Company no 4196004

Capcon Holdings plc

Report and Financial Statements

Year Ended

30 September 2009

Capcon Holdings plc

Annual report and financial statements for the year ended 30 September 2009

Contents

Directors

K P Dulieu
C J Cavender
P F Jackson
M A Borrelli

Secretary

C J Cavender

Company number

4196004

Auditors

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

Main points

- Increased profit from operations.
- Increased margins
- Focus on core business creating stronger base
- Prospects continue to remain strong.

Operational review

The year ended 30 September 2009 has been another period in which we have continued to make good progress towards returning the Group to its former strength. Group operating profit has increased despite the challenging market conditions brought about by the continuing deterioration in trading suffered by many of our clients in the leisure sector.

The demand for our investigation services has increased this year after several years of decline and the Directors believe that the various recent initiatives taken since resolving the Argen related litigation last year have started to yield benefits for this part of the Group. Additionally, there has been increased demand for investigative work from insolvency practitioners as a direct consequence of fraudulent activity in some major business failures in this past year. One such business failure led to our engagement in a high profile international fraud investigation which is still on going.

The Group’s operating profit margin has improved in the financial year as a result of a proportionate increase in the level of higher margin investigation services. Additionally, one of the Board’s responses to the adverse market conditions in the leisure sector was to undertake a top to bottom review of all costs and resources deployed in the Audit & Stocktaking division at the beginning of the financial year. The prompt action taken following this review ensured that our operating margin levels in this area were close to the level achieved last financial year despite incurring significant redundancy costs.

The mandatory Rule 9 Offer that was made in July 2009 resulted in certain members of the Board owning, or otherwise controlling, in aggregate, 86% of the issued share capital of the Company. Consequently, the Directors are now in a position to implement their development plans for the Group and can now take appropriate steps to strengthen the Group’s balance sheet going forward.

On 30 June 2009 it was announced that Alex Borrelli had been appointed to the Board as a Non Executive Director with effect from 29 June 2009. Alex has specialised in advising companies in the smaller growth company sector for over twenty years and we are delighted to have the benefit of his considerable experience on the Board as Capcon enters a new stage in its development.

Financial overview

Sales for the year to 30 September 2009 were £3.65 million (2008: £3.83 million) representing a 4.7% decrease on last year. This decrease was due to lower activity for services to the leisure sector, audit & stocktaking in particular, partly offset by increased activity in ‘other investigations’. The overall gross margin of 39.4% showed an improvement on last year’s level of 37.8%, and was primarily attributable to an increase in investigation services in the first half of the financial year which traditionally yield a higher margin level than audit & stocktaking services.

The Group achieved a profit from operations of £0.25 million (2008: £0.09 million) for the year and there were no exceptional items charged or credited (2008: exceptional items of £0.1 million were charged). A loss was generated before tax of £0.05 million (2008: loss of £0.11 million) after charging interest of £0.31 million (2008: £0.20 million). The interest charge includes a net charge of £0.1m resulting from the revaluation (as required under IFRS) of the Group’s cap and collar agreement with its bank which expires in 2013.

The Directors considered that no further impairment of goodwill was necessary for the year.

The basic loss per share of 0.5p for the year compares with 1.0p loss per share for the year ended 30 September 2008.

Despite a considerable amount of time being spent by the Directors on corporate matters, including potential acquisitions, the level of Directors’ remuneration and external advisers’ fees has been contained and does not represent a significant increase on last year. The Directors’ ongoing attention to these and other overhead costs has ensured that the central overhead cost of the Group has been maintained at a low level, increasing by just 6.9% on last year despite the increased corporate activity.

There was a net cash inflow from operating activities before changes in working capital of £0.28 million (2008: £0.12 million) which was increased to £0.34 million (2008: £0.14 million) after working capital movements. Total borrowings were reduced in the year by £0.21 million from £1.71 million to £1.50 million due to a reduction in invoice discounting as well as a reduced overdraft requirement. During the year, the Group restructured its banking facilities and converted £0.4 million of the overdraft to a medium term loan. The Group continues to benefit from loan stock of £0.68 million, bearing interest of 10% p.a, of which £0.60 million is held by two directors.
The improved cash flow position in the financial year, which has led to the reduced level of bank borrowings, has underlined the Directors’ strategy to strengthen the balance sheet and progressively improve the financial base upon which to grow the business. The Directors will continue to review alternative sources of funding whilst maintaining a cautious approach to cash management within the business. A continuing reduction in the level of borrowings remains a priority and, accordingly, the Directors will continue the policy of not recommending the payment of a dividend, as last year, for the time being.

