Capcon Holdings plc

Report and Financial Statements

Year Ended

30 September 2007

Capcon Holdings plc

Annual report and financial statements for the year ended 30 September 2007

Contents

Directors

K P Dulieu
C J Cavender
P F Jackson
R G Boyle

Secretary

C J Cavender

Company number

4196004

Auditors

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

Capcon Holdings plc

Our Business

Main points

- Operating profit before exceptional items, amortisation and impairment restored
- Overhead costs continue to be reduced
- Focus on core business creating stronger base
- Prospects continue to improve

Operational review

The financial year ended 30 September 2007 has been a year of transition and re-building for the Group. Having disposed of loss making activities in the previous financial year, the directors have focused on the core business of Audit & Stocktaking and Commercial Investigations to restore the Group to profitability. We have successfully improved margin levels and reduced overhead costs, which has resulted in a turn-round from a significant operating loss last financial year to an operating profit before amortisation, impairment and exceptional items in the year ended 30 September 2007. The directors have a policy of continual review of central overhead costs which is expected to lead to even lower cost levels being incurred in the current financial year.

The legal proceedings involving the vendors of Argen Limited are continuing and a date for trial has been set for July 2008. As stated in the Interim Report, there is a substantial difference between the Company's position and the Argen vendors' demands which is the reason for the directors continuing this action. Furthermore, notwithstanding the outcome of the trial, the directors believe that no further consideration is payable in any event based on the adjusted accounts which have been prepared in accordance with the acquisition agreement to determine whether any potential further earn out payments arise. The financial statements of the Company have been amended accordingly although the directors wish to draw attention to the contingent liability described in the notes to the accounts.

During the financial year, the directors have considered various possible options for developing and restructuring the Group. However, any strategy for development of the Group must take account of the uncertainty surrounding the legal proceedings involving the vendors of Argen. Therefore, the directors believe it is unlikely that any significant change to the Group's direction will be achievable until the proceedings are concluded or the issues are otherwise resolved.

Financial overview

Sales for the year to 30 September 2007 were £4.06 million (2006: £5.25 million) representing a 22.8% decrease on last year. £0.76 million, or 14.4%, of the decrease in turnover was attributable to discontinued operations. The overall gross margin improved from 37.9% to 38.2% notwithstanding an increasing proportion of business comprising the lower margin Audit & Stocktaking services due to improved efficiencies leading to lower costs in that division.

The Group achieved an operating profit of £0.7 million (2006: £2.78 million loss) for the year after exceptional items. The Group generated a profit for the year, before exceptional items, interest, amortisation and impairment of goodwill, of £0.14 million (2006: £1.04 million loss). A profit was generated before tax, amortisation and impairment of £0.59 million (2006: £1.23 million loss) after crediting exceptional items of £0.67 million and charging interest of £0.22 million. No further impairment of goodwill was considered necessary this year having disposed of, or discontinued, loss making activities, enabling management to focus on restoring sustainable profit to the Group's core business.

The basic profit per share of 4.8p for the year compares with a 29.1p loss per share for the year ended 30 September 2006 and, excluding exceptional items, amortisation and impairment of goodwill, the loss per share was 0.8p compared with a 11.9p loss per share in 2006.

The Board has continued to reduce divisional and central overhead costs wherever possible and these costs are now running at a level that is appropriate for the down-sized Group. Having restored the Group to an operating profit before exceptional items and amortisation, we now have a stronger base upon which to plan for growth.

There was a net cash outflow from operations of £0.08 million (2006: £0.11 million outflow) which was mainly the result of a reduced level of creditors which exceeded the amount by which debtors were reduced. Bank borrowings were increased in the year by £0.21 million from £0.74 million to £0.95 million, which was the main reason for the overall increase in net debt by £0.25 million.

The present cash position determines that a continuing strict control over all outgoings must be maintained in order to build on the major progress made in the past year in restoring profitability and strengthening the balance sheet. The directors will, accordingly, continue the policy of not recommending the payment of a dividend, as last year, for the time being.

Funding

As reported in the Interim Report, legal proceedings with the vendors of Argen Limited are continuing, and there has been no resolution to the issues since that report. However, developments in recent months have given the directors reason to believe it is probable that no further consideration will be payable, irrespective of the conclusion of the legal process. In view of this the directors have concluded that the provision for deferred consideration of £0.82m is no longer required and this has been released to profit and loss account in the year. However, in view of the continuing uncertainty surrounding the final outcome, the directors have detailed the associated contingent liability in the notes to the accounts.

Audit & stocktaking

Sales of £2.99 million were broadly similar to last year's revenues, although there has been an increase in new clients. The recent trend continues whereby existing clients are reducing the frequency of stock takes across their estates overall but are focusing on areas of greatest loss and potential risk. This results in lower sales value but improved profitability for the division with volume being replaced with higher added value services which yield improved gross margins.

The investment reported last year in development of new 'user friendly' IT software has successfully secured existing client relationships and created the opportunity to offer the higher added value services referred to above to existing and new clients. In addition, having incurred the cost of development, staff training and implementation of the software last year, we are now benefiting from the recovery of gross margins to levels enjoyed in previous years. The positive response from our clients continues to provide confidence that we are offering a service that is superior to our competitors.

