Company no 4196004

Capcon Holdings plc

Report and Financial Statements

Year Ended

30 September 2010

Capcon Holdings plc

Annual report and financial statements for the year ended 30 September 2010

Contents

Directors

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

Secretary

C J Cavender

Company number

4196004

Auditors

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

Capcon Holdings plc

Our Business

Main points

- Strong cash flow from operations.
- Gross margins maintained.
- Stable trading in difficult market conditions.
- Argen investigations division continues recovery.
- Review of growth opportunities continues.

Operational review

Despite the continuing economic difficulties and challenging market conditions, we have been able to maintain a stable trading performance in the year ended 30 September 2010. The leisure and hospitality sector, in which many of our clients operate, has failed to recover to the extent expected at the beginning of the financial year and is the main factor in reducing our Group operating profit to a lower level than last financial year. However, following positive action by the management to control costs, we have continued to generate cash from operating profit and reduced bank borrowings.

As previously reported, last financial year included significant income from our engagement by the insolvency practitioner acting for Stanford International Bank (SIB). It was expected that this work would lead to further investigatory work for this client and other insolvency practitioners. However, considering the level of working capital that has been required to be invested in SIB alone, the Board decided that pursuit of such work was not appropriate for Capcon at this stage of its development, and no significant profit has been generated in this financial year from investigation services supplied to insolvency practitioners.

A considerable effort has been expended in developing the Argen investigations division to raise the profile of this prestigious name and rebuild the business as a leading corporate investigator. As a consequence, we have gained new clients and increased the underlying sales level both in the UK and overseas.

Action taken to reduce operating costs in the previous financial year has created a solid operating base to enable the Group to endure the current harsh trading conditions. This reshaping of the cost base, together with recent trends towards the provision of higher added value services and higher margin levels, leads the Board to believe that Capcon will emerge from the recession a stronger company with greater growth potential.

The Board has devoted considerable time to matters of strategic development that will facilitate the growth of Capcon as a public company. As well as review and appraisal of potential synergistic business acquisitions, the Board has considered the development of complementary businesses utilising the investment of new funds into Capcon. Although no specific new acquisitions are currently being progressed, these reviews will remain an important on-going process for the Board in the current financial year.

On 13 August 2010 it was announced that Jane Fowler had been appointed to the Board as a Non Executive Director with immediate effect. Jane has extensive experience in forensic accounting, risk management, investigative services and compliance and we are delighted to have the benefit of her considerable experience on the Board.

Financial overview

Sales for the year to 30 September 2010 were £3.13 million (2009: £3.65 million) representing a 14.2% decrease on last year. This decrease was primarily due to lower activity for services to the leisure sector and the absence of investigatory work for SIB, which was a major contributor to sales income in 2009. The overall gross margin of 39.5% showed a slight improvement on last year's level of 39.4%. This reflects an improved margin level achieved on audit and stocktaking services which more than offset the adverse effect of the lower sales level of investigatory services, which traditionally yield a higher margin level than audit and stocktaking services.

The Group achieved a profit from operations of £0.13 million (2009: £0.25 million) for the year and a loss before tax of £0.13 million (2009: loss of £0.05 million) was generated after charging interest of £0.27 million (2009: £0.31 million). The interest charge includes a net charge of £0.01m (2009: £0.10million) 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 1.1p for the year compares with 0.5p loss per share for the year ended 30 September 2009.

It has been another year in which a considerable amount of time has been spent by the Directors on corporate development matters, including the review of various potential business opportunities that the Board believe could enhance the Group's prospects for growth in the medium term. Meanwhile, continued attention to the containment of central overhead costs has been a high priority for the Directors and has been an important factor in ensuring that operating profit is achieved despite the difficult trading conditions and lack of opportunities to develop the Group's operations in the year. Central overhead costs were reduced by 3.3% in the year ended 30 September 2010 compared to the previous year.

Financial overview (cont’d)

There was a net cash inflow from operating activities before changes in working capital of £0.16 million (2009: £0.28 million) which was reduced to £0.15 million (2009: £0.34 million) after working capital movements. Total borrowings were increased in the year by £0.07 million from £1.70 million to £1.77 million, due to a reduction in invoice discounting and bank borrowings, being more than offset by increased Directors’ loans. During the year, the Group redeemed £0.03 million of loan stock, leaving a balance of £0.65 million at the end of the financial year, bearing interest of 10% p.a., of which £0.60 million is held by two directors. The debt owed by Stanford International Bank since last financial year remains unpaid but the Directors, having received acknowledgement from the administrator that the debt is owed, believe that it will be settled when the administrator has realised sufficient funds, although timing of this settlement remains uncertain.

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, until such time as the company has positive reserves.

Directors’ interests

On 5 February 2010, 418,350 shares were issued to Cliff Cavender following his exercise of share options in the Company at 6p per share. This issue of shares has increased his holding to the equivalent of 5.6% of the issued share capital at 30 September 2010. Post year end, Ken Dulieu purchased 25,000 shares at 4p per share increasing his holding to the equivalent of 50.02% of the issued share capital of Capcon Holdings Plc. As at the date of this report, the number of shares held by the Directors is now equivalent to 86.3% of the issued capital.