Rule 9 Offer

A placing of shares was made by the Company on 30 April 2008 to Paul Ashton, an existing shareholder and a Director of Vantis plc. It was subsequently deemed that Mr Ashton had, at the time of the placing, been acting in concert with the then Directors of Capcon Holdings plc who held amongst them shares representing approximately 39.6% of the issued shares of the Company. Extensive discussions between the Takeover Panel and the concert party and its advisers ensued over several months in an attempt to resolve the situation. Consequently, on 28 July 2009 Paul Jackson, on behalf of the concert party, made a mandatory offer for the issued shares in the Company not held by the concert party. The Offer closed on 16 September 2009, at which time the concert party had received acceptances which, together with the shares they already held, accounted for 86.2% of the issued share capital. Since the financial year end, the shares held by certain members of the concert party have been re-distributed amongst them.

At the time that Paul Jackson made the Offer he stated that it was the intention of the concert party to maintain Capcon's admission to trading on the AIM market and this remains the intention of the Board.

Audit, stocktaking and investigations - Leisure

Sales of £3.07 million were 11.2% lower than last year due to reduced revenues from audit and stocktaking services. Profit from operations was £0.47 million compared to £0.51 million last year, a 7.8% reduction. The difficulties for the leisure sector, referred to in the Group's Interim Report for the six months ended 31 March 2009, continued into the second half of the financial year and there is unlikely to be a significant improvement in the short term. Consequently our clients' short term cost saving measures referred to in the Interim Report, which have resulted in clients reducing the frequency of stock takes, is unlikely to be reversed in the short term. However, as previously commented, our past experience suggests that such short term action ultimately highlights the true value of our services as clients' profit margins are likely to be adversely affected as a result of limiting the use of our control procedures, and a realisation that a full resumption of our services in the longer term will be to their benefit. Furthermore, we believe that most clients have achieved the full extent of short term cut backs that are achievable without damaging their businesses and are unlikely to reduce the use of our services further.

The Audit business continues to develop in the growing budget hotel sector where the nature of our work commands a higher fee level. This positive trend continues to partly offset the short term effect of lower sales of stocktaking services and is also mainly responsible for the improved operating profit margin of 15.2% compared to 14.6% last year.

Our Systems and IT staff have continued the development of software used in the field which is an essential aspect of the service this division provides in assisting clients to improve their controls over stock and cash. In particular, the development work undertaken on improving our bespoke Cellar Management System has been especially beneficial in tightening controls in our hotel client base. Additionally, as our clients respond to the tough trading conditions, there has been an increasing focus on the use of our customised reporting procedures to identify problem areas, pinpoint training requirements or other needs and, in the process, become more proactive in the involvement of our staff to minimise stock and cash losses.

The current harsh climate in our target sector has created a pressure on fee levels, as well as the level of sales, and an immediate and effective response has been necessary. During the first half of the financial year all cost areas were closely scrutinised and, after taking account of the trading outlook for the coming year, it was reluctantly decided to reduce the number of staff in our stocktaking team. By taking action early in the year we have been able to reduce our future cost base without significant impact on our profit margin in the current year, despite incurring redundancy costs. We have been successful in achieving these changes whilst continuing to maintain high quality standards in the delivery of our services.

Investigation services to the leisure sector have continued to be focused on two main areas, ferries and hotels, although services to ferries have been a declining market for some time. However, the level of business with hotels has continued to increase, assisted by cross referrals emanating from stocktaking activities, and this trend is expected to continue into the next financial year.

I am pleased to report that, once again, we have been awarded gold accreditation by the ISO. This is a tribute to our hardworking employees who have consistently delivered the highest standard of service to our clients throughout one of the toughest years that the leisure industry has endured.

Other investigation services

Sales for other investigation services for the year ended 30 September 2009 were £0.58 million compared to £0.37 million last year, a 57% increase. The provision of traditional investigation services through the Argen brand name has increased compared to last year. However, the significant overall increase in other investigation services is mainly attributable to an engagement by an insolvency practitioner in the first half of the financial year to investigate a major international fraud. Operating profit for this

Other investigation services (contd)

division has increased from £0.07 million last year to £0.19 million in the year to 30 September 2009 due to increased sales and an improved profit margin as a consequence of the more complex nature of the fraud work which has been undertaken in this period.

The prospects for gaining more investigative projects as a direct result of the present high level of company insolvencies are good. We are, therefore, undertaking new marketing and networking initiatives to take advantage of the increase in investigative work that is often identified only after the appointment of an insolvency practitioner.

The investigative services provided by Argen continue to be delivered to a broad range of clients in the UK and overseas. Sales in the year to 30 September 2009 have increased for the first time in five years following a year on year deterioration since 30 September 2004. Following resolution of the Argen related litigation issues in 2008 after three years of dispute, it has been possible to take more positive steps to market Argen’s services to new clients and, as a result of this marketing, business from several new clients has been gained in the financial year.

The unpredictable frequency of investigation projects necessitates that we maintain the present minimal overhead cost base until we are confident that a consistent and higher level of activity can be maintained. Consequently, organic growth in this division will be slow in the short term as it is necessary for limited key resources to be shared between operational and business development activities.

