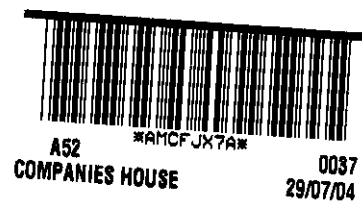


CAPCON LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED
30 SEPTEMBER 2003



CAPCON LIMITED

COMPANY INFORMATION

DIRECTORS	C J Cavender R K Dulieu P F Jackson S J Wright J B Edwards
SECRETARY	C J Cavender
REGISTERED OFFICE	82 St John Street London EC1M 4JN
AUDITORS	BDO Stoy Hayward LLP 8 Baker Street London W1U 3LL
COMPANY NUMBER	03798248

CAPCON LIMITED

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DIRECTORS' REPORT
For the year ended 30 September 2003

The directors present their report and the financial statements for the year ended 30 September 2003.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law in the United Kingdom requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. 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 discussed and disclosed in the accounts; 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS

The company's principal activities during the year were those of the provision of audit and stocktaking services and commercial and insurance investigations.

On 1 October 2002, the company acquired the assets, liabilities and business of Vincent Sherman (Creditor Claims) Limited a wholly owned subsidiary of Capcon Holdings plc.

The directors consider performance in the year to have been satisfactory despite some difficult trading circumstances. The outlook for the next twelve months is positive.

RESULTS AND DIVIDENDS

The profit for the year after taxation was £65,665 (2002 - £126,047). A total dividend payment of £201,624 was declared.

CAPCON LIMITED

DIRECTORS' REPORT
For the year ended 30 September 2003

DIRECTORS

The directors who served during the year were:

C J Cavender
R K Dulieu
P F Jackson
S J Wright
J B Edwards (appointed 20 February 2003)

The directors did not hold any shares in Capcon Limited during the year.

The interests of the directors in the ordinary share capital of the parent company as at 1 October 2002 (or the date of appointment if later) and 30 September 2003 were as follows:

	Ordinary shares of 1p each	
	<u>30/9/03</u>	<u>1/10/02</u> <u>(or date of appointment if later)</u>
C J Cavender	270,000	250,000
P F Jackson	1,410,350	1,296,250
S J Wright	150,000	150,000

Auditors

During the year the company appointed BDO Stoy Hayward as its auditors. On 31 December 2003, BDO Stoy Hayward, transferred its business to BDO Stoy Hayward LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. Accordingly BDO Stoy Hayward resigned as auditors on that date and the directors appointed BDO Stoy Hayward LLP as its successor.

On behalf of the board



C J Cavender
Director

23 July 2004

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CAPCON LIMITED
For the year ended 30 September 2003

We have audited the financial statements of Capcon Limited for the year ended 30 September 2003 on pages 4 to 12 which have been prepared under the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards 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 United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

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.

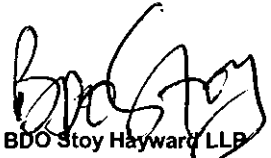
Basis of audit opinion


We conducted our audit in accordance with United Kingdom Auditing Standards 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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 financial statements give a true and fair view of the state of the company's affairs as at 30 September 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


BDO Stoy Hayward LLP
Chartered Accountants and
Registered Auditors
London



23 July 2004

CAPCON LIMITED

PROFIT AND LOSS ACCOUNT
For the year ended 30 September 2003

	Note	2003 £	2002 £
TURNOVER	1, 2		
Existing operations		4,077,676	4,262,851
Acquisitions		<u>1,782,648</u>	<u>-</u>
		5,860,324	4,262,851
Cost of sales		<u>(3,746,280)</u>	<u>(2,742,251)</u>
GROSS PROFIT		2,114,044	1,520,600
Administrative expenses		<u>(1,907,848)</u>	<u>(1,311,380)</u>
OPERATING PROFIT	3		
Existing operations		149,144	209,220
Acquisitions		<u>57,052</u>	<u>-</u>
Continuing operations		206,196	209,220
Interest receivable		9	2,020
Interest payable	6	<u>(128,256)</u>	<u>(29,787)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		77,949	181,453
TAX ON PROFIT ON ORDINARY ACTIVITIES	7	<u>(12,284)</u>	<u>(55,406)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		65,665	126,047
DIVIDENDS	8	<u>(201,624)</u>	<u>(156,505)</u>
RETAINED LOSS FOR THE FINANCIAL YEAR		(135,959)	(30,458)
RETAINED PROFIT BROUGHT FORWARD		<u>247,616</u>	<u>278,074</u>
RETAINED PROFIT CARRIED FORWARD		<u>£ 111,657</u>	<u>£ 247,616</u>

TOTAL RECOGNISED GAINS AND LOSSES

There were no recognised gains and losses other than those stated above.