Audit, stocktaking and investigations - Leisure

Sales of £2.69 million were 12.4% lower than last year due to reduced revenues from audit and stocktaking services and contract based investigatory services. Profit from operations was £0.41 million compared to £0.47 million last year, a 12.8% reduction. The difficulties for the leisure sector, referred to in the Group’s Interim Report for the six months ended 31 March 2010, continued into the second half of the financial year, with a consequent adverse effect on sales levels. In addition, a long standing contract for investigatory services for a major ferry company was not renewed this year due to a restructuring and rationalisation by the client. However, there are signs that some areas within the leisure sector may be slowly recovering from the protracted recessionary period, evidenced by an increase in enquiries for our services in the second half of the financial year. In addition, some of our major clients have commenced acquisition programmes and, as a consequence, started to increase demand for our services towards the end of the financial year. As previously reported, the true value of our services is invariably highlighted when clients’ gross margin levels are adversely affected by short term cut backs in our services. As a consequence, we believe that the need to re-instate our controls and procedures to previous levels will be acknowledged by many of our larger clients and will lead to higher sales in the current financial year.

The growing budget hotel sector has continued to create higher demand for our audit and stocktaking services where the more sophisticated nature of the work undertaken justifies a higher fee level to reflect the value added. In addition we have launched a new service, ‘Margin Review’, which is a consultancy service aimed at helping clients to improve their margins by implementing better controls. The consequent higher margin levels we are now achieving, combined with our continued pressure on reducing operating costs in all areas, has softened the impact of lower sales in this financial period. The operating profit margin for leisure based services has reduced by only 0.1% to 15.1% despite a significant reduction in sales of high margin investigation services.

As part of our ongoing attention to improving and updating our services, we have been investing in our IT systems to give greater on line access to clients through any web browser, thus allowing much greater flexibility and convenience. We have also re-branded the division and launched a new, more informative and user friendly website which is more focused on customers’ needs than it’s predecessor.

Other investigation services

Sales for other investigation services for the year ended 30 September 2010 were £0.45 million compared to £0.58 million last year, a 22% decrease. However, the sales for last financial year included a significant level of services relating to an engagement to the insolvency practitioner for Stanford International Bank. That engagement was untypical of the usual services provided through the Argen brand name which showed a 12% increase on investigation services provided this financial year compared to last. Operating profit for this division has reduced from £0.19 million last year to £0.12 million in the year to 30 September 2010, which masks an increase in underlying profit for 'Other' investigation services if the engagement on Stanford International Bank is excluded.

The growth in investigative services provided by Argen is encouraging and we continue to gain new clients in the UK and overseas. The Argen business is project driven and, therefore, non recurring by nature, which makes it difficult to predict future income with any certainty. However, the growing client base and regular referrals from existing clients give us confidence that sales from this division should remain buoyant in the current financial year. In addition, ongoing marketing initiatives to raise the profile of Argen will further strengthen the prospects for increasing the client base.

We continue to maintain our overhead cost base at a minimal level until we are confident that the higher sales activity is sustainable in the medium term. Meanwhile, the limited internal resources must continue to be shared between operational and business development activities which, inevitably, limit the rate of growth at the present time.

Current trading and prospects

The current financial year has seen a continuation of the difficult trading conditions in the leisure sector although demand for 'Other' investigation services, which covers several sectors including financial services, continues to increase. We are optimistic that demand for our audit and stocktaking services will improve in the medium term as clients are reminded that our services are an essential feature in maintaining their profit margin levels, irrespective of the slow market recovery in the leisure and hospitality sector.

Within the first quarter of the current financial year, audit and stocktaking have been requested to tender on significant appointments for two large new clients' and feedback which to date has been very positive. The Directors are confident that the management can continue this trend of growth. In addition, all major divisions are reviewing their current operations to develop marketing and business development plans, to raise the profile of Capcon further as the leisure industry continues to recover from the recession.

The Directors continue to view Capcon as a stable vehicle upon which to build and develop new opportunities. It is acknowledged that there are currently limitations to growth until a suitable opportunity is identified, which will also facilitate the restructuring of the Group's balance sheet and make the Company more attractive to existing shareholders and new potential investors in the future. Therefore, identifying such an opportunity in the short term will remain the Board's high priority.

K P Dulieu
Chairman

25 February 2011

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 a partner in Beavis Morgan LLP. 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).

Jane Fowler (Non- executive Director)

Jane Fowler is a qualified accountant and has held senior positions at PKF, Littlejohn and Vantis HR Limited. She is also the founder and a director of Aquila Advisory Limited, a boutique forensic accounting firm specialising in forensic accounting and complex fraud investigations.

The Directors present their report together with the audited financial statements for the year ended 30 September 2010.

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 £131,816 (2009 – loss £54,657).

No interim dividend was paid (2009 - £nil) and the Directors do not propose a final dividend (2009 - £nil) for the year ended 30 September 2010.

Principal activities

The principal activities of the Group during the year were the provision of audit, compliance and 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 16 to the Group 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.