Current trading and prospects

The start of the new financial year has seen a continuation of similar trading conditions experienced in the second half of last year. Sales levels for leisure based services are expected to remain at the current level for the short term although investigation services in this sector are forecast to reduce later in the financial year due to less activity on ferries. Our budgets for the current year assume that the prevailing issues in the leisure sector will continue throughout the current financial year.

Our experience over the past year has led us to believe that further investigative work could be gained from insolvency practitioners whom we regard as potential sources for major fraud investigations and other investigative work such as asset tracing. However, although such work can be significant and highly profitable, it is also unpredictable. Also, in Capcon Argen, we expect to increase business as we continue to raise our profile in the financial sector where the screening of Directors and senior managers by financial institutions is increasingly regarded as a pre-requisite to investment.

Having resolved the Argen related litigation last year and concluded the long running concert party issues with the Takeover Panel this year, the board is now in a position to focus on strengthening the Group and developing a strategy of growth through acquisition. To this end, the Directors are now seeking suitable acquisitions that will complement our existing services and enhance shareholder value.

K P Dulieu
Chairman

22 January 2010

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 at the time it purchased certain of its businesses from Carlisle Holdings plc in 1999 and subsequently of the Company shortly prior to its flotation on AIM in 2001.

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.

Alex Borrelli (Non- executive Director)

Alex Borrelli initially studied medicine and then qualified as a chartered accountant with Deloitte, Haskins & Sells, London in 1982. He has subsequently been active within the investment banking sector and has acted on a wide variety of corporate transactions in a senior role for over 20 years, including flotations, takeovers, mergers and acquisitions for private and quoted companies (on the Official List, AIM and PLUS).

The Directors present their report together with the audited financial statements for the year ended 30 September 2009.

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 £54,657 (2008 – Loss £105,612).

No interim dividend was paid (2008 - £nil) and the Directors do not propose a final dividend (2008 - £nil) for the year ended 30 September 2009.

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 the Companies Act 2006, are detailed in the Chairman's statement.

Principal risks and uncertainties.

The main business risk is considered to be the maintenance of a positive cash flow, bearing in mind the uncertainty of turnover and fixed finance costs. In addition, every year it is necessary to renew existing bank facilities which, in turn, require the continuing support of existing providers of those facilities.

Details of the Group's exposure to financial risks and the management procedures in place to mitigate these are set out in note 17 to these financial statements.

Key performance indicators ("KPI's")

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

	2009	**2008**
Sales	£3.65million	£3.83million
Gross margin	39.4%	37.8%
Profit from operations*	£0.25million	£0.19million
Loss per share	0.5p	1.0p
Cash flow from operating activity	£0.34million	£0.14million
Net debt	£1.50million	£1.71million

* 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 17 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 51 days (2008 - 53 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 19 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
Michael Alexander Borrelli (Appointed from 29th June 2009)

Further details of the Directors' share options and long term incentive scheme are shown in note 19, which also shows the movements during the year. Details of any Directors' interest in transactions of the Group are given in note 22.

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 LLP as auditors will be proposed at the next annual general meeting.

By order of the Board

C J Cavender
Secretary

27th January 2010

Statement of Directors' responsibilities

The Directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether the group accounts have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- state whether the parent company accounts have been prepared in accordance with the United Kingdom Generally Accepted Accounting Practice, subject to any material departures disclosed and explained in the financial statements.
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the company'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 Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Capcon Holdings plc

Report of the independent auditors

To the shareholders of Capcon Holdings plc

We have audited the financial statements of Capcon Holdings plc for the year ended 30th September 2009 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 related Group and Company notes. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors
As explained more fully in the statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

Opinion on financial statements
In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the Parent company's affairs as at 30 September 2009 and of the Group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent company's financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

John Everingham (Senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom.
27 January 2010
BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Capcon Holdings plc

Consolidated income statement for the year ended 30 September 2009

	Note	2009 £	2008 £
Revenue	3	3,652,396	3,829,100
Cost of sales		(2,214,589)	(2,382,182)
Gross profit		1,437,807	1,446,918
Administrative expenses		(1,185,160)	(1,353,430)
Profit from operations before exceptional items.		252,647	194,865
Exceptional items	5	-	(101,377)
Profit from operations	4	252,647	93,488
Finance income	8	8667	-
Finance expense	8	(315,971)	(199,100)
Loss before taxation		(54,657)	(105,612)
Tax expense	9	-	-
Loss for the year attributable to equity shareholders		(54,657)	(105,612)
Loss per share for loss attributable to the equity holders of the parent during the year.	10		
Basic		(0.5p)	(1.0p)
Diluted		(0.5p)	(1.0p)

The notes on pages 14 to 33 form part of these financial statements.

