

Company Registration No. 2765607 (England and Wales)

CONTROLACCOUNT PLC
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1997



CONTROLACCOUNT PLC

COMPANY INFORMATION

Directors	G A R Ball D R Ball I L Morris D R Jerome
Secretary	G A R Ball
Company number	2765607
Registered office	30 St James's Street London SW1A 1HB
Auditors	Freeman & Partners Chartered Accountants Registered Auditor 30 St James's Street London SW1A 1HB
Bankers	National Westminster Bank Plc 1 The Mall Ealing London W5 2PL Trustees Savings Bank Plc 20 St Mary At Hill London EC3R 8NA

CONTROLACCOUNT PLC

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CONTROLACCOUNT PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1997

The directors present their report and financial statements for the year ended 31 December 1997.

Principal activities and review of the business

The principal activities of the company continue to be those of a debt collection agency and the provision of debt management outsourcing, management and consultancy services.

Year on year 1997 showed a 63% increase in revenue and a 170% increase in operating profit. The benefits of our earlier investment in both capital and personnel has begun to pay off.

1997 saw further investment together with a move to larger offices. The costs of this have been absorbed in these financial statements. Our cost basis is now able to sustain a significantly greater volume of gross revenue and thus any increase in sales should make a significant contribution to operating profit.

Business conditions in our industry appear benign and we are reasonably confident that 1998 should continue the trend established over the preceding 2 years.

Results and dividends

The results for the year are set out on page 4.

An interim ordinary dividend was paid amounting to £75,000. The directors do not recommend payment of a final dividend.

Fixed assets

The significant changes in fixed assets during the year are explained in notes 9 and 10 to the financial statements.

Directors

The following directors have held office during the year:

G A R Ball
D R Ball
I L Morris
D R Jerome

Directors' interests

The directors' beneficial interests in the shares of the company were as stated below:

	Ordinary shares of £1 each	
	31 December 1997	1 January 1997
G A R Ball	49,999	49,999
D R Ball	1	1
I L Morris	-	-
D R Jerome	-	-

Taxation status

The company was a close company within the provisions of the Income and Corporation Taxes Act 1988 and this position has not changed since the end of the financial year.

CONTROLACCOUNT PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1997

Creditor payment policy

The company's current policy concerning the payment of trade creditors is to pay in accordance with the company's contractual and other legal obligations. On average the company's creditor settlement period is 30 days from date of statement.

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Freeman & Partners be reappointed as auditors of the company will be put to the Annual General Meeting.

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing 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;
- 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. 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.

By order of the board



G A R Ball

Director

28 JULY 1998

CONTROLACCOUNT PLC

AUDITORS' REPORT TO THE SHAREHOLDERS OF CONTROLACCOUNT PLC

We have audited the financial statements on pages 4 to 15 which have been prepared under the historical cost convention and the accounting policies set out on page 9.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with 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 31 December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

.....

Freeman & Partners

Chartered Accountants
Registered Auditor
30 St James's Street
London
SW1A 1HB

30 July 1998

CONTROLACCOUNT PLC

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1997**

	Notes	1997 £	1996 £
Turnover	2	870,654	534,683
Cost of sales		(87,054)	(64,105)
Gross profit		783,600	470,578
Administrative expenses		(649,856)	(421,052)
Operating profit	3	133,744	49,526
Investment income	4	438	917
Other interest receivable and similar income	4	5,032	6,243
Amounts written off investments	5	(5,171)	-
Interest payable and similar charges	6	(183)	(150)
Profit on ordinary activities before taxation		133,860	56,536
Tax on profit on ordinary activities	7	(33,906)	(14,290)
Profit on ordinary activities after taxation		99,954	42,246
Dividends	8	(75,000)	(25,000)
Retained profit for the year	16	24,954	17,246

The profit and loss account has been prepared on the basis that all operations are continuing operations.

CONTROLACCOUNT PLC

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 1997

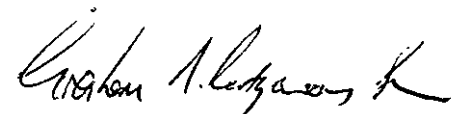
		1997 £	1996 £
	Notes		
Profit for the financial year		99,954	42,246
Unrealised deficit on trade investment	5	5,171	-
Total recognised gains and losses relating to the year		<u>105,125</u>	<u>42,246</u>

