,765)	(8,319)	(207,726)	(218,810)
Profit for the year	479,949	94,676	12,304	586,929
Other segment items included in the statement are as follows:				
Depreciation (note 13)	*24,566*	*3,144*	*38,412*	*66,122*

Unallocated operating loss relates to the costs of running the central finance and head office operations.

Revenue

Revenue comprises amounts receivable for the provision of services provided in the normal course of business, exclusive of value added tax and after deduction of trade discounts. Revenue is recognised in line with delivery of service. Revenue is entirely attributable to the Group's principal activities. The geographic analysis and analysis of profit and net assets has been omitted since the Directors do not consider there to be materially significant geographical segments. Revenue attributable to the UK geographic segment makes up in excess of 75% of total reported revenue.

4 Segmental analysis *(Continued)*

Segmental assets and liabilities as 30 September 2008 and 2007 are as follows:-

	Audit Stocktaking & Investigations - Leisure	Other Investigations	Unallocated	Total
	2008	2008	2008	2008
	£	£	£	£
Total Assets	774,648	59,476	1,504,720	2,338,844
Total Liabilities	(745,229)	(167,299)	(838,184)	(1,750,712)
	29,419	(107,823)	666,536	588,132

Segment assets and liabilities are reconciled to the Group's assets and liabilities as follows:-

Bank loans	(544,694)
Loan Stock	(675,000)
Other Loans	(104,864)
	(736,426)

	Audit Stocktaking & Investigations - Leisure	Other Investigations	Unallocated	Total
	2007	2007	2007	2007
	£	£	£	£
Total Assets	748,911	132,376	1,510,416	2,391,703
Total Liabilities	(796,455)	(315,974)	(681,885)	(1,794,314)
	(47,544)	(183,598)	828,531	597,389

Segment assets and liabilities are reconciled to the Group's assets and liabilities as follows:-

Bank loans	(525,778)
Loan Stock	(666,317)
Other Loans	(95,144)
	(689,850)

Unallocated assets and liabilities for both years comprises intangible assets (£1,425,264), paye and vat creditors, and the assets and liabilities associated with central finance and head office operations.

5 Profit from operations

	2008 £	2007 £
This is arrived at after charging:		
Depreciation – owned assets	25,587	52,164
Depreciation – leased assets	3,717	13,958
Operating lease expense:		
- Plant and machinery	274,502	251,072
- Property	51,091	44,033
Impairment loss on loans and receivables	(16,197)	9,138
Auditors' remuneration – audit services	35,000	44,000

6 Exceptional items

	2008 £	2007 £
Elimination of contingent purchase consideration	-	820,651
Legal and other expenses incurred	(101,377)	(155,535)
	(101,377)	665,116

Exceptional costs relate to costs incurred in respect of the legal case regarding the Argen purchase consideration. A satisfactory conclusion to mediation talks mean that no further costs are likely be incurred. Due to the significant and unusual nature of this case the directors do not consider that the costs should be regarded as part of usual operating activity and have disclosed them as exceptional. Prior year exceptional costs relate to legal costs for the above case and the prior year exceptional profit relates to the release of a provision for the contingent consideration payable to the Argen vendors which was considered by the directors to be unlikely to be due.

7 Staff Costs

	2008 £	2007 £
Staff costs for all employees, including executive directors, consist of:		
Wages and salaries	1,996,307	2,062,093
Short term non monetary benefits	41,366	44,031
Defined Contribution Pension costs	63,567	73,637
Employer National Insurance contributions	186,925	206,914
	2,288,165	2,386,675

7 Employees *(Continued)*

The average number of employees of the group during the year, including executive directors, was as follows:	2008 Number	2007 Number
Administration and management	24	23
Operational staff	60	65
	84	88

8 Directors' remuneration

The remuneration of the directors who are the key management personnel of the Group, is set out below.