CAPCON LIMITED

BALANCE SHEET
As at 30 September 2003

	Note	£	2003	£	£	2002	£
FIXED ASSETS							
Intangible fixed assets	9			2,552,915			1,832,496
Tangible fixed assets	10			273,321			119,758
				<u>2,826,236</u>			<u>1,952,254</u>
CURRENT ASSETS							
Debtors	11	1,513,168			1,727,082		
Cash at bank and in hand		5,461			65,767		
		<u>1,518,629</u>			<u>1,792,849</u>		
CREDITORS: amounts falling due within one year	12	(3,201,385)			(2,449,463)		
NET CURRENT LIABILITIES				<u>(1,682,756)</u>			<u>(656,614)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES				1,143,480			1,295,640
PROVISIONS FOR LIABILITIES AND CHARGES							
Deferred taxation	13			(31,823)			(48,024)
NET ASSETS				<u>£ 1,111,657</u>			<u>£ 1,247,616</u>
CAPITAL AND RESERVES							
Called up share capital	14			10,000			10,000
Share premium account				990,000			990,000
Profit and loss account				111,657			247,616
SHAREHOLDERS' FUNDS - All Equity	15			<u>£ 1,111,657</u>			<u>£ 1,247,616</u>

The financial statements were approved by the board on 23 July 2004 and signed on its behalf.

C J Cavender
Director



The notes on pages 6 to 12 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2003

1. ACCOUNTING POLICIES

1.1 Basis of preparation

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

The principle accounting policies are set out below and have been reviewed in accordance with FRS 18 'Accounting Policies'.

The financial statements have been prepared on a going concern basis, as the parent company has agreed to provide continued support to the company for at least twelve months from the date of the approval of these accounts.

1.2 Turnover

Turnover comprises the invoiced value of services supplied by the company, exclusive of Value Added Tax and trade discounts.

1.3 Intangible fixed assets and amortisation

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities. It is amortised to profit and loss account over its estimated economic life of 20 years.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Fixtures and equipment	-	25% reducing balance
Motor vehicles	-	25% reducing balance

1.5 Leased Assets

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their estimated useful lives. The interest element of leasing payments represents a constant proportion of the capital base outstanding and is charged to the profit and loss account over the period of the lease. All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight-line basis over the lease term.

1.6 Deferred taxation

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, at a future date, at rates expected to apply when they crystallise, based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

1.7 Foreign currencies

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the rates ruling at that date. All differences are dealt with in the profit and loss account.

1.8 Pension Costs

Pension costs relate to a defined contribution scheme and are accounted for as they become payable.

1.9 Invoice Discounting

The company discounts its trade debts. The accounting policy is to include trade debt within trade debtors due within one year and record 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 company and are charged to the profit and loss account when incurred.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2003

2. TURNOVER

The whole of the turnover is attributable to the principal activities of the company.

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 Company.

3. OPERATING PROFIT

In relation to the acquisition of the trade and assets of Vincent Sherman (Creditor Claims) Limited, continuing operations in 2003 include cost of sales £1,003,872, gross profit £778,776 and administrative expenses £721,724.

The operating profit is stated after charging:

	2003 £	2002 £
Amortisation of goodwill	142,743	101,806
Depreciation of tangible fixed assets:		
- owned by the company	57,077	31,218
- leased assets	37,434	-
Auditors' remuneration	19,000	13,213
Operating lease rentals:		
- equipment	339,051	365,571
- land & buildings	51,166	38,413
Management charges receivable	(307,000)	=

4. STAFF COSTS

Staff costs, including directors' remuneration, were as follows:

	2003 £	2002 £
Wages and salaries	3,176,163	2,082,114
Social security costs	274,324	189,479
Other pension costs	117,987	93,770
	<u>£ 3,568,474</u>	<u>£ 2,365,363</u>

The average monthly number of employees, including directors, during the year was as follows:

	2003	2002
Administration and management	28	22
Operations	101	77
	<u>129</u>	<u>99</u>

5. DIRECTORS' REMUNERATION

	2003 £	2002 £
Aggregate emoluments	<u>£ 286,460</u>	<u>£ 173,538</u>

During the year retirement benefits were accruing to 3 directors (2002 - 2) in respect of money purchase pension schemes.