Capcon Holdings plc

Consolidated statement of changes in equity for the year ended 30 September 2009

Group	Share Capital	Share premium account	Merger reserve	Retained earnings	Total Equity
	£	£	£	£	£
At 1 October 2007	101,568	2,774,094	950,000	(4,515,512)	(689,850)
Loss for the year	-	-	-	(105,612)	(105,612)
Issue of Share Capital	15,235	43,801	-	-	59,036
At 1 October 2008 and 30 September 2008	116,803	2,817,895	950,000	(4,621,124)	(736,426)
Loss for the year	-	-	-	(54,657)	(54,657)
Total recognised income and expense	-	-	-	(4,675,781)	(791,083)
At 30 September 2009	116,803	2,817,895	950,000	(4,675,781)	(791,083)

The notes on pages 14 to 33 form part of these financial statements.

Capcon Holdings plc

Consolidated balance sheet at 30 September 2009

(Company No 4196004)

	Note	2009 £	2008 £
Assets			
Non current assets			
Intangible assets	11	1,425,264	1,425,264
Property plant and equipment	12	36,543	56,420
Total Non current assets		1,461,807	1,481,684
Current assets			
Trade and other receivables	14	840,299	856,503
Derivative financial assets	17	8,667	-
Cash and cash equivalents		706	657
Total current assets		849,672	857,160
Total assets		2,311,479	2,338,844
Liabilities			
Non current liabilities			
Loans and borrowings	16	600,000	675,000
Derivative financial liabilities		37,556	
Total non current liabilities		637,556	675,000
Current liabilities			
Trade and other payables	15	1,400,844	1,251,852
Loans and borrowings	16	903,012	1,031,368
Derivative financial liabilities	17	57,600	-
Provision	18	103,550	117,050
Total current liabilities		2,465,006	2,400,270
Total liabilities		3,102,562	3,075,270
Net liabilities		(791,083)	(736,426)
Capital and reserves			
Called up share capital	19	116,803	116,803
Share premium account	20	2,817,895	2,817,895
Merger reserve	20	950,000	950,000
Retained earnings	20	(4,675,781)	(4,621,124)
Shareholders' deficit		(791,083)	(736,426)

The financial statements were approved by the Board and authorised for issue on 27 January 2010

C J Cavender

Director

The notes on pages 14 to 33 form part of these financial statements.

Capcon Holdings plc

Consolidated cashflow statement for the year ended 30 September 2009

	2009 £	2008 £
Cash flows from operating activities		
Loss for the year	(54,657)	(105,612)
Depreciation	23,949	29,304
Finance income	(8,667)	-
Finance expense	315,971	199,100
Cash flows from operating activities before changes in working capital	276,596	122,792
Decrease in trade and other receivables	16,204	44,082
Increase/(decrease) in trade and other payables	46,404	(25,724)
Net cash generated/ (outflow) from operating activities	339,204	141,150
Cash flows from investing activities		
Purchase of property, plant and equipment.	(4,072)	(19,905)
Net Cash used in investing activities	(4,072)	(19,905)
Cash flows from financing activities		
Issue of ordinary shares	-	59,036
Finance expense paid	(114,889)	(156,332)
Repayment of loans	-	(648)
Repayment of invoice discounting facilities	(134,690)	(33,197)
Principal payment under finance leases	(5,026)	(8,534)
Net cash from/(used in) financing activities	(254,605)	(139,675)
Increase/(decrease) in net cash and cash equivalents in the year	80,527	(18,430)
Cash and cash equivalents at the beginning of year	(544,040)	(525,610)
Cash and cash equivalents at the end of year	(463,513)	(544,040)

The notes on pages 14 to 33 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 were the first to be prepared in accordance with IFRS. The date of transition to IFRS was 1st October 2006.

Changes in accounting policies

(a) Adoption of new and revised accounting standards

The adoption of all new or revised accounting standards effective this financial year has not had a material impact on the results, cashflow or finanacial position of the Group or the Company.

(b) Standards, interpretations and amendments to published standards effective in 2009 but which are not yet adopted

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 October 2009 but are currently not relevant to the Group's operations:

International Accounting Standards		**Effective date for the group**
IFRS 1*	Exemption for first time adopters amendment	01/01/2010
IFRS 2*	Group cash settled share based payment transactions amendment	01/01/2010
IFRS 3	Business combinations	01/10/2009
IFRS 5	Non Current Assets held for sale and discontinued operations amendment	01/01/2010
IFRS 8	Operating segments	01/01/2010
IFRS 9	Financial Instruments	01/01/2013
IFRS's*	Improvements to IFRS's	01/01/2010
IAS 7 *	Statement of Cashflows amendment	01//01/2010
IAS 18	Revenue amendment	01/01/2010
IAS 27	Consolidated financial statements	01/10/2009
IAS 36	Impairment of assets amendment	01/01/2010
IAS 38	Intangible assets amendment	01/01/2010
IAS 1	Presentation of financial statements	01/10/2009
IAS 32*	Classification of rights issue amendment	01/02/2010
International Financial Reporting Interpretations Committee (IFRIC)		**Effective date**
IFRIC 17*	Distribution of Non-cash assets to owners	01//07/2009
IFRIC 18*	Transfer of assets from customers	01/07/2009
IFRIC 19	Extingusihing financial liabilities with equity instruments	01/04/2010

*these standards and interpretations are not endorsed by the EU at present

The Directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the Group's financial statements in the period of initial application.