	2008 £	2007 £
Remuneration	132,361	65,553
Group contributions to money purchase pension schemes	1,500	3,319

There was one director in the company's defined contribution pension scheme (2007 - one) during the year.

9 Finance income and expenses

	2008 £	2007 £
Recognised in profit or loss		
Finance Income		
Interest received on bank deposits	-	41
	-	41
Finance Expense		
Interest on invoice discounting	45,441	42,297
Interest on bank loans and overdraft	99,888	49,543
Finance Leases	1,345	2,325
Interest on guaranteed loan stock	67,685	67,500
Other Interest	(15,259)	57,145
	199,100	218,810

10 Tax Expense

	2008 £	2007 £
Total current tax	-	-
Deferred tax		
Origination and reversal of temporary differences	-	-
Total income tax expense	-	-

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The differences are explained below:

	2008 £	2007 £
(Loss)/profit on ordinary activities before tax	(105,612)	586,929
(Loss)/profit on ordinary activities at the standard rate of corporation tax in the UK of 28% (2006 – 30%)	(29,571)	176,079
Effects of:		
Expenses not deductible for tax purposes	41,255	75,665
Other allowances	(8,909)	(8,022)
Elimination of contingent purchase consideration not taxable	-	(246,195)
Tax losses carried forward	(2,775)	2,473
Total tax charge/(credit) for year	-	-

11 Earnings per share

Earnings per ordinary share have been calculated using the weighted average number of shares in issue during the relevant financial periods. The weighted average number of equity shares in issue is 10,711,609 (2007 – 10,156,776) and the earnings, being loss after tax, are £105,612 (2007 – £586,929 profit).

The directors have also presented adjusted earnings per share, as they believe this gives a better indicator of underlying business performance.

	2008 £	2007 £
Reconciliation of earnings		
(Loss)/profit used for calculation of basic and diluted EPS	(105,612)	586,929
Exceptional items	101,377	(665,116)
Loss used for calculation of adjusted basic and diluted EPS	(4,235)	(78,187)
Reconciliation of denominator		
Shares used for calculation of basic and adjusted basic EPS	10,711,609	10,156,776
Exercise of options	-	-
Shares to be issued	-	-
Shares used in calculation of diluted and adjusted diluted EPS	10,711,609	10,156,776
(Loss)\earnings per share		
Basic	(0.1p)	5.8p
Diluted	(0.1p)	5.8p
(Loss)/earnings per share before exceptional items,		
Basic	0p	(0.8p)
Diluted	0p	(0.8p)

Employee options have been excluded from the calculation of diluted EPS as their exercise price is greater than the average share price for the year. The number of shares options in issue at September 2008 was 1,163,850 (2007: 1,291,850).

12 Intangible assets

Group	**Goodwill** **£**
Cost	
At 1 October 2007 and 30 September 2008 as restated under IFRS	1,425,264
Carrying amount	
At 30 September 2008	1,425,264
At 30 September 2007	1,425,264

The group tests goodwill annually for impairment. For this purpose it is assumed that all the goodwill relates to the audit and stocktaking and investigations business (leisure). The recoverability of the Cash Generating Unit ("CGU") relating to the audit, stocktaking and investigations business (leisure) is determined from value in use calculations. Management estimates discount rates using pre tax rates that reflect the weighted average cost of capital of the Group. The discount rate used to measure the CGU value in use was 20%. A prudent approach has been adopted with no growth rate being applied and no residual value being factored into the calculations. The approved budget for the following year, rolled forward for a further 4 years assuming no growth, formed the basis for the cash flow projections for the CGU. As at 30 September 2008, management concluded that there has been no impairment. The discount rate at which any impairment would be incurred is 40%.