	2010	**2009**
Sales	£3.13million	£3.65million
Gross margin	39.5%	39.4%
Profit from operations*	£0.13million	£0.25million
Loss per share	1.1p	0.5p
Cash flow from operating activity	£0.15million	£0.34million
Net debt	£1.77million	£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 16 to the Group 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 46 days (2009 - 51 days) purchases in trade creditors, excluding prior year creditors relating to Stanford work.

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 18 to the Group 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
Jane Marie Fowler (Appointed from 13th August 2010)

Further details of the Directors' share options scheme are shown in note 18 to the Group financial statements, which also shows the movements during the year. Details of any Directors' interests in transactions of the Group are given in note 21 to the Group financial statements.

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 Group 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

25 February 2011

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 whose securities are admitted to trading on AIM.

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; and
- 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 (www.capconplc.com) 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' responsibilities also extend to the ongoing integrity of the financial statements contained therein.

Independent auditor's report to the members of Capcon Holdings plc

To the shareholders of Capcon Holdings plc

We have audited the financial statements of Capcon Holdings plc for the year ended 30 September 2010, which comprise the Consolidated Statement of Financial Position and Company Balance sheet, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Equity and the related 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 Chapter 3 of Part 16 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 auditor's 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 2010 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.
25 February 2011
BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Capcon Holdings plc

Consolidated statement of comprehensive income for the year ended 30 September 2010

	Note	2010 £	2009 £
Revenue	3	3,134,274	3,652,396
Cost of sales		(1,894,687)	(2,214,589)
Gross profit		1,239,587	1,437,807
Administrative expenses		(1,106,110)	(1,185,160)
Profit from operations	4	133,477	252,647
Finance income	7	-	8,667
Finance expense	7	(265,293)	(315,971)
Loss before taxation attributable to owners of the parent		(131,816)	(54,657)
Tax expense	8	-	-
Loss for the year attributable to owners of the parent		(131,816)	(54,657)
Other comprehensive loss		-	-
Total comprehensive loss attributable to owners of the parent	19	(131,816)	(54,657)
Loss per share for loss attributable to the owners of the parent during the year	9		
Basic		(1.1p)	(0.5p)
Diluted		(1.1p)	(0.5p)

The notes on pages 14 to 35 form part of these financial statements.

Capcon Holdings plc

Consolidated statement of changes in equity for the year ended 30 September 2010

Group	Note	Share capital £	Share premium account £	Merger reserve £	Retained earnings £	Total Equity £
At 1 October 2008		116,803	2,817,895	950,000	(4,621,124)	(736,426)
Total comprehensive loss for the year attributable to the owners of the parent	19	-	-	-	(54,657)	(54,657)
At 1 October 2009 and 30 September 2009		116,803	2,817,895	950,000	(4,675,781)	(791,083)
Issue of Share Capital	18,19	5,053	25,047	-	-	30,100
Total comprehensive loss for the year attributable to the owners of the parent	19	-	-	-	(131,816)	(131,816)
At 30 September 2010		121,856	2,842,942	950,000	(4,807,597)	(892,799)

The notes on pages 14 to 35 form part of these financial statements.

Capcon Holdings plc

Consolidated statement of financial position at 30 September 2010

(Company No 4196004)

	Note	2010 £	2009 £
Assets			
Non current assets			
Intangible assets	10	1,425,264	1,425,264
Property, plant and equipment	11	36,694	36,543
Total Non current assets		1,461,958	1,461,807
Current assets			
Trade and other receivables	13	751,971	840,299
Derivative financial assets	16	376	8,667
Cash		746	706
Total current assets		753,093	849,672
Total assets		2,215,051	2,311,479
Liabilities			
Non current liabilities			
Loans and borrowings	15	605,378	600,000
Derivative financial liabilities		47,881	37,556
Total non current liabilities		653,259	637,556
Current liabilities			
Trade and other payables	14	1,134,161	1,200,885
Loans and borrowings	15	1,166,762	1,102,971
Derivative financial liabilities	16	50,118	57,600
Provision	17	103,550	103,550
Total current liabilities		2,454,591	2,465,006
Total liabilities		3,107,850	3,102,562
Net liabilities		(892,799)	(791,083)
Capital and reserves			
Called up share capital	18	121,856	116,803
Share premium account	19	2,842,942	2,817,895
Merger reserve	19	950,000	950,000
Retained earnings	19	(4,807,597)	(4,675,781)
Shareholders' deficit		(892,799)	(791,083)

The financial statements were approved by the Board and authorised for issue on 25 February 2011

C J Cavender

Director

The notes on pages 14 to 35 form part of these financial statements.

Capcon Holdings plc

Consolidated statement of cash flows for the year ended 30 September 2010

	Note	2010 £	2009 £
Cash flows from operating activities			
Loss for the year	19	(131,816)	(54,657)
Depreciation	4	22,366	23,949
Finance income		-	(8,667)
Finance expense	7	265,293	315,971
Cash flows from operating activities before changes in working capital		155,843	276,596
Decrease in trade and other receivables		88,328	16,204
Increase/(decrease) in trade and other payables		(95,224)	46,404
Net cash generated from operating activities		148,947	339,204
Cash flows from investing activities			
Purchase of property, plant and equipment.	11	(9,717)	(4,072)
Net cash used in investing activities		(9,717)	(4,072)
Cash flows from financing activities			
Issue of ordinary shares		30,100	-
Finance expense paid		(116,847)	(114,889)
Increase in director loans		86,824	-
Repayment of loan stock		(25,000)	-
Repayment of invoice discounting facilities		(44,347)	(134,690)
Principal payment under finance leases		(5,279)	(5,026)
Net cash used in financing activities		(74,549)	(254,605)
Increase in net cash and cash equivalents in the year		64,681	80,527
Cash and cash equivalents at the beginning of year		(463,513)	(544,040)
Cash and cash equivalents at the end of year		(398,832)	(463,513)

The notes on pages 14 to 35 form part of these financial statements.