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 undertakings using the aquisition 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. In reaching this conclusion, the directors have prepared detailed cash flow forecasts for the Group for the period through to 31 January 2011 ("the forecast period") and have given due regard to the following facts and assumptions:

The Group balance sheet at 30 September 2009 shows a net liability position of £791,083. The Group finances part of its working capital needs through a Group overdraft facility. Current overdraft facilities are available until 31 December 2010 and the Group’s bankers have indicated that there are currently no reasons to believe that this facility will not be renewed on similar terms. Accordingly, in making their assessment of going concern the directors have assumed that the Group's bankers will continue to make the overdraft facilities available throughout the forecast period.

Part of the Group's loan stock is held by two current directors of the company. The balance is repayable on 1 April 2010, although the directors concerned, who are owed a total of £600,000 in loan stock, have agreed to defer repayment until April 2011.

As disclosed in note 14, trade receivables include an amount of £181,844 due for work done for the receivers of Stanford International Bank. At the date of approval of the financial statements, this balance remains unpaid. The receipt of this money is not considered by the Directors to be a risk although the timing of receipt is uncertain. In making their assessment of going concern, the directors have assumed that the monies due will be received between January and June 2010. In the event that a short term delay in payment is experienced, the directors have put in place a variety of measures that they consider will be sufficient to satisfy the short term funding requirement that may arise as a result.

The cash flow projections have been prepared taking into account the economic environment and its challenges. Although there will always remain inherent uncertainty within the cash flow projections, including the assumptions the directors have made regarding the timing of receipts of the sums due from Stanford International Bank, at the time of approving the financial statements the directors have a reasonable expectation that the Group will have adequate resources to continue in operational existence for the foreseeable future.

Exceptional Items

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 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.

1 Accounting policies *(Continued)*

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.

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, apart from derivatives, are categorised as loans and receivables, and 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, apart from derivatives, 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.

Derivative financial instruments
Derivative financial instruments used by the Group are stated at fair value. Derivatives do not qualify for hedge accounting. Any gains or losses arising from changes in fair value are recognised immediately in the income statement.

Interest
Interest payable is charged to the income statement as incurred

1 Accounting policies *(Continued)*

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.

Leased assets (continued)
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.

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 has 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 2009 is £1,425,264 (2008 - £1,425,264).

Dilapidation provisions
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 Segmental analysis

	Audit Stocktaking & Investigations - Leisure 2009 £	Other Investigations 2009 £	Unallocated 2009 £	Total 2009 £
Revenue				
Total segment revenue	3,072,556	615,193	-	3,687,749
Inter-segment revenue	(843)	(34,510)	-	(35,353)
	3,071,713	580,683	-	3,652,396
Profit/(loss) from Operations	467,938	189,533	(404,824)	252,647
Finance Income				8,667
Finance Expense	-	-		(315,971)
Profit/(loss) for the year				(54,657)
Other segment items included in the statement are as follows:				
Depreciation (note 12)	*19,833*	*1,532*	*2,584*	*23,949*

	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 Income				-
Finance Expense				(199,100)
Loss for the year				(105,612)
Other segment items included in the statement are as follows:				
Depreciation (note 12)	*22,376*	*2,036*	*4,892*	*29,304*

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

3 Segmental analysis *(Continued)*

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.

Segmental assets and liabilities as 30 September 2009 and 2008 are as follows:-

	Audit Stocktaking & Investigations - Leisure 2009 £	Other Investigations 2009 £	Unallocated 2009 £	Total 2009 £
Total Assets	2,224,255	42,944	44,280	2,311,479
Total Liabilities	(944,493)	(156,805)	(645,190)	(1,746,488)
	1,279,762	(113,861)	(600,910)	564,991

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

Bank loans	(464,219)
Loan Stock	(675,000)
Other Loans	(121,699)
Derivative financial liabilities	(95,156)
	(791,083)

	Audit Stocktaking & Investigations - Leisure 2008 £	Other Investigations 2008 £	Unallocated 2008 £	Total 2008 £
Total Assets	2,199,912	59,476	79,456	2,338,844
Total Liabilities	(985,895)	(167,299)	(597,518)	(1,750,712)
	1,214,017	(107,823)	(518,062)	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)

Unallocated assets and liabilities for both years comprises the assets and liabilities associated with central finance and head office operations.

4 Profit from operations

	2009 £	2008 £
This is arrived at after charging:		
Depreciation – owned assets	21,202	25,587
Depreciation – leased assets	2,747	3,717
Operating lease expense:		
- Plant and machinery	225,464	274,502
- Property	45,107	51,091
Impairment (profit)/ loss on loans and receivables	611	(16,197)
Auditors' remuneration – audit services	29,000	35,000

5 Exceptional items

	2009 £	2008 £
Legal and other expenses incurred	-	101,377
	-	101,377

Prior year 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 did not consider that the costs should be regarded as part of usual operating activity and have disclosed them as exceptional.