Re-structuring of the management of this division has again been undertaken in response to the changes that are a feature in the sector within which we operate. Consolidation and changes in ownership of our clients can bring new challenges and a requirement to adopt a flexible approach to the provision of our services. The resultant changes in management in the year under review have led to further cost reductions and improved efficiency in the field with a consequent increase in our gross margins which, overall, have improved by some 7%.

Commercial investigation services

Sales for the year for all investigation activities were £1.07 million compared with £2.27 million last year, a 52.9% decrease. However, approximately 34% of this decrease can be attributed to the decision, made last financial year, to withdraw from the loss making insurance investigation services. As reported in the Group's Interim Report for the six months ended 31 March 2007, these services are now provided by certain ex employees who pay licence fees to Capcon.

As previously reported, sales levels in Capcon Argen have been severely reduced as a result of the resignation of the managing director and other management changes last year, which had a disruptive effect on the business. However, renewed marketing initiatives have resulted in new clients being secured in Capcon Argen and, in particular, there has been increased demand for services provided by our team that specialises in investigations in the leisure sector. As a consequence, sales for the leisure based services have increased by 16% compared with last year and Capcon Argen has made some progress in replacing lost business.

Having disposed of the loss-making activities and considerably reduced costs by re-structuring the division following the resignation of Argen's Managing Director, operating margins have been recovering. Furthermore, during the year the Capcon Argen business was re-located to alternative, more suitable, offices in the same area of London which has further reduced overhead costs. As a consequence of the several initiatives taken, overall the division generated an operating profit representing a major turnaround from the significant loss made last financial year. The leisure sector based investigation services showed a good increase in both sales revenue and operating profit compared with last financial year.

Group costs

Over the past three years during this period of rationalisation and restructuring, the Board has continually reviewed the level of central overhead costs and taken action wherever possible to reduce them to a level that is consistent for a smaller Group. This financial year has seen a continuation of this trend with accounting and administration costs being further reduced and directors remuneration reduced still further to a minimal level totalling £69,000. A rationalisation of the Group legal structure is currently being undertaken which should reduce future audit and professional fees.

Legal fees of £155,535, associated with the proceedings related to the Argen vendors' pursuit of further earn out payments, have been treated as exceptional items.

Current trading and prospects

Audit & Stocktaking has started the new financial year well with sales levels in line with internal forecasts and operating margins slightly ahead of the same period last year. Growth prospects for this division are expected to remain limited but the predictability of income and cash flow continue to provide a strong base upon which to build other services in the future which, in turn, will create greater opportunities for growth than the traditional services.

The Commercial Investigations division has had a slow start to the financial year with sales less than forecast although margins have been somewhat better than those achieved in the same period last year. This project based business is traditionally difficult to predict and sustained marketing activity is necessary to generate new clients and new business in the longer term.

Central administrative costs are running at a lower level than the same period last year and are forecast to remain at this lower level.

The ongoing legal proceedings with the Argen vendors have limited the development plans for the Group for the time being until the issues are resolved. However, with Group expansion temporarily stalled, the directors have taken this opportunity to focus on the traditional core business, restoring divisional profitability and cash flow to strengthen the Group for the future.

K P Dulieu
Chairman

28 March 2008

Board of directors

Ken Dulieu (Chairman)

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

Cliff Cavender (Managing Director)

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

Paul Jackson (Non-executive Director)

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

Robin Boyle (Non-executive Director)

Robin Boyle has spent the last forty years in a number of different roles with institutional fund management and stock broking firms but always retaining an intense interest in small caps. His first job in the City was with the company that eventually became Gartmore: he then went onto Panmure Gordon, Hoare Govett and Capel-Cure Myers before becoming founder, major shareholder and Managing Director of Dunbar Boyle & Kingsley (DBK), a private stock broking business, and Athelney Trust, an investment company specialising in junior markets and small caps. In 2000, he joined Chelverton Asset Management as co-Manager of what became the successful Small Companies Dividend Trust.

The directors present their report together with the audited financial statements for the year ended 30 September 2007.

Results and dividends

The results of the Group for the year are set out on page 10 and show a profit, before taxation, for the year of £485,121 (2006 – Loss £2,974,240).

No interim dividend was paid (2006 - £nil) and the directors do not propose a final dividend (2006 - £nil) for the year ended 30 September 2007.

Principal activities

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

Principal developments, business review and future developments

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

Key performance indicators

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

	2007	**2006**
Sales	£4.06million	£5.25million
Gross margin	38.2%	37.9%
Operating profit/(loss) *	£0.14million	(£1.04million)
Earnings per share	4.8p	(29.1p)
Cash flow from operations	(£0.08million)	(£0.11million)
Net debt	£1.70million	£1.45million

* Operating profit for the year, before exceptional items, interest, amortisation and impairment of goodwill

Financial instruments

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

Policy on the payment of creditors

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

It is the Group's policy to agree the terms of payment at the time the contract supply is made, to ensure that suppliers are aware of the terms of payment and to make payments in accordance therewith subject to terms and conditions being met by suppliers. At the end of the year, the Group had an average of 41 days (2006 - 36 days) purchases in trade creditors.

The Company has no trade creditors.

Share Option Scheme

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

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

Directors

The directors of the company during the year were as follows:

Kenneth Paul Dulieu
Clifford John Cavender
Paul Francis Jackson
Robin Boyle

Further details of the directors' share options and long term incentive scheme are shown in note 20, which also shows the movements during the year. Details of any directors' interest in transactions of the group are given in note 25.