1 Accounting policies

The principal 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 30 September 2008 were the first to be prepared in accordance with IFRS. The date of transition to IFRS was 1 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, cash flow or financial position of the Group or the Company. All standards, amendments and interpretations have been adopted, where relevant to the operation of the Company, including IAS 1 (presentation of financial statements), which resulted in the renaming of the primary statements, and IFRS 8 (operating segments).

(b) Standards, interpretations and amendments to published standards effective in 2010 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 2010 but are currently not relevant to the Group's operations:

International Accounting Standards		**Effective date for the group**
IFRS 2	Group cash settled share based payment transactions amendment	01/01/2010
IFRS 5	Non current assets held for sale and discontinued operations amendment	01/01/2010
IFRS 7	Disclosures – transfer of financial assets	01/07/2011
IFRS 9	Financial instruments	01/01/2013
IFRS's*	Improvements to IFRS's	01/01/2011
IAS 12	Deferred tax recovery underlying asset	01/01/2012
IAS 18	Revenue amendment	01/01/2010
IAS 24	Related party disclosures	01/01/2011
IAS 32	Classification of rights issues amendment	01/02/2010

International Financial Reporting Interpretations Committee (IFRIC)		**Effective date**
IFRIC 14	Prepayment of minimum funding requirement	01/01/2011
IFRIC 19	Extinguishing financial liabilities with equity instruments	01/07/2010

*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 acquisition 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 March 2012 ("the forecast period") and have given due regard to the following facts and assumptions:

The Group balance sheet at 30 September 2010 shows a net liability position of £892,799. The Group finances part of its working capital needs through a Group overdraft facility. Current overdraft facilities are available until 31 December 2011 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 2011, although the Directors concerned, who are owed a total of £600,000 in loan stock, have agreed to defer repayment until April 2012.

As disclosed in note 13, trade receivables include an amount of £215,860 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 at risk, although the timing of receipt is uncertain. In making their assessment of going concern, the Directors have assumed that the monies due will not be received until after September 2011.

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.

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 consolidated statement of comprehensive income.

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.

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

1 Accounting policies *(Continued)*

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 statement of comprehensive income.

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 statement of comprehensive income when there is objective evidence that the asset is impaired.

Cash balances 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 statement of comprehensive income.

Interest
Interest payable is charged to the statement of comprehensive income 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 statement of comprehensive income when incurred as part of the finance expense. Bad debts are borne by the Group and are charged to the statement of comprehensive income when incurred as part of administrative expenses.

1 Accounting policies *(Continued)*

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 statement of comprehensive income.

Lease payments are analysed between capital and interest components. The interest element of the payment is charged to the statement of comprehensive income 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 statement of comprehensive income 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 statement of comprehensive income 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 statement of comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each statement of financial position 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 statement of comprehensive income over the remaining vesting period.

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

Segment reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker, with two of the operating segments being combined into one reporting segment, ‘Audit, stocktaking and investigatory services’, due to their similar economic and operating characteristics. The chief operating decision maker has been identified as the board of directors, ‘Audit, stocktaking and investigations – leisure’ provides audit, stocktaking and investigation services to the leisure industry and ‘Other investigations’ provides corporate intelligence, investigation and risk management services. The segments’ performance is measured and reported in the same way as in the operating profit and loss in the consolidated financial statements.

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 30 September 2010 is £1,425,264 (2009 - £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 are 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 2010 £	Other Investigations 2010 £	Unallocated 2010 £	Total 2010 £
Revenue				
Total segment revenue	2,691,568	463,706	-	3,155,274
Inter-segment revenue	(3,150)	(17,850)	-	(21,000)
	2,688,418	445,856	-	3,134,274
Profit/(loss) from operations	407,001	117,870	(391,394)	133,477
Finance income	-	-	-	-
Finance expense	-	-	-	(265,293)
Loss for the year				(131,816)
Other segment items included in the statement are as follows:				
Depreciation (note 11)	*18,356*	*870*	*3,140*	*22,366*

	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)
Loss for the year				(54,657)
Other segment items included in the statement are as follows:				
Depreciation (note 11)	*19,833*	*1,532*	*2,584*	*23,949*

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

Geographic analysis

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. Revenue from one customer amounted to £513,732 (2009: £507,694) arising from sales by the ‘Audit, stocktaking and investigations – leisure’ segment.