6 Staff Costs

	2009 £	2008 £
Staff costs for all employees, including executive Directors, consist of:		
Wages and salaries	1,909,798	1,996,307
Short term non monetary benefits	33,490	41,366
Defined Contribution Pension costs	54,369	63,567
Employer National Insurance contributions	182,184	186,925
	2,179,841	2,288,165

Employees

The average number of employees of the Group during the year, including executive Directors, was as follows:	2009 Number	2008 Number
Administration and management	20	24
Operational staff	53	60
	73	84

7 Directors' remuneration

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

	2009 £	2008 £
Remuneration	183,275	132,361
Group contributions to money purchase pension schemes	1,500	1,500

There was one Director in the Company's defined contribution pension scheme (2008 - one) during the year.

	2009 £	2008 £
The remuneration of the highest paid Director who served during the period was as follows:		
Salary and emoluments	132,292	64,306

8 Finance income and expenses

	2009 £	2008 £
Recognised in profit or loss		
Finance Income		
Net change in fair value of financial assets through profit and loss	8,667	-
	8,667	-
Finance Expense		
Interest on invoice discounting	25,539	45,441
Interest on bank loans and overdraft	61,375	99,888
Finance leases	3,335	1,345
Interest on guaranteed loan stock	67,500	67,685
Net change in fair value of financial liabilities through profit and loss	95,156	-
Other interest	63,066	(15,259)
	315,971	199,100

9 Tax Expense

	2009 £	2008 £
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:

	2009 £	2008 £
Loss on ordinary activities before tax	(54,657)	(105,612)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 28% (2008 – 28%)	(15,304)	(29,571)
Effects of:		
Expenses not deductible for tax purposes	46,001	41,255
Other allowances	(2,489)	(8,909)
Tax losses utilised	(28,208)	(2,775)
Total tax charge/(credit) for year	-	-

10 Loss per share

Loss 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 11,680,292 (2008 – 10,711,609) and the earnings, being loss after tax, are £54,657 (2008 – £105,612 loss).

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

	2009 £	**2008** £
Reconciliation of losses		
Loss used for calculation of basic and diluted EPS	(54,657)	(105,612)
Exceptional items	-	101,377
Loss used for calculation of adjusted basic and diluted EPS	(54,657)	(4,235)
Reconciliation of denominator		
Shares used for calculation of basic and adjusted basic EPS	11,680,292	10,711,609
Shares used in calculation of diluted and adjusted diluted EPS	11,680,292	10,711,609
Loss per share		
Basic	(0.5p)	(1.0p)
Diluted	(0.5p)	(1.0p)
(Loss)/earnings per share before exceptional items,		
Basic	(0.5p)	0p
Diluted	(0.5p)	0p

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 2009 was 1,163,850 (2008: 1,163,850).

11 Intangible assets

Group	**Goodwill**
	£
Cost	
At 1 October 2008 and 30 September 2009	1,425,264
Carrying amount	
At 30 September 2009	1,425,264
At 30 September 2008	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 2009, management concluded that there has been no impairment. The discount rate at which any impairment would be incurred is 30%.

12 Property,plant and equipment

Group	**Fixtures, fittings, and equipment**	**Total**
	£	**£**
Year ended September2008		
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
Year ended September 2009		
Opening net book value	56,420	56,420
Additions	4,072	4,072
Depreciation	(23,949)	(23,949)
Closing net book value	36,543	36,543
At 30 September 2008		
Cost	251,038	251,038
Accumulated depreciation	(194,618)	(194,618)
Net book Value	56,420	56,420
At 30 September 2009		
Cost	255,110	255,110
Accumulated depreciation	(218,567)	(218,567)
Net book value	36,543	36,543

The net book value of assets held under hire purchase agreements and finance leases was £ 8,240 (2008:£10,986) and the depreciation charge for the year was £2,746.

13 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

14 Trade and other receivables

	Group 2009	Group 2008
Trade receivables	784,016	753,728
Less: provisions for impairment of trade receivables	(43,706)	(178,077)
Trade receivables net	740,310	575,651
Prepayments and accrued income	69,753	183,343
Other receivables	30,236	97,509
Total trade and other receivables	840,299	856,503

Movement in impairment of trade receivables

	Group 2009	Group 2008
At 1st October	178,077	189,077
Created	9,672	9,567
Utilised	(134,982)	(567)
Amount received	(9,061)	(20,000)
At 30th September	43,706	178,077

14 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 2009 trade receivables of £424,754 (2008: £388,765) were past due but not impaired. All debts up to 3 months overdue relate to companies with no default history. The 3 to 6 month relates to £12,201 due from Vantis and £181,844 due for work done for the receivers of Stanford International Bank. The receipt of this money is not considered by the Directors to be a risk although the timing is uncertain. The ageing analysis of these customers is as follows:-

	Group 2009 £	Group 2008 £
Up to 3 months	230,709	378,917
3 to 6 months	194,045	9,848
	424,754	388,765

At 30 September 2009 trade receivables of £43,706 (2008: £178,077) were past due and impaired. This impairment relates to customers with debt over 4 months old which are either in liquidation or where court action is being considered.