13 Property,plant and equipment

Group	**Fixtures, fittings, and equipment**	**Total**
	£	**£**
Year ended September2007		
Opening net book value	119,053	119,053
Additions	12,888	12,888
Depreciation	(66,122)	(66,122)
Closing net book value	65,819	65,819
Year ended September 2008		
Opening net book value	65,819	65,819
Additions	19,905	19,905
Depreciation	(29,304)	(29,304)
Closing net book value	56,420	56,420
At 30 September 2007		
Cost	231,133	231,133
Accumulated depreciation	(165,314)	(165,314)
Net book Value	65,819	65,819
At 30 September 2008		
Cost	251,038	251,038
Accumulated depreciation	(194,618)	(194,618)
Net book value	56,420	56,420

The net book value of assets held under hire purchase agreements and finance leases was £ 10,986 (2007:£14,706)

14 Subsidiary undertakings

The following were subsidiary undertakings at the end of the year and have all been included in the consolidated financial statements:

Name	Country of incorporation or registration	Proportion of voting rights and ordinary share capital held	Nature of business
Capcon Limited	England and Wales	100%	Audit, stocktaking, commercial investigations, insurance claims investigation and administration
Capcon Argen Limited	England and Wales	100%	Research and investigative services
Vincent Sherman (Creditor Claims) Limited	England and Wales	100%	Non-trading
Capcon Argen Risk Management Limited	England and Wales	100%	Non-trading
Capcon Surveillance Bureau Limited	England and Wales	100%	Non-trading

15 Trade and other receivables

	Group 2008 £	Group 2007 £
Trade receivables	753,728	760,158
Less: provisions for impairment of trade receivables	(178,077)	(189,077)
Trade receivables net	575,651	571,081
Prepayments and accrued income	183,343	236,166
Other receivables	97,509	93,338
Total trade and other receivables	856,503	900,585

Movement in impairment of trade receivables

	Group 2008 £	Group 2007 £
At 1st October	189,077	180,087
Created	9,567	27,562
Utilised	(567)	(9,197)
Amount received	(20,000)	(9,375)
At 30th September	178,077	189,077

15 Trade and other receivables *(Continued)*

The credit quality of the trade receivables are reviewed and assessed on an ongoing basis which enables timely judgements to be made on the position of each debt. This allows management to put in place action plans where necessary to ensure the recoverability of the debts and the minimisation of potential write offs. The concentration of credit risk is limited due to the customer base being large and generally unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the provision for impairment.
All trade and other receivables are classified as financial assets and measured at amortised cost.

As at 30 September 2008 trade receivables of £388,765 (2007: £351,611) were past due but not impaired. They relate to companies with no default history. The ageing analysis of these customers is as follows:-

	Group 2008 £	Group 2007 £
Up to 3 months	378,917	347,183
3 to 6 months	9,848	4,428
	388,765	351,611

At 30 September 2008 trade receivables of £178,077 (2007: £189,077) were past due and impaired. £133,242 of this relates to Argen receivables due for more than 1 year. A lot of this debt is with foreign customers and a final push has been made to collect this debt before it is written off. So far during the year one of the outstanding receivables for £20,000 has been recovered. The remaining impairment relates to customers with debt over 4 months old which are either in liquidation or where court action is being considered.

16 Trade and other payables

(a) Amounts falling due within one year

	Group 2008 £	Group 2007 £
Trade creditors	354,010	250,689
Other creditors	174,392	185,548
Tax and social security creditor	220,501	337,619
Corporation tax	-	132
Accruals and deferred income	502,949	495,077
	1,251,852	1,269,065

16 Trade and other payables *(Continued)*

Maturity of Financial Liabilities

The maturity analysis of financial liabilities including loans and borrowings and trade and other payables, classified as financial liabilities and measured at amortised cost, is as follows:-

	2008	**2007**
	£	**£**
Up to 3 months	1,204,432	1,256,476
3 to 6 months	547,338	528,392
6 to 12 months	370,307	371,551
Due in more than 1 year but no more than 2 years	675,000	7,070
Due in more than 2 years but no more than 5 years	-	659,247
	2,797,077	2,822,736

17 Loans and Borrowings

The Group's financial loans and borrowings consist of, bank overdrafts, bank loans, finance leases, an invoice discounting facility, loan stock and various non derivative financial instruments such as trade creditors.