In accordance with the Articles of Association, R G Boyle will be retiring at the Annual General Meeting and, being eligible, will offer himself for re-election.

Going Concern

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

Auditors

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

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

By order of the Board

C J Cavender
Secretary

28 March 2008

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice. Company law in the United Kingdom requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985, as amended. They are also responsible for safeguarding the assets of the Company and of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

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

To the shareholders of Capcon Holdings plc

We have audited the group and parent company financial statements (the "financial statements") of Capcon Holdings plc for the year ended 30 September 2007 which comprise the Group Profit and Loss Account, the Group and Company Balance Sheets, the Group Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with those financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, the Chairman's Statement and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent. Our responsibilities do not extend to any other information.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's affairs as at 30 September 2007 and of its profit for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 30 September 2007;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Emphasis of matter - going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made in note 1 to the financial statements and, in this regard, the ability of the Group to continue as a going concern. These conditions indicate the existence of a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group were unable to continue as a going concern.

BDO STOY HAYWARD LLP
Chartered Accountants and Registered Auditors
London
28 March 2008

Capcon Holdings plc

Consolidated profit and loss account for the year ended 30 September 2007

	Note	2007 £	2006 £
Turnover			
Continuing operations		4,055,593	4,493,804
Discontinued operations		-	757,818
Group turnover	3	4,055,593	5,251,622
Cost of sales		(2,505,749)	(3,261,929)
Gross profit		1,549,844	1,989,693
Administrative expenses		(845,954)	(4,773,202)
Operating profit/(loss) before exceptional items, amortisation and impairment of goodwill		140,582	(1,039,558)
Exceptional items	5	665,116	-
Amortisation and impairment of goodwill		(101,808)	(1,743,951)
Group operating profit/(loss)		703,890	(2,783,509)
Interest receivable	8	41	487
Interest payable and similar charges	9	(218,810)	(191,218)
Profit/(loss) on ordinary activities before taxation		485,121	(2,974,240)
Taxation on profit from ordinary activities	10	-	21,472
Profit/(loss) on ordinary activities after taxation		485,121	(2,952,768)
Profit/(loss) per share	11		
Basic		4.8p	(29.1p)
Diluted		4.8p	(29.1p)

The Group has no recognised gains or losses other than its profit or loss in the financial year.

The notes on pages 14 to 31 form part of these financial statements.

Capcon Holdings plc

Consolidated balance sheet at 30 September 2007

	Note	2007 £	2007 £	2006 £	2006 £
Fixed assets					
Intangible assets	13	1,323,456		1,425,264	
Tangible assets	14	65,819		119,053	
			1,389,275		1,544,317
Current assets					
Debtors	16	900,585		1,065,600	
Cash at bank and in hand		35		1,716	
		900,620		1,067,316	
Creditors:					
Amounts falling due within one year	17	(2,415,236)		(3,246,010)	
Net current liabilities			(1,514,616)		(2,178,694)
Total assets less current liabilities			(125,341)		(634,377)
Creditors					
Amounts falling due after more than one year	17		(666,317)		(642,402)
			(791,658)		(1,276,779)
Capital and reserves					
Called up share capital	20		101,568		101,568
Share premium account	21		2,774,094		2,774,094
Merger reserve	21		950,000		950,000
Profit and loss account	21		(4,617,320)		(5,102,441)
Shareholders' deficit	22		(791,658)		(1,276,779)

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

C J Cavender
Director

The notes on pages 14 to 31 form part of these financial statements.

Capcon Holdings plc

Company balance sheet at 30 September 2007

	Note	2007 £	2007 £	2006 £	2006 £
Fixed assets					
Investments	15		50,000		50,000
Creditors:					
Amounts falling due within one year	17	(457,489)		(1,046,456)	
Net current liabilities			(457,489)		(1,046,456)
Total assets less current liabilities			(407,489)		(996,456)
Creditors					
Amounts falling due after more than one year	17		(659,247)		(626,139)
			(1,066,736)		(1,622,595)
Capital and reserves					
Called up share capital	20		101,568		101,568
Share premium account	21		2,774,094		2,774,094
Profit and loss account	21		(3,942,398)		(4,498,257)
Shareholders' deficit	22		(1,066,736)		(1,622,595)

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

C J Cavender
Director

The notes on pages 14 to 31 form part of these financial statements.

Capcon Holdings plc

Consolidated cash flow statement for the year ended 30 September 2007

	Note	2007 £	2007 £	2006 £	2006 £
Net cash outflow from operating activities	26		(82,550)		(107,468)
Returns on investments and servicing of finance					
Interest received		41		487	
Interest paid		(117,053)		(122,262)	
Net cash outflow from returns on investment and servicing of finance			(117,012)		(121,775)
Taxation					
Tax paid			-		(3,964)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(12,888)		(47,294)	
Sale of tangible fixed assets		-		18,001	
Net cash outflow from capital expenditure and financial investment			(12,888)		(29,293)
Cash outflow before financing			(212,450)		(262,500)
Financing					
Issue of loans		-		675,000	
Costs incurred on issue of loan stock		-		(63,463)	
Repayment of loan		(57,335)		(206,581)	
Movement in invoice discounting facilities		43,314		(122,623)	
Capital element of finance lease payments		(16,265)		(5,461)	
Cash (outflow)/inflow from financing			(30,286)		276,872
(Decrease)/increase in cash in the year	28		(242,736)		14,372

The notes on pages 14 to 31 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:

Basis of consolidation

The consolidated financial statements incorporate the results of Capcon Holdings plc and its subsidiary and associated undertakings for the year ended 30 September 2007.