15 Trade and other payables

(a) Amounts falling due within one year

	Group 2009 £	Group 2008 £
Trade payables	236,595	354,010
Other payables	124,232	174,392
Tax and social security creditor	337,630	220,501
Accruals and deferred income	702,387	502,949
	1,400,844	1,251,852

15 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:-

	2009	2008
	£	£
Up to 3 months	709,130	983,931
3 to 6 months	563,471	547,338
6 to 12 months	640,706	370,307
Due in more than 1 year but no more than 2 years	637,556	675,000
	2,550,863	2,576,576

Liabilities less than one year will be paid on receipt of cash for invoicing, or debtors. Amounts due to directors of £499,094 will be paid as and when cash is available and may therefore extend beyond one year.

16 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 2009	Book value 2008
	£	£
Non Current		
Loan stock	600,000	675,000
	600,000	675,000
Current		
Bank loans and overdrafts	464,219	544,694
Finance leases	2,055	7,081
Invoice discounting facilities	240,039	374,729
Loan stock	75,000	-
Other loans	121,699	104,864
	903,012	1,031,368
Total Borrowings	1,503,012	1,706,368

17 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 receivables and payables, including the invoice discounting payable, have been excluded from the interest rate disclosures.

Categories of financial assets and financial liabilities are detailed below

	2009 £	2008 £
Current financial assets		
Trade and other receivables	782,404	797,031
Cash and cash equivalents	706	657
Derivative financial assets	8,667	-
Total current financial assets	791,777	797,688

	2009 £	2008 £
Current financial liabilities		
Trade and other payables	952,695	870,212
Loans and borrowings	960,612	1,031,364
Total current financial liabilities	1,913,307	1,901,576
Non-current financial liabilities		
Loans and borrowings	637,556	675,000
Total non-current financial liabilities	637,556	675,000
Total financial liabilities	2,550,863	2,576,576

Derivative financial instruments

	2009 £'000	2008 £'000
Current assets:		
Derivatives not designated as hedging instruments - fair value of financial assets through profit and loss	8,667	-
Current liabilities:		
Derivatives not designated as hedging instruments - fair value of financial liabilities through profit and loss	95,156	-

Fair value interest rate

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. The valuation of this agreement is based on bank corporate market valuation models using mid-market levels as at close of business on 30th September 2009.

17 Financial Instruments *(continued)*

(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.

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

The interest rate applying to the Group's bank overdraft facility is 2.5% over bank base rate, with an additional 1.5% charged on the lowest 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. An additional 6% is payable on the loan but 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. The loans are held by certain current directors, a former director and a shareholder of the Company. The balance is repayable on 1 April 2010, although two of the directors, who are owed a total of £600,000, have agreed to defer repayment until April 2011.
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 £ 57,071 (2008 - £35,513) of accrued interest on these loans 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 £1,759,086 (2008 – liabilities £1,778,888) of which net liability of £2,773 (2008 – liabilities £1,818) 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 16.2% in 2008/09 (18.2% 2007/08).
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 2009 £'000	**Fair value 2009 £'000**	**Book value 2008 £'000**	**Fair value 2008 £'000**
Non-Current				
Redeemable loan stock	675	689	675	687

Fair value at inception is calculated discounting estimated future cash flows using a market rate of interest. Interest rates applied was 8% (2008 – 9%).

(d) **Capital risk management**

The capital structure of the Group consists of debts, which includes the borrowings disclosed in notes 16 and 17, cash and cash equivalents and equity, comprising capital, reserves and retained earnings as disclosed in notes 19 and 20.
The primary objective of the Group's capital management is to ensure that it maintains capital ratios that support the business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes have been made in the year ended 30 September 2009.

18 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 £260,132 (2008 - £374,036). This is recoverable against future taxable profit of the relevant trading activity, the timing of which is uncertain.

Dilapidation provision

	Group £	Group £
At 1 October 2008	117,050	108,304
Charged to income	-	20,000
Released to income	(13,500)	(11,254)
At 30 September 2009	103,550	117,050

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.

19 Share capital

	2009 Number	2008 Number	2009 £	2008 £
Authorised				
20,000,000 ordinary shares of 1p each	20,000,000	20,000,000	200,000	200,000

	2009 Number	2008 Number	2009 £	2008 £
Allotted, called up and fully paid				
Ordinary shares of 1p each	11,680,292	11,680,292	116,803	116,803

	Ordinary shares of 1p each Number	£
In issue at 1 October 2009	11,680,292	116,803
In issue at 30 September 2009	11,680,292	116,803

There were no movements in the number of ordinary shares in issue during the 2009 financial year.