The Group's circumstances and operations do not require the use of complex financing arrangements. Nevertheless, the directors recognise that the Group faces certain interest rate, liquidity and currency risks, which are discussed below. Short-term debtors and creditors, including the invoice discounting creditor, have been excluded from the interest rate disclosures.

	Book value 2008	**Book value 2007**
	£	**£**
Non Current		
Loan Stock	675,000	659,247
Finance leases	-	7,070
	675,000	666,317
Current		
Bank loans and overdrafts	544,694	526,256
Finance leases	7,081	8,545
Invoice discounting facilities	374,729	407,922
Other loans	104,864	95,144
	1,031,368	1,037,867
Total Borrowings	1,706,368	1,704,184

18 Financial Instruments

The Group's circumstances and operations do not require the use of complex financing arrangements. Nevertheless, the directors recognise that the Group faces certain interest rate, liquidity and currency risks, which are discussed below. Short-term debtors and creditors, including the invoice discounting creditor, have been excluded from the interest rate disclosures.

Categories of financial assets and financial liabilities are detailed below

	2008 £	2007 £
Current financial assets		
Trade and other receivables	808,147	808,010
Cash and cash equivalents	657	35
Total current financial assets	808,804	808,045

	2008 £	2007 £
Current financial liabilities		
Trade and other payables	1,251,852	1,269,065
Loans and borrowings	1,031,364	1,037,867
Total current financial liabilities	2,283,216	2,306,932
Non-current financial liabilities		
Loans and borrowings	675,000	666,317
Total non-current financial liabilities	675,000	666,317
Total financial liabilities	2,958,226	2,973,249

(a) Interest rate risk

The Group's exposure to interest rate fluctuations on its borrowings is managed by the use of both fixed and floating facilities. Interest rate risk on the floating facilities is managed with an enhanced interest rate collar agreement for £1,000,000 with a cap rate of 5.79%, a floor rate of 5.25% and a maturity of April 2013. This cap and collar instrument has not been accounted for in this set of accounts as it is immaterial to the results of the group.

The principal terms of the Groups loans are as follows:-

The interest rate applying to the Group's bank overdraft facility is 4.0% over bank base rate, with an additional 9% charged on the peak monthly balance. The bank overdrafts are secured by a floating charge over the assets of the group and the company.
The interest rate applying to the Group's bank loan during the year is 4.0% over bank base rate. The banking facilities were available until 30th December 2008 when it was agreed to split the lending into a £200k overdraft and a £400k 3 year term loan, repayable at £4,000 per month. The 4% margin on the loan remains as is but the additional 6% payable on the loan will be rolled up into the loan and be repayable at the end of the term.
The interest rate applying to the 10% Redeemable Guaranteed Loan Stock is 10% of the original capital balance and not compounding. The loans are held by certain directors and a shareholder of the Company. The balance is repayable on 1 April 2010.
The interest rate applying to the finance lease arrangements is 10.9% over three years. Obligations under finance leases are secured on the assets they finance.
Invoice discounting facilities are secured on trade debtors
Other loans are from the directors of the Company. The balance, which includes £ 35,513 (2007 - £25,973) of accrued interest is charged at 10% on the outstanding balances and is repayable on demand.

(b) **Currency exposure**

The Group operates in overseas markets and is subject to currency exposures on transactions undertaken during the year. The Group does not hedge any transactions and foreign exchange differences on retranslation of foreign assets and liabilities are taken to the income statement of the Group companies and the Group.
At 30 September 2008 the net value of the Group's financial liabilities is £2,149,422 (2007 – liabilities £2,165,204) of which net liability of £1,818 (2007 – liabilities £2,068) is denominated in a currency other than sterling.