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 forming this opinion, the directors have taken account of the following facts and assumptions:

§ The consolidated balance sheet at 30 September 2007 shows that the group had net current liabilities of £1,514,616 (2006: £2,178,694);

§ The group currently has available no committed undrawn borrowing facilities. The group finances part of its working capital needs through a group overdraft facility which is due for renewal in July 2008. The Group's bankers have indicated that there are currently no reasons to believe that this facility will not be renewed on similar terms;

§ Legal proceedings with the vendors of Argen Limited are continuing as there has been no resolution to the dispute. Although a possibility of further consideration becoming payable exists, developments in recent months have given the directors reason to believe that it is probable that no further consideration will be payable, irrespective of the conclusion of the legal process;

§ Margin levels have improved and, combined with reduced overhead costs, have resulted in a turnaround from a significant operating loss last financial year to an operating profit before exceptional items and amortisation of goodwill;

§ The directors continually review the level of central overhead costs and have taken more action, with further reduction in accounting and administration costs secured since the year end;

§ The repayment date for the 10% Redeemable Guaranteed Loan Stock has been extended to 1 April 2010; and

§ The directors current plans include an additional share placing to supplement cash flow;

In view of the matters noted above, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. However, these conditions indicate the existence of material uncertainties which may cast significant doubt over the group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the going concern basis of preparation being inappropriate.

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. It is capitalised and amortised through the profit and loss account over its useful economic life of 20 years. Impairment tests on the carrying value of goodwill are undertaken:

- at the end of the first full financial year following acquisition;
- in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Impairment of fixed assets and goodwill

The need for any fixed asset impairment write down is assessed by comparing the carrying value of the asset against the higher of its realisable value and value in use.

Turnover

Turnover represents sales to external customers at invoiced amount less value added tax, adjusted as necessary to reflect those services provided in the year.

1 Accounting policies *(Continued)*

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets, over their expected useful lives. It is calculated at the following rates:

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

Valuation of investments

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

Invoice discounting

The group discounts its trade debts. The policy is to include trade debt within trade debtors due within one year and records cash advances within creditors due within one year. Discounting fees and interest are charged to the profit and loss account when incurred. Bad debts are borne by the group and are charged to the profit and loss account when incurred.

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, except in the case of current asset investments which are valued at the lower of cost and net realisable value.

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 profit and loss account.

Lease payments are analysed between capital and interest components. The interest element of the payment is charged to the profit and loss account over the period of the lease 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 profit and loss account on a straight line basis over the term of the lease.

Pension costs

Contributions to the group's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable.

1 Accounting policies *(Continued)*

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. 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 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 Changes to accounting policies

FRS 20 'Share based payment'

The group has adopted FRS 20 'Share based payment', application of which is obligatory for periods commencing on or after 1 January 2006.

FRS 20 'Share based payment' requires the recognition of share based payments at fair value at the date of grant. Prior to FRS 20, the group adopted UITF abstract 17: Employee Share Scheme.

In accordance with transitional provisions of FRS 20, the standard was applied retrospectively to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2005, and to liabilities for share-based transactions existing at 1 January 2005.

For 2006, the change in accounting policy would have resulted in a net increase in loss for the year of £44,884 and no effect on net assets.

For 2007, the impact of share based payments is a net charge to income of £10,940 and no effect on net assets.

As this charge is immaterial to the Group, in both the current and prior year, the directors have decided not to make any adjustment to these accounts, and thus no charge arose in the year.

3 Segmental analysis

Turnover

Turnover comprises amounts receivable for goods and services provided in the normal course of business, exclusive of value added tax and after deduction of trade discounts. Turnover is recognised in line with delivery of service. Turnover is entirely attributable to the Group's principal activities.

	2007	**2006**
	£	**£**
Group turnover split between business segments is:		
Audit and stock taking	2,987,201	2,984,260
Commercial investigations and other	1,068,392	2,267,362
	4,055,593	5,251,622

The geographic analysis and analysis of profit and net assets has been omitted since in the opinion of the Directors disclosure of this information would be seriously prejudicial to the Group

Prior year figures include the following amounts for discontinued operations relating to the Capcon Vincent Sherman and Capcon Surveilance Bureau Limited businesses. Cost of Sales of £610,591, Administration expenses of £708,765 and an Operating loss of £ 561,538.

4 Operating profit

	2007 £	2006 £
This is arrived at after charging:		
Depreciation – owned assets	52,164	106,213
Depreciation – leased assets	13,958	17,792
Amortisation of goodwill	101,808	197,121
Impairment of goodwill	-	1,546,830
Hire of equipment - operating leases	251,072	381,233
Land and buildings - operating leases	44,033	112,115
Auditors' remuneration – audit services	44,000	50,000

Included in the Auditor's remuneration for the Group are fees in respect to the Company which are not separately quantifiable.

5 Exceptional items

	2007 £	2006 £
Elimination of contingent purchase consideration	820,651	-
Legal and other expenses incurred	(155,535)	-
	665,116	-

Developments in recent months have given the directors reason to believe that it is now probable that no further consideration will be payable in respect of the Argen contingent purchase consideration and the directors have concluded that the provision for deferred consideration of £0.82m is no longer required. The goodwill associated with the acquisition of Argen Limited was fully impaired in a prior period and therefore the release has been credited to the profit and loss account. Further details are included in note 23 to these accounts.