19 Share capital *(continued)*

Share option scheme

At 30 September 2009 the following share options were outstanding in respect of unissued ordinary shares of 1p each in the Company.

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.
These options were re-priced at 6p per share on 20 December 2007.

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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.

	2009 Weighted average exercise price (pence)	2009 Number	2008 Weighted average exercise price (pence)	2008 Number
Outstanding at the beginning of the year	6.00	1,163,850	6.00	1,163,850
Forfeited during the year	-	-	-	-
Lapsed during the year	-	-	-	-
Outstanding at the end of the year	6.00	1,163,850	6.00	1,163,850

The exercise price of the options outstanding at the end of the year was 6p (2008: 6p). Of the total number of options outstanding at the end of the year, all had vested and were exercisable (2008: 1,163,850)

No share options were exercised or granted in the year. On 20 December 2007, all options outstanding were re-priced at 6p.
As a consequence of control of the Company being obtained by a deemed concert party pursuant to the offer made by P.F. Jackson on 28 July 2009, all options subsisting as at 30 September 2009 will lapse, to the extent not previously exercised, on 2 March 2010.

20 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 1 October 2008	2,817,895	950,000	(4,621,124)
Loss for the year	-	-	(54,657)
At 30 September 2009	2,817,895	950,000	(4,675,781)

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.

21 Commitments under operating leases

As at 30 September 2009, total minimum lease payments due under non-cancellable operating leases are set out below:

	2009 Land and buildings £	**2009 Other £**	**2008 Land and buildings £**	**2008 Other £**
No later than one year	19,375	206,878	16,950	225,082
Later than 1 year but no later than five years	-	78,281	6,737	244,230
	19,375	285,159	23,687	469,312

22 Related party transactions

During the year fees were charged by Vantis plc totalling £6,955 (2008 - £44,837) relating to payroll and tax services. In addition, fees for services totalling £131,482 (2008 - £25,624) were charged by Capcon Limited to Vantis plc. At the year end, a balance of £110,475 (2008 - £9,264) 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

Company balance sheet at 30 September 2009

	Note	2009 £	2009 £	2008 £	2008 £
Fixed assets					
Investments	3		50,000		50,000
Creditors:					
Amounts falling due within one year	4	(668,597)		(535,297)	
Net current liabilities			(668,597)		(535,297)
Total assets less current liabilities			(618,597)		(485,297)
Creditors					
Amounts falling due after more than one year	4		(600,000)		(675,000)
			(1,218,597)		(1,160,297)
Capital and reserves					
Called up share capital	5		116,803		116,803
Share premium account	6		2,817,895		2,817,895
Profit and loss account	6		(4,153,295)		(4,094,995)
Shareholders' deficit	7		(1,218,597)		(1,160,297)

The financial statements were approved by the Board and authorised for issue on 22 January 2010

C J Cavender
Director

The notes on pages 36 to 39 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.

2 Loss for the financial year

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements. The Parent company made a loss for the year of £58,300 (2008 – £152,597). The Company has no staff cost in the year.

3 Fixed asset investments

	Company Subsidiary undertakings 2009 £	Company Subsidiary undertakings 2008 £
At 1 October 2008	50,000	50,000
At 30 September 2009	50,000	50,000

4 Creditors

(a) Amounts falling due within one year

	Company 2009 £	Company 2008 £
Amounts due to subsidiary undertakings	262,927	290,669
Accruals and deferred income	208,971	139,944
Other creditors	121,699	104,684
Loan stock	75,000	-
	668,597	535,297

(b) Amounts falling due after more than one year

	Company 2009 £	Company 2008 £
Loan stock	600,000	675,000
	600,000	675,000

5 Share capital

Ordinary shares of 1p each	**Number**	**£**
In issue at 1 October 2008	11,680,292	116,803
In issue at 30 September 2009	11,680,292	116,803

6 Reserves

Company	**Share premium account £**	**Profit and loss account £**
At 1 October 2008	2,817,895	(4,094,995)
Loss for the year	-	(58,300)
At 30 September 2009	2,817,895	(4,153,295)

7 Reconciliation of movements in shareholders' funds

	Company 2009 £	**Company 2008 £**
(Loss)/profit for the year	(58,300)	(152,597)
Shares issued during the year	-	59,036
Net increase/(reduction) in shareholders' funds	(58,300)	(93,561)
Opening shareholders' deficit	(1,160,297)	(1,066,736)
Closing shareholders' deficit	(1,218,597)	(1,160,297)

8 Contingent liabilities

The Company has guaranteed bank borrowings of its subsidiary undertakings. At the year end the liabilities covered by these guarantees totalled £464,219 (2008 - £544,697).

9 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 4UO
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 LLP 55 Baker Street London W1U 7EU
Solicitors:	Duane Morris 10 Chiswell Street London EC1Y 4UO
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