Aggregate emoluments of highest paid director	<u>£ 109,886</u>	<u>£ 77,256</u>
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NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2003

6. INTEREST PAYABLE

	2003 £	2002 £
On bank loans and overdrafts	42,648	14,160
On invoice discounting	56,393	15,627
On finance leases	12,287	-
On other loans	16,928	-
	<u>£ 128,256</u>	<u>£ 29,787</u>

7. TAXATION

	2003 £	2002 £
Analysis of tax charge in year		
Current tax (see note below)		
UK corporation tax on profits of the year	28,485	37,277
Adjustments in respect of prior periods	-	(1,336)
	<u>28,485</u>	<u>35,941</u>
Total current tax		
Deferred tax		
Origination and reversal of timing differences	(16,201)	19,465
	<u>(16,201)</u>	<u>19,465</u>
Total deferred tax (see note 14)		
Tax on profit on ordinary activities	<u>£ 12,284</u>	<u>£ 55,406</u>

Factors affecting tax charge for year

The tax assessed for the year is higher than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2003 £	2002 £
Profit on ordinary activities before tax	<u>77,949</u>	<u>181,453</u>
Profit on ordinary activities multiplied by the relevant standard rate of corporation tax in the UK of 30% (2002 – 30%)	23,385	54,436
Effects of:		
Expenses not deductible for tax purposes	66,831	24,753
Difference between capital allowances and depreciation	(25,394)	21,935
Other timing differences	(182)	-
Utilisation of losses	(19,664)	(48,737)
Marginal relief	(16,491)	(15,110)
Adjustments to tax charge in respect of prior periods	-	(1,336)
	<u>28,485</u>	<u>35,941</u>
Current tax charge for year (see note above)		

8. DIVIDENDS

	2003 £	2002 £
Total dividends proposed and paid	<u>£ 201,624</u>	<u>£ 156,505</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2003

9. INTANGIBLE FIXED ASSETS

	Goodwill £
Cost	
At 1 October 2002	2,036,108
Arising on acquisition	<u>863,162</u>
At 30 September 2003	<u>2,899,270</u>
Amortisation	
At 1 October 2002	203,612
Charge for the year	<u>142,743</u>
At 30 September 2003	<u>346,355</u>
Net book value	
At 30 September 2003	<u>£ 2,552,915</u>
At 30 September 2002	<u>£ 1,832,496</u>

10. TANGIBLE FIXED ASSETS

	Motor Vehicles £	Fixtures & Equipment £	Total £
Cost			
At 1 October 2002	-	192,579	192,579
Additions	10,747	122,935	133,682
Additions arising on acquisition	134,588	32,227	166,815
Disposals	<u>52,424</u>	<u>(52,176)</u>	<u>(104,600)</u>
At 30 September 2003	<u>2,911</u>	<u>295,565</u>	<u>388,476</u>
Depreciation			
At 1 October 2002	-	72,821	72,821
Charge for the year	39,609	54,902	94,511
Disposals	-	<u>(52,176)</u>	<u>(52,176)</u>
Additions arising on acquisition	<u>-</u>	<u>-</u>	<u>-</u>
At 30 September 2003	<u>39,609</u>	<u>75,547</u>	<u>115,156</u>
Net book value			
At 30 September 2003	<u>£ 53,302</u>	<u>£ 220,019</u>	<u>£ 273,321</u>
At 30 September 2002	<u>£ -</u>	<u>£ 119,756</u>	<u>£ 119,756</u>

The net book value of assets held under finance leases, included above within motor vehicles was £40,000 (2002: nil).