CONTROLACCOUNT PLC

**BALANCE SHEET
AS AT 31 DECEMBER 1997**

	Notes	1997		1996	
		£	£	£	£
Fixed assets					
Intangible assets	9		-		3,750
Tangible assets	10		23,117		13,946
			<u>23,117</u>		<u>17,696</u>
Current assets					
Debtors	11	221,749		114,911	
Investments	12	27,824		5,887	
Cash at bank and in hand		53,477		136,808	
		<u>303,050</u>		<u>257,606</u>	
Creditors: amounts falling due within one year	13	(110,953)		(85,042)	
Net current assets			<u>192,097</u>		<u>172,564</u>
Total assets less current liabilities			<u>215,214</u>		<u>190,260</u>
Capital and reserves					
Called up share capital	15		50,000		50,000
Profit and loss account	16		165,214		140,260
Shareholders' funds - equity interests	17		<u>215,214</u>		<u>190,260</u>

The financial statements were approved by the board on **28 JULY 1998**



G A R Ball
Director

CONTROLACCOUNT PLC

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 1997

	1997 £	1996 £
Net cash inflow from operating activities	74,454	119,965
Returns on investments and servicing of finance		
Interest received	5,032	6,243
Interest paid	(183)	(150)
Dividends received	438	288
Net cash inflow for returns on investments and servicing of finance	5,287	6,381
Taxation	(25,394)	(30,420)
Capital expenditure and financial investment		
Payments to acquire intangible assets	-	(7,500)
Payments to acquire tangible assets	(35,570)	(20,269)
Receipts from sales of tangible assets	-	9,954
Receipts from sales of investments	-	1,379
Net cash outflow for capital expenditure	(35,570)	(16,436)
Equity dividends paid	(75,000)	(25,000)
Net cash (outflow)/inflow before management of liquid resources and financing	(56,223)	54,490
Management of liquid resources		
Current asset investments	(27,108)	(5,887)
(Decrease)/increase in cash in the year	<u>(83,331)</u>	<u>48,603</u>

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NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 1997

1	Reconciliation of operating profit to net cash inflow from operating activities			1997	1996
				£	£
	Operating profit			133,744	49,526
	Depreciation of tangible assets			26,399	13,309
	Amortisation of intangible assets			3,750	3,750
	Profit on disposal of tangible assets			-	(5,566)
	(Increase)/decrease in debtors			(106,838)	25,694
	Increase in creditors within one year			17,399	33,252
	Net cash inflow from operating activities			74,454	119,965

2	Analysis of net funds	1 January 1997	Cash flow	Other non-cash changes	31 December 1997
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	136,808	(83,331)		53,477
	Liquid resources:				
	Short-term investments	5,887	27,108	(5,171)	27,824
	Debt:				
	Net funds	142,695	(56,223)	(5,171)	81,301

3	Reconciliation of net cash flow to movement in net funds	1997	1996
		£	£
	(Decrease)/increase in cash in the year	(83,331)	48,603
	Cash outflow from increase in liquid resources	27,108	5,887
	Non-cash changes in liquid resources	(5,171)	-
	Cash inflow from increase in debt	-	-
	Movement in net funds in the year	(61,394)	54,490
	Opening net funds	142,695	88,205
	Closing net funds	81,301	142,695

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1997

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

1.2 Compliance with accounting standards

The accounts have been prepared in accordance with applicable accounting standards.

1.3 Turnover

Turnover represents the invoiced value of services supplied, exclusive of value added tax.

1.4 Goodwill

Acquired goodwill is written off in equal annual instalments over its estimated useful economic life.

1.5 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 less estimated residual value of each asset over its expected useful life, as follows:

Office equipment and computers	50% straight line per annum
Fixtures & fittings	33.3% straight line per annum
Motor vehicles	25% straight line per annum

1.6 Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.7 Investments

Current asset investments are stated at the lower of cost and net realisable value.

1.8 Pensions

The company operates a defined contribution pension scheme. The assets of the scheme are invested and managed independently of the finances of the company. The pension cost charge represents contributions payable in the year.

1.9 Deferred taxation

The charge for taxation is based on the adjusted results for the year under review and takes into account taxation deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes.

Provision for deferred taxation is made under the liability method, only to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

1.10 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

CONTROLACCOUNT PLC

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1997**

2 Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

3 Operating profit	1997	1996
	£	£
Operating profit is stated after charging:		
Amortisation of intangible assets	3,750	3,750
Depreciation of tangible assets	26,399	13,309
Auditors' remuneration - other	2,733	821
Operating lease rentals	16,550	11,748
Auditors' remuneration	4,200	4,000
	<u> </u>	<u> </u>
4 Income from investments, other interest receivable and similar income	1997	1996
	£	£
Profit on disposal of listed investments	-	629
Other investment income	438	288
Bank interest	5,032	6,243
	<u> </u>	<u> </u>
	5,470	7,160
	<u> </u>	<u> </u>
5 Amounts written off investments	1997	1996
	£	£
Amounts written off current asset investments	5,171	-
	<u> </u>	<u> </u>
6 Interest payable	1997	1996
	£	£
On bank loans and overdrafts	183	150
	<u> </u>	<u> </u>
7 Taxation	1997	1996
	£	£
U.K. current year taxation		
U.K. corporation tax at 21% (1996 - 24%)	33,906	14,290
	<u> </u>	<u> </u>