3 Segmental analysis *(Continued)*

Segmental assets and liabilities as at 30 September 2010 and 2009 are as follows:-

	Audit Stocktaking & Investigations - Leisure 2010 £	Other Investigations 2010 £	Unallocated 2010 £	Total 2010 £
Total assets	1,920,661	260,187	34,203	2,215,051
Total liabilities	(649,292)	(295,410)	(498,277)	(1,442,979)
	1,271,369	(35,223)	(464,074)	772,072

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

Bank loans	(399,578)
Loan stock and accrued interest	(953,832)
Other loans	(213,462)
Derivative financial liabilities	(97,999)
	(892,799)

Other segment items included in the statement are as follows:				
Purchase of property, plant and equipment	*18,316*	*1,261*	*2,940*	*22,517*

	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)	(445,231)	(1,546,529)
	1,279,762	(113,861)	(400,951)	764,950

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

Bank loans	(464,219)
Loan stock and accrued interest	(874,959)
Other loans	(121,699)
Derivative financial liabilities	(95,156)
	(791,083)

Other segment items included in the statement are as follows:				
Purchase of property, plant and equipment	*1,344*	*2,728*	*-*	*4,072*

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

4 Profit from operations

	2010 £	2009 £
This is arrived at after charging:		
Depreciation – owned assets	19,699	21,202
Depreciation – leased assets	2,667	2,747
Operating lease expense:		
- Plant and machinery	211,160	225,464
- Property	45,912	45,107
Auditors' remuneration – audit services	22,000	29,000

5 Staff Costs

	2010 £	2009 £
Staff costs for all employees, including executive Directors, consist of:		
Wages and salaries	1,726,660	1,909,798
Short term non monetary benefits	32,995	33,490
Defined contribution pension costs	52,530	54,369
Employer National Insurance contributions	168,548	182,184
	1,980,733	2,179,841

Employees

The average number of employees of the Group during the year, including executive Directors, was as follows:	2010 Number	2009 Number
Administration and management	20	20
Operational staff	44	53
	64	73

6 Directors' remuneration

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

	Salary/Fee	Pension	Benefits	2010 £ Total	2009 £ Total
Chairman					
K P Dulieu	129,815	-	-	129,815	132,292
Executive Directors					
P F Jackson	-	-	-	-	1,127
C J Cavender	45,852	1,500	1,911	49,263	46,356
Non Executive Directors					
M A Borrelli	17,100	-	-	17,100	5,000
J Fowler	3,000	-	-	3,000	-
Remuneration	195,767	1,500	1,911	199,178	184,775

There was one Director in the Company's defined contribution pension scheme (2009 - one) during the year.

7 Finance income and expenses

	2010 £	2009 £
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	22,389	25,539
Interest on bank loans and overdraft	42,316	61,375
Finance leases	1,633	3,335
Interest on guaranteed loan stock	66,563	67,500
Net change in fair value of financial liabilities through profit and loss	11,134	95,156
Cap and collar interest payable	49,647	31,524
Interest on amounts due to Directors	71,611	31,542
	265,293	315,971

Though the finance expense for year amounted to £265,293 (2009-£315,971), the cash outflow was £116,847 (2009-£114,889). The difference of £148,446 (2009-£201,082) is the sum of £137,312 (2009-£105,926) of interest accrued and £11,134 (2009-£95,156) of net change in fair value.

8 Tax Expense

	2010 £	2009 £
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:

	2010 £	2009 £
Loss on ordinary activities before tax	(131,816)	(54,657)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 28% (2009 – 28%)	(36,908)	(15,304)
Effects of:		
Expenses not deductible for tax purposes	62,589	46,001
Other allowances	(8,344)	(2,489)
Tax losses utilised	(17,337)	(28,208)
Total tax charge/(credit) for year	-	-

9 Loss per share

Loss per ordinary share has 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 11,953,079 (2009–11,680,292) and the earnings, being loss after tax, are £131,816 (2009 – £54,657, loss).

	2010 £	2009 £
Reconciliation of losses		
Loss used for calculation of basic and diluted EPS	(131,816)	(54,657)
Reconciliation of denominator		
Shares used for calculation of basic EPS	11,959,988	11,680,292
Shares used in calculation of diluted EPS	11,959,988	11,680,292

Loss per share

Basic	(1.1p)	(0.5p)
Diluted	(1.1p)	(0.5p)

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 30 September 2010 was 125,000 (2009: 1,163,850).
See note 18 for further information.

10 Intangible assets

Group	**Goodwill**
	£
Cost	
At 1 October 2009 and 30 September 2010	1,425,264
Carrying amount	
At 30 September 2010	1,425,264
At 30 September 2009	1,425,264

The Group tests goodwill annually for impairment. It is assumed that all the goodwill relates to the audit and stocktaking and investigations business (leisure) Cash Generating Unit ("CGU"). For this purpose the CGU's are calculated in the same way as the reporting segments disclosed in note 3. The recoverability of the audit and stocktaking and investigations business (leisure) CGU 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 18% (2009: 20%). A prudent approach has been adopted with no growth rate being applied after the plan period and a terminal value being factored into the calculations. The approved budget for the following 2 years, rolled forward for a further 3 years assuming no growth, formed the basis for the cash flow projections for the CGU. As at 30 September 2010, management concluded that there has been no impairment. The discount rate at which any impairment would be incurred is 30%. Given the prudent assumptions, the Directors do not believe that there is any need for impairment to the goodwill this year.