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2003

11. DEBTORS

	2003 £	2002 £
Due within one year		
Trade debtors	1,161,041	782,908
Amounts owed by group undertakings	-	723,348
Other debtors	104,772	95,484
Prepayments and accrued income	218,105	125,342
Work in progress	29,250	-
	<u>£ 1,513,168</u>	<u>£ 1,727,082</u>

**12. CREDITORS:
Amounts falling due within one year**

	2003 £	2002 £
Bank loan	16,819	50,000
Overdraft	276,284	297,080
Invoice discounting facility	431,481	252,616
Trade creditors	234,170	135,954
Amounts owed to group undertakings	1,443,802	1,295,533
Corporation tax	65,762	37,277
Social security and other taxes	352,707	223,371
Other creditors	113,345	11,847
Accruals and deferred income	197,595	145,785
Amounts due under hire purchase and finance leases	69,420	-
	<u>£ 3,201,385</u>	<u>£ 2,449,463</u>

Included within other creditors are loans from the Directors of Vincent Sherman (Creditor Claims) Limited totalling £62,779 (£133,820 - 2002). Repayment of these loans will occur quarterly, in tranches of £10,000, if trading performance matches or exceeds pre-determined profit targets.

Invoice discounting facilities are secured by way of a second fixed and floating charge over the assets of Capcon Limited.

13. DEFERRED TAXATION

	2003 £	2002 £
At 1 October 2002	48,024	28,559
(Released during)/charge for the year	(16,201)	19,465
At 30 September 2003	<u>£ 31,823</u>	<u>£ 48,024</u>

The provision for deferred taxation is made up as follows:

	2003 £	2002 £
Accelerated capital allowances	31,823	48,024
	<u>£ 31,823</u>	<u>£ 48,024</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2003

14. SHARE CAPITAL

	2003 £	2002 £
Authorised, allotted, called up and fully paid		
1,000,000 Ordinary shares of 1p each	<u>£ 10,000</u>	<u>£ 10,000</u>

15. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2003 £	2002 £
Profit for the year	65,665	126,047
Dividends	(201,624)	(156,505)
	<u>(135,959)</u>	<u>(30,458)</u>
Opening shareholders' funds	<u>1,247,616</u>	<u>1,278,074</u>
Closing shareholders' funds	<u>£ 1,111,657</u>	<u>£ 1,247,616</u>

16. OPERATING LEASE COMMITMENTS

At 30 September 2003 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
Expiry date:	2003 £	2002 £	2003 £	2002 £
Within 1 year	21,828	14,959	54,841	215,169
Between 2 and 5 years	<u>47,666</u>	<u>23,454</u>	<u>249,458</u>	<u>100,615</u>

17. RELATED PARTY TRANSACTIONS

During the year fees were paid to Vantis plc (formerly known as Morgan Brown & Spofforth) totalling £67,624 (2002 - £64,071). In addition, fees for services totalling £38,751 (2002 - £36,520) were charged by Capcon Limited to Vantis plc. At the year-end, a balance of £35,301 (2002 - £24,790) was owed by Vantis plc in respect of services provided by Capcon Limited.

As a wholly owned subsidiary of Capcon Holdings plc the company is exempt from the requirements of Financial Reporting Standard 8, to disclose transactions with other members of the group headed by Capcon Holdings plc, on the grounds that consolidated accounts are prepared and publicly available.

18. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The ultimate parent undertaking is Capcon Holdings plc, a company registered in England and Wales, which is both the largest and smallest group for which consolidated financial statements are prepared and of which the company is a member.

Copies of the Group financial statements can be obtained from the company's registered office.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2003

19. ACQUISITIONS

On 1 October 2002 the assets, liabilities and trade of Vincent Sherman (Creditor Claims) Limited was transferred to Capcon Limited. Details of the liabilities acquired are set out below. The fair value of the consideration was £1 giving rise to goodwill of £863,162.

	Net book value	Fair value Adjustments	Fair value
	£	£	£
Tangible fixed assets	166,815	-	166,815
Current assets	360,473	-	360,473
Net cash and overdraft	(49,349)	-	(49,349)
Liabilities	<u>(1,341,100)</u>	<u>-</u>	<u>(1,341,100)</u>
Net liabilities	<u>(863,161)</u>	-	(863,161)
Goodwill			<u>863,162</u>
			<u>1</u>
Satisfied by:			
Cash			<u>1</u>
			<u>1</u>