6 Employees

	2007 £	2006 £
Staff costs for all employees, including executive directors, consist of:		
Wages and salaries	2,062,093	3,028,708
Social security costs	206,914	331,869
Pension costs	73,637	112,274
	2,342,644	3,472,851

The average number of employees of the group during the year, including executive directors, was as follows:	Number	Number
Administration and management	23	37
Operational staff	65	81
	88	118

The company has no employees.

7 Directors' remuneration

	2007 £	2006 £
Directors' emoluments	65,553	71,154
Group contributions to money purchase pension schemes	3,319	1,730

There was one director in the company's defined contribution pension scheme (2005 - one) during the year.

The remuneration of the highest paid director who served during the year was as follows:

	2007 £	2006 £
Directors' emoluments	37,000	41,840
Group contributions to money purchase pension schemes	-	1,730

8 Interest receivable

	2007 £	2006 £
Bank interest	41	487
	41	487

9 Interest payable and similar charges - group

	2007 £	2006 £
Bank loans and overdrafts	49,543	33,663
Interest on invoice discounting	42,297	51,131
Interest on contingent purchase consideration	-	31,212
Interest on finance leases	2,325	3,962
Interest on guaranteed loan stock	67,500	22,151
Other interest	57,145	49,099
	218,810	191,218

10 Taxation on (loss)/profit from ordinary activities

	2007 £	2006 £
Total current tax	-	-
Deferred tax		
Origination and reversal of timing Differences	-	(21,472)
Taxation on profit/(loss) on ordinary activities	-	(21,472)

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

	2007 £	2006 £
Profit/(loss) on ordinary activities before tax	485,121	(2,974,240)
Profit/(loss) on ordinary activities at the standard rate of corporation tax in the UK of 30% (2006 – 30%)	145,536	(892,271)
Effects of:		
Expenses not deductible for tax purposes	106,208	642,882
Capital allowances for year lower than/(in excess of) depreciation	(8,022)	35,288
Other timing differences	-	20,010
Elimination of contingent purchase consideration not taxable	(246,195)	-
Tax losses carried forward	2,473	194,091
Current tax charge/(credit) for year	-	-

11 Earnings per share

Earnings per ordinary share have been calculated using the weighted average number of shares in issue during the relevant financial periods. The weighted average number of equity shares in issue is 10,156,776 (2006 – 10,156,776) and the earnings, being profit after tax, are £485,121 (2006 – Loss £2,952,768).

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

	2007 **£**	**2006** **£**
Reconciliation of earnings		
Profit/(loss) used for calculation of basic and diluted EPS	485,121	(2,952,768)
Exceptional items	(665,116)	-
Amortisation and impairment of goodwill	101,808	1,743,951
Loss used for calculation of adjusted basic and diluted EPS	(78,187)	(1,208,817)
Reconciliation of denominator		
Shares used for calculation of basic and adjusted basic EPS	10,156,776	10,156,776
Exercise of options	-	-
Shares to be issued	-	-
Shares used in calculation of diluted and adjusted diluted EPS	10,156,776	10,156,776
Profit/(loss) per share		
Basic	4.8p	(29.1p)
Diluted	4.8p	(29.1p)
Loss per share before exceptional items, amortisation and impairment of goodwill		
Basic	(0.8p)	(11.9p)
Diluted	(0.8p)	(11.9p)

12 Profit for the financial year

The company has taken advantage of the exemption allowed under section 230 of the Companies Act 1985 and has not presented its own profit and loss account in these financial statements. The parent company made a profit for the year of £555,859 (2006 – Loss £3,787,139).

13 Intangible assets

Group	**Goodwill**
	£
Cost	
At 1 October 2006 and 30 September 2007	5,901,811
Amortisation	
At 1 October 2006	4,476,547
Provision for year	101,808
At 30 September 2007	4,578,355
Net book value	
At 30 September 2007	1,323,456
At 30 September 2007	1,425,264

14 Tangible assets

Group	**Fixtures, fittings, and equipment**	**Total**
	£	**£**
Cost or valuation		
At 1 October 2006	311,070	311,070
Additions	12,888	12,888
Disposals	(92,825)	(92,825)
At 30 September 2007	231,133	231,133
Depreciation		
At 1 October 2006	192,017	192,017
Provision for year	66,122	66,122
Disposals	(92,825)	(92,825)
At 30 September 2007	165,314	165,314
Net book value		
At 30 September 2007	65,819	65,819
At 30 September 2006	119,053	119,053

The net book value of assets held under hire purchase agreements and finance leases was £14,706 (2006: £28,664)

15 Fixed asset investments

	Company Subsidiary undertakings 2007 £	Company Subsidiary undertakings 2006 £
At 1 October 2006	50,000	2,388,687
Impairment of fixed asset investments	-	(2,338,687)
At 30 September 2007	50,000	50,000

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

16 Debtors

	Group 2007 £	Group 2006 £
Trade debtors	571,081	634,092
Prepayments and accrued income	236,166	339,983
Other debtors	93,338	91,525
	900,585	1,065,600

17 Creditors

(a) Amounts falling due within one year

	Group 2007 £	Group 2006 £	Company 2007 £	Company 2006 £
Bank overdrafts (secured)	525,645	284,590	-	-
Amounts due to subsidiary undertakings	-	-	236,625	25,090
Bank loans	648	57,335	-	50,000
Trade creditors	250,689	329,410	-	-
Invoice discounting facility	407,922	364,608	-	-
Other creditors	280,692	254,662	95,144	86,495
Tax and social security creditor	337,619	545,972	-	-
Deferred purchase consideration	-	820,651	-	820,651
Corporation tax	132	132	-	-
Obligations under finance leases and hire purchase contracts	8,545	16,265	-	-
Accruals and deferred income	603,344	572,385	125,720	64,220
	2,415,236	3,246,010	457,489	1,046,456

The bank overdrafts are secured by a floating charge over the assets of the group and the company.