11 Property, plant and equipment

Group	Fixtures, fittings, and equipment £	Total £
Year ended 30 September2009		
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
Year ended 30 September 2010		
Opening net book value	36,543	36,543
Additions	22,517	22,517
Depreciation	(22,366)	(22,366)
Closing net book value	36,694	36,694
At 30 September 2009		
Cost	255,110	255,110
Accumulated depreciation	(218,567)	(218,567)
Net book Value	36,543	36,543
At 30 September 2010		
Cost	277,627	277,627
Accumulated depreciation	(240,933)	(240,933)
Net book value	36,694	36,694

The net book value of assets held under hire purchase agreements and finance leases was £10,133 (2009 -£8,240) and the depreciation charge for the year was £2,667 (2009 -£2,746).

12 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, administration and research and investigative services
Capcon Argen Limited	England and Wales	100%	Non-trading
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

13 Trade and other receivables

	Group 2010	Group 2009
Trade receivables	700,896	784,016
Less: provisions for impairment of trade receivables	(30,206)	(43,706)
Trade receivables net	670,690	740,310
Prepayments and accrued income	59,504	69,753
Other receivables	21,777	30,236
Total trade and other receivables	751,971	840,299

Movement in impairment of trade receivables

	Group 2010	Group 2009
At 1 October	43,706	178,077
Created	565	9,672
Utilised	(1,565)	(134,982)
Amount received	(12,500)	(9,061)
At 30 September	30,206	43,706

13 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 2010 trade receivables of £462,831 (2009: £424,754) were past due but not impaired. All debts up to 3 months overdue relate to companies with no default history. £215,860 (2009: £181,844) of the 'over 6 months' relates to 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. All the 3-6 month debt not impaired was received shortly after the year end. The ageing analysis of these customers is as follows:-

	Group 2010 £	**Group 2009 £**
Up to 3 months	216,467	230,709
3 to 6 months	30,604	194,045
over 6 months	215,860	-
	462,831	424,754

At 30 September 2010 trade receivables of £30,206 (2009: £43,706) 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.

14 Trade and other payables

(a) Amounts falling due within one year

	Group 2010 £	**Group 2009 £**
Trade payables	277,784	236,595
Other payables	42,773	124,232
Tax and social security creditor	268,740	337,630
Accruals and deferred income	544,864	502,428
	1,134,161	1,200,885

14 Trade and other payables *(Continued)*

(b) Maturity of Financial Liabilities

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

	2010	2009
	£	£
Up to 3 months	718,074	709,130
3 to 6 months	462,166	563,471
6 to 12 months	870,639	640,706
Due in more than 1 year but no more than 2 years	653,259	637,556
	2,704,138	2,550,863

The less than 3 month balance includes trade creditors of £277,784, the remainder being made up primarily of rolling accruals and discounting facilities. Liabilities, when they fall due, will be paid on receipt of cash for invoicing (invoice discounting), or debtors. Amounts due to directors of £792,939 (2009: £499,094) will be paid as and when cash is available and may therefore extend beyond one year.

15 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 in note 16 below. Short-term debtors and creditors, including the invoice discounting creditor, have been excluded from the interest rate disclosures.

	Book value 2010	Book value 2009
	£	£
Non Current		
Loan stock	600,000	600,000
Finance lease	5,278	-
	605,378	600,000
Current		
Bank loans and overdrafts	399,578	464,219
Finance leases	4,198	2,055
Invoice discounting facilities	195,692	240,039
Loan stock and accrued interest	353,832	274,959
Other loans	213,462	121,699
	1,166,762	1,102,971
Total Borrowings	1,772,140	1,702,971

16 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:

	Financial assets at fair value through Statement of comprehensive income		Loans and Receivables	
	2010	**2009**	**2010**	**2009**
	£	**£**	**£**	**£**
Current financial assets				
Trade and other receivables	-	-	698,839	782,404
Cash and cash equivalents	-	-	746	706
Derivative financial assets	376	8,667	-	-
Total current financial assets	376	8,667	699,585	783,110

	Financial liabilities at fair value through Statement of comprehensive income		Financial liabilities at amortised cost	
	2010	**2009**	**2010**	**2009**
	£	**£**	**£**	**£**
Current financial liabilities				
Trade and other payables	-	-	833,999	752,736
Loans and borrowings	-	-	1,166,762	1,102,971
Derivative financial liabilities	50,118	57,600	-	-
Total current financial liabilities	50,118	57,600	2,000,761	1,855,707
Non-current financial liabilities				
Loans and borrowings	-	-	605,378	600,000
Derivative financial liabilities	47,881	37,556	-	-
Total non-current financial liabilities	47,881	37,556	605,378	600,000
Total financial liabilities	97,999	95,156	2,606,139	2,455,707

16 Financial Instruments *(continued)*

Derivative financial instruments

	Fair Value measurements using: Level 1 2010 £'000	Level 1 2009 £'000
Current assets:		
Derivatives not designated as hedging instruments		
- fair value of financial assets through the statement of comprehensive income	376	8,667
Current liabilities:		
Derivatives not designated as hedging instruments		
- fair value of financial liabilities through the statement of comprehensive income	97,999	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 30 September 2010. Settlement of this agreement is made on a monthly basis.