(c) **Fair values of financial instruments**
The effective rate of interest for the bank loans and overdraft is 18.2% in 2007/08 (17.1% 2006/07).
There is no difference between the fair values of the Group's financial assets and liabilities and those shown in the balance sheet except for the redeemable loan stock shown below:

	Book value 2008 £'000	**Fair value 2008 £'000**	**Book value 2007 £'000**	**Fair value 2007 £'000**
Non-Current				
Redeemable loan stock	675	687	657	669

Fair value at inception is calculated discounting estimated future cash flows using a market rate of interest. Interest rates applied was 8% (2007 – 9%).

(d) **Capital risk management**

The Groups objectives when managing capital are to safeguard the group's ability to continue as a going concern and to maintain an optimal capital structure to reduce the cost of capital. We include share capital and the profit and loss reserve in our definition of capital.

19 Provisions for liabilities and charges

Deferred tax

A deferred tax asset has not been recognised in respect of taxable losses. The estimated value of the deferred tax asset not recognised, measured at a standard rate of 28%, is £374,036 (2007 - £411,632). This is recoverable against future taxable profit of the relevant trading activity, the timing of which is uncertain.

Dilapidation provision

	Group 2008 £	**Group 2007 £**
At 1 October 2007	108,304	103,510
Charged to income	20,000	31,448
Released to income	(11,254)	(26,654)
At 30 September 2008	117,050	108,304

Dilapidations relate to the estimated cost of returning leased property to the original state at the end of the lease in accordance with the terms of the lease.

20 Share capital

	2008 Number	2007 Number	2008 £	2007 £
Authorised				
20,000,000 ordinary shares of 1p each	20,000,000	20,000,000	200,000	200,000

	2008 Number	2007 Number	2008 £	2007 £
Allotted, called up and fully paid				
Ordinary shares of 1p each	11,680,292	10,156,776	116,803	101,568

	Ordinary shares of 1p each Number	£
In issue at 1 October 2007	10,156,776	101,568
Shares issued for cash during the year	1,523,516	15,235
In issue at 30 September 2008	11,680,292	116,803

There were no movements in the number of ordinary shares in issue during the 2007 financial year.

Share option scheme

At 30 September 2008 the following share options were outstanding in respect of the ordinary shares:

Date of grant	Number of shares	Period of option	Price per share
17 May 2001	331,250	17 May 2004 – 16 May 2011	6p
31 March 2003	612,600	31 March 2006 – 31 March 2013	6p
7 April 2004	220,000	7 April 2007 – 6 April 2014	6p

Director's interests

C J Cavender was granted an option to acquire 193,750 ordinary shares of 1p each at a price of £0.80 per share. This option was granted on 17 May 2001 and may be exercised between three and ten years from the date of grant. Also, C J Cavender was granted an option to acquire 224,600 ordinary shares of 1p each at a price of £0.555 per share. This further option was granted on 31 March 2003 and may be exercised between three and ten years from the date of the grant.
K P Dulieu was granted an option to acquire 100,000 ordinary shares of 1p each at a price of £0.555 per share. This option was granted on 31 March 2003 and may be exercised between three and ten years from the date of the grant.
Share options are held by people who are not directors of Capcon.
These options were re-priced at 6p per share on 20 December 2007.

In April 2008 P Jackson transferred his share interest of 1,235,350 shares to K P Dulieu. There have been no other changes in the interests of the directors between 30 September 2007 and 30 September 2008.

Share based payment

Capcon Holdings plc operates an equity-settled share based remuneration scheme which is an unapproved scheme for directors and, certain senior management and employees.

Under the unapproved scheme, options vest if the individual remains an employee of the group over the vesting period and they are still employed when the options are exercised.