Obligations under hire purchase agreements and finance leases totalling £15,615 (2005 - £31,880) are secured on the assets they finance.

Included within other creditors are loans from the directors of the Company totalling £95,144 (2006 - £86,495). The balance, which includes interest of £25,973 (2006 - £17,324) charged at 10% on the outstanding balances, is repayable on demand.

Invoice discounting facilities are secured on trade debtors.

(b) Amounts falling due after more than one year

	Group 2007 £	Group 2006 £	Company 2007 £	Company 2006 £
Bank loans	-	648	-	-
Obligations under finance leases and hire purchase contracts	7,070	15,615	-	-
Loan stock	659,247	626,139	659,247	626,139
	666,317	642,402	659,247	626,139

17 Creditors *(Continued)*

(b) Amounts falling due after more than one year

Included in the above are amounts falling due as follows:

	Group 2007 £	Group 2006 £	Company 2007 £	Company 2006 £
In more than one year but not more than two years:				
Bank loans	-	648	-	-
Obligations under finance leases and hire purchase contracts	7,070	8,545	-	-
Loan stock	-	626,139	-	626,139
	7,070	635,332	-	626,139

	Group 2007 £	Group 2006 £	Company 2007 £	Company 2006 £
In more than two years but less than five years:				
Bank loans	-	-	-	-
Obligations under finance leases and hire purchase contracts	-	7,070	-	-
Loan stock	659,247	-	659,247	-
	659,247	7,070	659,247	-

Certain directors and a shareholder of the Company subscribed for a total of £675,000 (nominal) 10% Redeemable Guaranteed Loan Stock before issue costs of £15,753 (2006: £48,861). The balance was repayable on 30 June 2008 but the stockholders and the Company have agreed an extension to 1 April 2010.

18 Financial Instruments

The Group's financial instruments at the year end comprise cash, bank overdrafts, bank loans, finance leases, an invoice discounting facility, loan stock and various non derivative financial instruments such as trade debtors and trade creditors.

The Group's circumstances and operations do not require the use of complex financial instruments. 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.

(a) Interest rate

Financial assets comprise cash held on current account of £35 (2006 - £1,716).

The Group's exposure to interest rate fluctuations on its borrowings is managed by the use of both fixed and floating facilities.

The interest rate applying to the Group's bank overdraft facility was 4.0% over bank base rate.

The interest rate applying to the Group's bank loan during the year is 3.5% over bank base rate.

The interest rate applying to the 10% Redeemable Guaranteed Loan Stock is 10%

The interest rate applying to the finance lease arrangements is 10.9% over three years.

(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 profit and loss account of the Group companies and the Group.

At 30 September 2007 the net value of the Group's monetary liabilities is £431,236 (2006 – liabilities £109,285) of which net assets of £2,068 (2006 – liabilities £6,399) is denominated in a currency other than sterling.

(c) Fair values of financial instruments

In the opinion of the directors, there is no significant difference between the fair values of the Group's financial assets and liabilities and those shown in the balance sheet.

(d) Maturity of financial liabilities

	Group 2007 £	Group 2006 £	Company 2007 £	Company 2006 £
Due within one year	1,037,869	807,577	-	50,000
More than one year but no more than two years	7,070	635,332	-	626,139
More than two years but no more than five years	659,247	7,070	659,247	-
	1,704,186	1,449,979	659,247	676,139

19 Provisions for liabilities and charges

Deferred tax

	Group 2007 £	Group 2006 £
At 1 October 2006	-	21,472
Released to profit and loss account	-	(21,472)
At 30 September 2007	-	-

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 30%, is £411,632 (2006 - £368,894). This is recoverable against future taxable profit of the relevant trading activity, the timing of which is uncertain.

20 Share capital

	2007 Number	2006 Number	2007 £	2006 £
Authorised				
20,000,000 ordinary shares of 1p each	20,000,000	20,000,000	200,000	200,000

	2007 Number	2006 Number	2007 £	2006 £
Allotted, called up and fully paid				
10,156,776 (2006 - 10,156,776) ordinary shares of 1p each	10,156,776	10,156,776	101,568	101,568

	Ordinary shares of 1p each Number	£
In issue at 1 October 2006	10,156,776	101,568
In issue at 30 September 2007	10,156,776	101,568

20 Share capital *(Continued)*

Share option scheme

At 30 September 2007 the following share options were outstanding in respect of the ordinary shares:

Date of grant	Number of shares	Period of option	Price per share
17 May 2001	331,250	17 May 2004 – 16 May 2011	6p
13 March 2003	660,600	31 March 2006 – 31 March 2013	6p
7 April 2004	300,000	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.

There have been no changes in the interests of the directors between 30 September 2007 and 28 March 2008.