(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 Group's 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 capital balance outstanding from time to time. The loans are held by certain current directors and a shareholder of the Company. The balance is repayable on 1 April 2011, although two of the directors, who are owed a total of £600,000, have agreed to defer repayment until April 2012.

The interest rate applying to the finance lease arrangements is 15.1% per annum 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 two Directors of the Company. The balance, which includes £57,472 (2009 - £57,071) 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 statement of comprehensive income of the Group companies and the Group.
At 30 September 2010 the net value of the Group's financial liabilities is £2,004,177 (2009 – liabilities £1,759,086) of which net liability of £10,828 (2009 – liabilities £2,773) is denominated in a currency other than sterling.

16 Financial Instruments *(continued)*

(c) **Fair values of financial instruments**

The effective rate of interest for the bank loans and overdraft is 12.63% in 2009/10 (14.2% 2008/09).
There is no difference between the fair values of the Group's financial assets and liabilities and those shown in the statement of financial position except for the redeemable loan stock shown below:

	Book value 2010 £'000	**Fair value 2010 £'000**	**Book value 2009 £'000**	**Fair value 2009 £'000**
Redeemable loan stock	650	661	675	689

Fair value at inception is calculated discounting estimated future cash flows using a market rate of interest. The interest rate applied was 8% (2009 – 8%).

(d) **Capital risk management**

The capital structure of the Group consists of debts, which includes the borrowings disclosed in notes 15 and 16, cash and cash equivalents and equity, comprising capital, reserves and retained earnings as disclosed in notes 18 and 19.

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 return capital to shareholders or issue new shares. No changes have been made in the year ended 30 September 2010.

17 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 £464,892 (2009 - £260,132). 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 2009	103,550	117,050
Charged to income	-	-
Released to income	-	(13,500)
At 30 September 2010	103,550	103,550

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.

18 Share capital

	2010 Number	2009 Number	2010 £	2009 £
Authorised				
20,000,000 ordinary shares of 1p each	20,000,000	20,000,000	200,000	200,000

	2010 Number	2009 Number	2010 £	2009 £
Allotted, called up and fully paid				
Ordinary shares of 1p each	12,185,598	11,680,292	121,856	116,803

	Ordinary shares of 1p each Number	£
In issue at 1 October 2009	11,680,292	116,803
Shares issued during the year	505,306	5,053
In issue at 30 September 2010	12,185,598	121,856

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

Share option scheme

At 30 September 2010 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
9 October 2009	125,000	9 Oct 2012 – 8 Oct 2019	6.25p

18 Share capital *(continued)*

Directors' interests

C J Cavender was granted an option to acquire 193,750 ordinary shares of 1p each in the Company ("Ordinary Shares") at a price of £0.80 per share was granted on 17 May 2001 exercisable between three and ten years from the date of grant. C J Cavender was also granted an option to acquire 224,600 Ordinary Shares at a price of £0.555 per share on 31 March 2003 exercisable between three and ten years from the date of the grant.

K P Dulieu was granted an option to acquire 100,000 Ordinary Shares at a price of £0.555 per share on 31 March 2003 exercisable between three and ten years from the date of the grant.

All the options were re-priced at 6p per share on 20 December 2007. During the year ended 30 September 2010, C Cavender exercised options in respect of a total of 418,350 Ordinary Shares at 6p per share. The remainder of the options lapsed on 2 March 2010 as a result of control of the Company being obtained by a deemed concert party pursuant to the offer made by PF Jackson on 28 July 2009.

K.P. Dulieu is also the ultimate controlling party holding 50.02% of the Group's shares.

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.

	2010 Weighted average exercise price (pence)	**2010 Number**	**2009 Weighted average exercise price (pence)**	**2009 Number**
Outstanding at the beginning of the year	6.00	1,163,850	6.00	1,163,850
Exercised during the year	6.00	(418,350)	-	-
Lapsed during the year	6.00	(745,500)	-	-
Granted during the year	6.25	125,000	-	-
	-	-	-	-
Outstanding at the end of the year	6.25	125,000	6.00	1,163,850

The exercise price of the options outstanding at the end of the year was 6.25p (2009: 6p). Of the total number of options outstanding at the end of the year, none had vested (2009: 1,163,850).

On 5 February 2010, options were exercised in respect of a total of 418,350 Ordinary Shares at a price of 6p per share.

The remaining share options, in respect of a total of 745,500 Ordinary Shares, lapsed on 2 March 2010 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. Options were then granted in respect of a total of 125,000 Ordinary Shares on the 9 October 2009 and may be exercised between three and ten years from the date of grant. These options were valued using the Black and Scholes model with a share price at issue of 6.25p, volatility of 57% (based on historical information) and interest free interest rate of 4%. It was assumed that all the vesting conditions will be achieved.

19 Reserves

Group	**Share premium account £**	**Merger reserve £**	**Retained earnings account £**
At 1 October 2008	2,817,895	950,000	(4,621,124)
Loss for the year			(54,657)
At 1 October 2009	2,817,895	950,000	(4,675,781)
Loss for the year	-	-	(131,816)
Shares issued in the year	25,047	-	-
At 30 September 2010	2,842,942	950,000	(4,807,597)

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 statement of comprehensive income.