CONTROLACCOUNT PLC

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1997

8	Dividends	1997	1996
		£	£
	Ordinary interim paid	75,000	25,000
9	Intangible fixed assets	Goodwill	
		£	
	Cost		
	At 1 January 1997 & at 31 December 1997		7,500
	Amortisation		
	At 1 January 1997		3,750
	Charge for year		3,750
	At 31 December 1997		7,500
	Net book value		
	At 31 December 1997		-
	At 31 December 1996		3,750

CONTROLACCOUNT PLC

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1997

10 Tangible fixed assets

	Office equipment and computers	Fixtures & fittings	Motor vehicles	Total
	£	£	£	£
Cost				
At 1 January 1997	40,575	11,668	7,192	59,435
Additions	26,267	7,113	2,189	35,569
	<u>66,842</u>	<u>18,781</u>	<u>9,381</u>	<u>95,004</u>
Depreciation				
At 1 January 1997	32,959	10,732	1,797	45,488
Charge for the year	20,749	3,306	2,344	26,399
	<u>53,708</u>	<u>14,038</u>	<u>4,141</u>	<u>71,887</u>
Net book value				
At 31 December 1997	<u>13,134</u>	<u>4,743</u>	<u>5,240</u>	<u>23,117</u>
At 31 December 1996	<u>7,615</u>	<u>936</u>	<u>5,395</u>	<u>13,946</u>

11 Debtors

	1997 £	1996 £
Trade debtors	190,924	104,627
Other debtors	18,301	7,744
Prepayments and accrued income	12,524	2,540
	<u>221,749</u>	<u>114,911</u>

12 Current asset investments

	1997 £	1996 £
Listed investments	<u>27,824</u>	<u>5,887</u>
Market valuation of listed investments	<u>27,824</u>	<u>8,400</u>

The historic cost of the current asset investments at 31st December 1997 was £32,995 (1996 - £5887)

CONTROLACCOUNT PLC

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1997

13 Creditors: amounts falling due within one year	1997 £	1996 £
Trade creditors	47,140	24,304
Corporation tax	15,244	14,232
Other taxes and social security costs	26,452	31,049
Other creditors	5,630	5,036
Accruals and deferred income	16,487	10,421
	<u>110,953</u>	<u>85,042</u>

14 Pension costs

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £28,000 (1996 - £28,000).

15 Share capital	1997 £	1996 £
Authorised		
250,000 Ordinary shares of £1 each	<u>250,000</u>	<u>250,000</u>
Allotted, called up and fully paid		
50,000 Ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>

16 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 January 1997	140,260
Retained profit for the year	24,954
Balance at 31 December 1997	<u>165,214</u>

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NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1997

17 Reconciliation of movements in shareholders' funds	1997 £	1996 £
Profit for the financial year	99,954	42,246
Dividends	(75,000)	(25,000)
Net addition to shareholders' funds	24,954	17,246
Opening shareholders' funds	190,260	173,014
Closing shareholders' funds	215,214	190,260

18 Financial commitments

a) Operating leases

At 31 December 1997 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	1997 £	1996 £	1997 £	1996 £
Expiry date:				
Between two and five years	44,214	44,214	5,357	-

b) Client monies

At 31st December 1997 the company held in its client bank account, the sum of £5,384 (1996 - £24,247), being monies collected from debtors of the company's clients and which is payable to the clients.

These monies have not been included in the company's balance sheet at 31st December 1997.

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NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1997

19 Directors' emoluments	1997 £	1996 £
Emoluments	150,547	130,786
Emoluments disclosed above (excluding pension contributions) include amounts paid to:		
The chairman and the highest paid director	66,000	65,000
Other directors' emoluments (excluding pension contributions) were in the following ranges:		
£nil - £5,000	1	2
£15001 - £20,000	1	-
£20,001 - £25,000	1	1

20 Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

	1997 Number	1996 Number
Debt collectors	13	10
Administration	5	3
	18	13

Employment costs

	£	£
Wages and salaries	413,124	296,603
Other pension costs	28,000	28,000
	441,124	324,603

21 Control

The ultimate controlling party is G A R Ball who is the majority shareholder and a director.