Share based payment

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

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

	2007 Weighted Average exercise price (pence)	2007 Number	2006 Weighted average exercise price (pence)	2006 Number
Outstanding at the beginning of the year	36.12	1,354,350	36.12	1,354,350
Forfeited during the year	34.00	-	34.00	-
Lapsed during the year	80.00	(62,500)	80.00	-
Outstanding at the end of the year	34.00	1,291,850	36.12	1,354,350

The exercise price of the options outstanding at the end of the year was 34p (2006: ranged between 34p and 80p). Of the total number of options outstanding at the end of the year, all had vested and were exercisable (2006: 1,054,350)

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

21 Reserves

Group	**Share premium account £**	**Merger reserve £**	**Profit and loss account £**
At 1 October 2006	2,774,094	950,000	(5,102,441)
Profit for the year	-	-	485,121
At 30 September 2007	2,774,094	950,000	(4,617,320)

Company	**Share premium account £**	**Other reserve £**	**Profit and loss account £**
At 1 October 2006	2,774,094	-	(4,498,257)
Profit for the year	-	-	555,859
At 30 September 2007	2,774,094	-	(3,942,398)

22 Reconciliation of movements in shareholders' funds

	Group 2007 £	Group 2006 £	Company 2007 £	Company 2006 £
Profit/(loss) for the year	485,121	(2,952,768)	555,859	(3,787,139)
Reduction in shares to be issued	-	(296,166)	-	(296,166)
Net increase/(reduction) in shareholders' funds	485,121	(3,248,934)	555,859	(4,083,305)
Opening shareholders' funds	(1,276,779)	1,972,155	(1,622,595)	2,460,710
Closing shareholders' funds	(791,658)	(1,276,779)	(1,066,736)	(1,622,595)

23 Contingent liabilities

The company has guaranteed bank borrowings of its subsidiary undertakings. At the year end the liabilities covered by these guarantees totalled £525,778 (2006 - £334,590).

The Group acquired Argen Limited in February 2003. In addition to initial consideration of £1.35million, the purchase agreement provided for a maximum contingent consideration of £1.92million - £1.57million by way of cash and £0.35million by way of shares. This contingent consideration was payable dependent upon the profit of Argen for the years ended 31 December 2003 and 31 December 2004 exceeding specified targets.

Under the terms of the agreement, the contingent consideration was due to be paid by April 2005 and £500,000 has been paid to date. The amount of any further liability to pay contingent consideration has been a matter of dispute between the Company and the vendors for some time.

As the legal process connected to this dispute is ongoing, there remains a possibility of further consideration being payable, however developments in recent months have given the director’s reason to believe that no further consideration will be payable and accordingly no provision has been made for such payment.

24 Commitments under operating leases

As at 30 September 2007, the group had annual commitments under non-cancellable operating leases as set out below:

	2007 Land and buildings £	2007 Other £	2006 Land and buildings £	2006 Other £
Operating leases which expire:				
Within one year	-	74,932	82,734	82,048
In two to five years	7,356	144,927	7,200	160,471
After five years	11,550	-	11,550	-
	18,906	219,859	101,484	242,519

25 Related party transactions

During the year fees were charged by Vantis plc totalling £149,565 (2006 - £26,226). In addition, fees for services totalling £41,487 (2006 - £100,718) were charged by Capcon Limited to Vantis plc. At the year end, a balance of £37,855 (2006 - £37,855) was owed by Vantis plc in respect of services provided by Capcon Limited. P F Jackson is a Director 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.

26 Reconciliation of operating profit to net cash inflow from operating activities

	2007 £	2006 £
Operating profit/(loss)	703,890	(2,783,509)
Amortisation and impairment of goodwill	101,808	1,743,951
Depreciation	66,122	124,005
Loss on disposal of fixed assets	-	55,205
Decrease in debtors	165,015	630,488
(Decrease)/increase in creditors	(1,119,385)	122,392
Net cash outflow from operating activities	(82,550)	(107,468)

27 Reconciliation of net cash inflow to movement in net debt

	2007 £	2006 £
(Decrease)/increase in cash in the year	(242,736)	14,372
Cash flow from change in debt and lease finance	30,286	(276,872)
Change in net debt resulting from cash flows	(212,450)	(262,500)
Other non-cash movements	(41,757)	(22,464)
Movement in net debt in the year	(254,207)	(284,964)
Net debt at start of year	(1,449,979)	(1,165,015)
Net debt at end of year (note 28)	(1,704,186)	(1,449,979)

28 Analysis of net debt

	At 1 October 2006 £	Cash flow £	Other non-cash changes £	At 30 September 2007 £
Cash at bank and in hand	1,716	(1,681)	-	35
Overdrafts	(284,590)	(241,055)	-	(525,645)
Cash	(282,874)	(242,736)	-	(525,610)
Debt due after one year	(626,787)	-	(32,460)	(659,247)
Debt due within one year	(57,335)	57,335	(648)	(648)
Finance leases	(31,880)	16,265	-	(15,615)
Invoice discounting facilities	(364,608)	(43,314)	-	(407,922)
Other loans	(86,495)	-	(8,649)	(95,144)
Financing	(1,167,105)	30,286	(41,757)	(1,178,576)
Total	(1,449,979)	(212,450)	(41,757)	(1,704,186)