	2008 Weighted average exercise price (pence)	**2008 Number**	**2007 Weighted average exercise price (pence)**	**2007 Number**
Outstanding at the beginning of the year	6.00	1,291,850	34.00	1,354,350
Forfeited during the year	-	(128,000)	-	-
Lapsed during the year	-	-	-	(62,500)
Outstanding at the end of the year	6.00	1,163,850	34.00	1,291,850

The exercise price of the options outstanding at the end of the year was 6p (2007: 34p). Of the total number of options outstanding at the end of the year, all had vested and were exercisable (2007: 1,291,850)

No share options were exercised or granted in the year. On 20 December 2007, all options outstanding were re-priced at 6p.

21 Reserves

Group	Share premium account £	Merger reserve £	Retained Earnings account £
At 1 October 2007	2,774,094	950,000	(4,515,512)
Loss for the year	-	-	(105,612)
Shares issued in the year	43,801		
At 30 September 2008	2,817,895	950,000	(4,621,124)

The following describes the nature and the purpose of each of the reserves:

Share capital:	Amount subscribed for share capital at nominal value.
Share premium account:	Amount subscribed for share capital in excess of nominal value
Merger reserve:	The difference between the nominal value of the shares issued to acquire a subsidiary and the nominal value of shares acquired.
Retained Earnings:	Cumulative net gains and losses recognised in the consolidated income statement.

22 Commitments under operating leases

As at 30 September 2008, total minimum lease payments due under non-cancellable operating leases are set out below:

	2008 Land and buildings £	2008 Other £	2007 Land and buildings £	2007 Other £
No later than one year	16,950	225,082	18,906	215,254
Later than 1 year but no later than five years	6,737	244,230	22,257	223,894
Later than five years	-	-		-
	23,687	469,312	41,163	439,148

23 Related party transactions

During the year fees were charged by Vantis plc totalling £ 44,837 (2007 - £149,565) relating to payroll and tax services. In addition, fees for services totalling £25,624 (2007 - £41,487) were charged by Capcon Limited to Vantis plc. At the year end, a balance of £ 9,264 (2007 - £37,855) was owed by Vantis plc in respect of services provided by Capcon Limited. P F Jackson is a Director and shareholder of Vantis plc.
The bank facilities are, in part, secured by way of a guarantee from K P Dulieu for a principal amount of £200,000.

Contents

Page:

38 Company Balance Sheet

39 Notes to the accounts

Capcon Holdings plc

Company balance sheet at 30 September 2008

	Note	2008 £	2008 £	2007 £	2007 £
Fixed assets					
Investments	2		50,000		50,000
Creditors:					
Amounts falling due within one year	3	(535,297)		(457,489)	
Net current liabilities			(535,297)		(457,489)
Total assets less current liabilities			(485,297)		(407,489)
Creditors					
Amounts falling due after more than one year	3		(675,000)		(659,247)
			(1,160,297)		(1,066,736)
Capital and reserves					
Called up share capital	4		116,803		101,568
Share premium account	5		2,817,895		2,774,094
Profit and loss account	5		(4,094,995)		(3,942,398)
Shareholders' deficit	6		(1,160,297)		(1,066,736)

The financial statements were approved by the Board and authorised for issue on 28 March 2008

C J Cavender
Director

The notes on pages 39 to 42 form part of these financial statements.

1 Accounting policies

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

The principal accounting policies are:

Going concern

The financial statements have been prepared on the going concern basis as, in the opinion of the directors, at the time of approving the financial statements, there is a reasonable expectation that the group will continue in operational existence for the foreseeable future The financial statements do not include any adjustments that would result from the going concern basis of preparation being inappropriate. Additional disclosures relating to the directors consideration of going concern is provided in note 1 to the group accounts.

Valuation of investments

Investments held as fixed assets are stated at cost less any provision for impairment in value.

Foreign currency

Foreign currency transactions are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet dates. Any differences are taken to the profit and loss account.

Deferred taxation

Deferred tax is provided in full on timing differences that have originated but not reversed by the balance sheet date. The recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences. Deferred tax balances are not discounted.