20 Commitments under operating leases

As at 30 September 2010, total minimum lease payments due under non-cancellable operating leases are set out below:

	2010 Land and buildings £	**2010 Other £**	**2009 Land and buildings £**	**2009 Other £**
No later than one year	26,126	151,076	19,375	206,878
Later than 1 year but no later than five years	23,798	135,599	-	78,281
	49,924	286,675	19,375	285,159

21 Related party transactions

During the year fees were charged by Vantis plc totalling £7,091 (2009 - £6,955) relating to payroll and tax services. In addition, fees for services totalling £74,090 (2009 - £131,482) were charged by Capcon Limited to Vantis plc which went into administration on 29 June 2010. At the year end, a balance of £42,701 (2009 - £110,475) was owed by Vantis plc in respect of services provided by Capcon Limited. P F Jackson was a Director and shareholder of Vantis plc. In addition to the above, included in accruals is £266,119 of unpaid consultancy fees and rolled up interest relating to work done over the past 3 years by the Algarcenter of which K.P. Dulieu is owner. 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 2010

	Note	2010 £	2010 £	2009 £	2009 £
Fixed assets					
Investments	3		50,000		50,000
Creditors:					
Amounts falling due within one year	4	(759,937)		(668,597)	
Net current liabilities			(759,937)		(668,597)
Total assets less current liabilities			(709,937)		(618,597)
Creditors					
Amounts falling due after more than one year	4		(600,000)		(600,000)
Net liabilities			(1,309,937)		(1,218,597)
Capital and reserves					
Called up share capital	5		121,856		116,803
Share premium account	6		2,842,942		2,817,895
Profit and loss account	6		(4,274,735)		(4,153,295)
Shareholders' deficit	7		(1,309,937)		(1,218,597)

The financial statements were approved by the Board and authorised for issue on 25 February 2011

C J Cavender
Director

The notes on pages 38 to 41 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 United Kingdom Generally Accepted Accounting Practice.

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 are 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. Interest payable is accrued as the liability arises. Loan stock interest accruals are rolled up and included in the loan stock balance.

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 £121,440 (2009 – £58,300). The Company has no staff cost in the year as all staff are employed by Capcon Limited.

3 Fixed asset investments

	Company Subsidiary undertakings 2010 £	Company Subsidiary undertakings 2009 £
At 1 October 2009	50,000	50,000
At 30 September 2010	50,000	50,000

4 Creditors

(a) Amounts falling due within one year

	Company 2010 £	Company 2009 £
Amounts due to subsidiary undertakings	270,455	262,927
Accruals and deferred income	9,012	9,012
Other loans	126,638	121,699
Loan stock	353,832	274,959
	759,937	668,597

(b) Amounts falling due after more than one year

	Company 2010 £	Company 2009 £
Loan stock	600,000	600,000
	600,000	600,000

Interest on the loan stock is fixed at 10% per annum and at 30 September 2010, there was £303,832 (2009-£199,959) of unpaid interest accrued.

5 Share capital

Ordinary shares of 1p each	**Number**	**£**
In issue at 1 October 2009	11,680,292	116,803
Shares issued during the year	505,306	5,053
In issue at 30 September 2010	12,185,598	121,856

6 Reserves

Company	**Share premium account £**	**Profit and loss account £**
At 1 October 2009	2,817,895	(4,153,295)
Shares issued during year the year	25,047	-
Loss for the year	-	(121,440)
At 30 September 2010	2,842,942	(4,274,735)

7 Reconciliation of movements in shareholders' funds

	Company 2010 £	**Company 2009 £**
Loss for the year	(121,440)	(58,300)
Shares issued during the year	30,100	-
Net reduction in shareholders' funds	(91,340)	(58,300)
Opening shareholders' deficit	(1,218,597)	(1,160,297)
Closing shareholders' deficit	(1,309,937)	(1,218,597)

8 Contingent liabilities

The Company has guaranteed bank borrowings of its subsidiary undertakings. At the year end the liabilities covered by these guarantees totalled £399,578 (2009 - £464,219).

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, administration and research and investigative services
Capcon Argen Limited	England and Wales	100%	Non-trading
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

K.P. Dulieu is a Director of the Group and is also the ultimate controlling party holding 50.02% of the Group's shares.

Professional advisors

Registered office:	10 Chiswell Street London EC1Y 4UQ
Nominated adviser	Allenby Capital Limited Claridge House 32 Davies Street Mayfair London WK1 4ND
Stockbroker	Allenby Capital Limited Claridge House 32 Davies Street Mayfair London WK1 4ND
Auditors:	BDO LLP 55 Baker Street London W1U 7EU
Solicitors:	Duane Morris 10 Chiswell Street London EC1Y 4UQ
Bankers:	Lloyds TSB Bank plc 3rd Floor Princess House 1 Suffolk Lane London EC4R 0AX
Registrars:	Capita Registrars Northern House Woodsome Park Fenay Bridge Huddersfield West Yorkshire HD8 0GA
Registered number:	4196004