Capcon Holdings plc

Professional advisors

Registered office:	4 Chiswell Street London EC1Y 4UP
Nominated adviser	Shore Capital and Corporate Limited Bond Street House 14 Clifford Street London W1S 4JU
Stockbroker	Shore Capital Stockbrokers Limited Bond Street House 14 Clifford Street London W1S 4JU
Business adviser:	Vantis 82 St John Street London EC1M 4JN
Auditors:	BDO Stoy Hayward LLP 55 Baker Street London W1U 7EU
Solicitors:	Duane Morris 4 Chiswell Street London EC1Y 4UP
Bankers:	Lloyds TSB Bank plc Dominions House Eton Place 64 High Street Burnham Bucks SL1 7JT
Registrars:	Capita Registrars Northern House Woodsome Park Fenay Bridge Huddersfield West Yorkshire HD8 0LA
Registered number:	4196004

Capcon Holdings plc

Notice of meeting

Notice is hereby given that the annual general meeting of the shareholders of Capcon Holdings plc will be held at the offices of Shore Capital Stockbrokers Limited at Bond Street House, 14 Clifford Street, London, W1S 4JU on 28 May 2008 at 12.00 p.m. for the following purposes:

Ordinary business

1 To receive and adopt the financial statements and the reports of the directors and of the auditors for the year ended 30 September 2007.

2 To re-elect Mr R G Boyle, who retires in accordance with the requirements of the Articles of Association of the Company, as a director of the Company.

3 To re-appoint BDO Stoy Hayward LLP as auditors and authorise the directors to fix their remuneration.

Special business

4 To consider and, if thought fit, pass the following resolution as an Ordinary Resolution of the Company:

That for the purposes of Section 80 of the Companies Act 1985 (the "**Act**") the directors be and are hereby generally and unconditionally authorised to exercise all powers of the company to allot relevant securities (as defined in that section) up to an aggregate nominal amount of £98,432 such authority to expire on the earlier of fifteen months following the date upon which this resolution was passed and the conclusion of the Annual General Meeting of the Company next following the date upon which this resolution was passed unless renewed, varied or revoked by the Company in general meeting provided that the Company may at any time before the expiry, variation or revocation of such authority make offers or agreements which will or might require relevant securities to be allotted after the expiry, variation or revocation of such authority and the directors may allot relevant securities pursuant to such offer or agreement as if such authority had not expired or been varied or revoked. This authority shall replace all existing authorities conferred on the directors in respect of the allotment of relevant securities to the extent that the same have not previously been utilised.

5 To consider and, if thought fit, pass the following resolution as a Special Resolution of the Company:

That:

(A) the directors of the Company be and are hereby empowered pursuant to Section 95 of the Act to allot equity securities (as defined in Section 94 of the Act) pursuant to the authority conferred on them for the purposes of Section 80 of the Act by an ordinary resolution of the Company of even date herewith as if Section 89(1) of the Act did not apply to any such allotment, provided that this power will be limited:

(i) to the allotment of equity securities for cash in connection with any offer by way of rights to holders of ordinary shares in the capital of the Company notwithstanding that, by reason of such exclusions or other arrangements as the directors may deem necessary or desirable to deal with legal or other problems arising in any overseas territory, in connection with fractional entitlements, record dates or otherwise howsoever, the equity securities to be allotted are not offered to all such holders in proportion to the respective number of ordinary shares held by them;

(ii) to the allotment (otherwise than pursuant to paragraph (i) above) of equity securities for cash up to an aggregate nominal value of £15,250;

(B) the power conferred by paragraph (A) of this resolution (the "**Section 95 Power**") will expire at the earlier of the conclusion of the next Annual General Meeting following the date on which this resolution was passed or fifteen months following the date upon which this resolution was passed;

(C) the Section 95 Power will enable the Company to make an offer or agreement that would or might require equity securities to be allotted after such power expires and the directors may allot equity securities in pursuance of any such offer or agreement made within the limits prescribed in paragraph (A) above as if the power hereby conferred had not expired; and

(D) the Section 95 Power will replace all existing powers granted to the directors to allot equity securities as if the said Section 89(1) of the Act did not apply to the extent that the same have not been previously utilised.

By order of the Board

C J Cavender
Secretary
28 March 2008

Note

1. A member entitled to attend and vote at the above meeting is entitled to appoint a proxy or proxies to attend, speak and vote instead of him. A member may only appoint more than one proxy if each proxy is appointed to exercise the voting rights attached to different shares. A member may not appoint more than one proxy to exercise rights attached to the same shares. A proxy need not be a member of the Company. The appointment of a proxy will not preclude a member from attending and voting at the meeting in person should he subsequently decide to do so. To appoint more than one proxy you may photocopy this form. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.

2. A pre-paid form of proxy is enclosed for use by holders of ordinary shares. Completion of a form of proxy will not prevent a holder of ordinary shares from attending and voting at the Meeting should he so wish.

3. To be valid, forms of proxy must be lodged with Capita Registrars, Proxies Department, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU not less than 48 hours before the time appointed for holding the Meeting.

4. As permitted by Regulation 41 of the Uncertificated Securities Regulations 2001, members who hold shares in uncertificated form must be entered on the Company’s register of members at 6.00 p.m. on 26 May 2008 in order to be entitled to attend and/or vote at the meeting in respect of the number of shares registered in their name at such time. Changes to entries on the register of members after that time will be disregarded in determining the rights of any person to attend and/or vote at the meeting.