Financial Instruments

Financial instruments are measured initially and subsequently at cost.

Share-based payments

Where share options are awarded to employees, the fair value of the options at the date of the grant is charged to the profit and loss account over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the option granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the profit and loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the profit and loss is charged with the fair value of goods and services received.

1 Loss for the financial year

The company has taken advantage of the exemption allowed under section 230 of the Companies Act 1985 and has not presented its own profit and loss account in these financial statements. The parent company made a loss (2007 – profit) for the year of £152,597 (2007 – £555,859).
The company has no staff cost in the year.

2 Fixed asset investments

	Company	**Company**
	Subsidiary undertakings	**Subsidiary undertakings**
	2008	**2007**
	£	**£**
At 1 October 2007	50,000	50,000
At 30 September 2008	50,000	50,000

3 Creditors

(a) Amounts falling due within one year

	Company 2008 £	**Company 2007 £**
Amounts due to subsidiary undertakings	290,669	236,625
Accruals and deferred income	139,944	125,720
Other creditors	104,684	95,144
	535,297	457,489

(b) Amounts falling due after more than one year

	Company 2008 £	**Company 2007 £**
Loan stock	675,000	659,247
	675,000	659,247

4 Share capital

Ordinary shares of 1p each

	Number	£
In issue at 1 October 2007	10,156,776	101,568
Shares issued for cash during the year	1,523,516	15,235
In issue at 30 September 2008	11,680,292	116,803

5 Reserves

Company	Share premium account £	Profit and loss account £
At 1 October 2007	2,774,094	(3,942,398)
Share capital issued in the year		
Share premium	43,801	-
Loss for the year	-	(152,597)
At 30 September 2008	2,817,895	(4,094,995)

6 Reconciliation of movements in shareholders' funds

	Company 2008 £	Company 2007 £
(Loss)/Profit for the year	(152,597)	555,859
Shares issued during the year	59,036	-
Net increase/(reduction) in shareholders' funds	(93,561)	555,859
Opening shareholders' deficit	(1,066,736)	(1,622,595)
Closing shareholders' deficit	(1,160,297)	(1,066,736)

7 Contingent liabilities

The company has guaranteed bank borrowings of its subsidiary undertakings. At the year end the liabilities covered by these guarantees totalled £544,697, (2007 - £525,778).

8 Subsidiary undertakings

The following were subsidiary undertakings at the end of the year and have all been included in the consolidated financial statements:

Name	Country of incorporation or registration	Proportion of voting rights and ordinary share capital held	Nature of business
Capcon Limited	England and Wales	100%	Audit, stocktaking, commercial investigations, insurance claims investigation and administration
Capcon Argen Limited	England and Wales	100%	Research and investigative services
Vincent Sherman (Creditor Claims) Limited	England and Wales	100%	Non-trading
Capcon Argen Risk Management Limited	England and Wales	100%	Non-trading
Capcon Surveillance Bureau Limited	England and Wales	100%	Non-trading

Professional advisors

Registered office:	10 Chiswell Street London EC1Y 4UP
Nominated adviser	Shore Capital and Corporate Limited Bond Street House 14 Clifford Street London W1S 4JU
Stockbroker	Shore Capital Stockbrokers Limited Bond Street House 14 Clifford Street London W1S 4JU
Business adviser:	Vantis 82 St John Street London EC1M 4JN
Auditors:	BDO Stoy Hayward LLP 55 Baker Street London W1U 7EU
Solicitors:	Duane Morris 10 Chiswell Street London EC1Y 4UP
Bankers:	Lloyds TSB Bank plc 1st Floor 48 Chiswell Street London EC1Y 4XX
Registrars:	Capita Registrars Northern House Woodsome Park Fenay Bridge Huddersfield West Yorkshire HD8 0LA
Registered number:	4196004