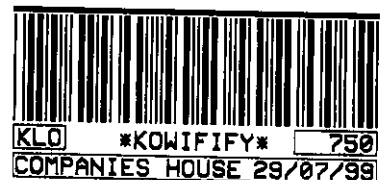


Company Registration No. 2765607 (England and Wales)

CONTROLACCOUNT PLC

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1998



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 Registered Auditor Chartered Accountants 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 1998

The directors present their report and financial statements for the year ended 31 December 1998.

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.

1998 proved to be a volatile year. An excellent first half was followed by a significant deterioration in gross revenue in the last quarter. The cost base had expanded to cope with the first half revenue increase and thus the full impact of the downturn was carried to the bottom line. In addition we had increased our sales and marketing effort, the costs of which are integral within the year under review, but the results will not start to become apparent until 1999.

1999 has so far shown much the same revenue volatility but against an improving trend. We will however, be making very significant capital investments in computing and general upgrading of all facilities. This will inevitably expand the cost base but will enable us to attract larger volume clients.

Results and dividends

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

Interim ordinary dividends were paid amounting to £5,000. The directors recommend payment of a final dividend amounting to £80,000.

Fixed assets

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

Year 2000 and the Euro

A review of the systems and operational implications of the Year 2000 issue has been carried out. The company has an ongoing action plan to modify existing systems as problems are identified. The directors are of the opinion that the costs associated with the Year 2000, and the introduction of the Euro, will not prove to material in the foreseeable future.

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 1998	1 January 1998
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 1998

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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping 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

27 July 1999

CONTROLACCOUNT PLC

AUDITORS' REPORT TO THE SHAREHOLDERS OF CONTROLACCOUNT PLC

We have audited the financial statements on pages 4 to 14 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.

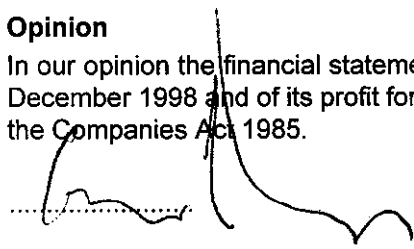
Basis of opinion

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 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Freeman & Partners

Registered Auditor

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

29 July 1999

CONTROLACCOUNT PLC**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1998**

	Notes	1998 £	1997 £
Turnover	2	902,559	870,654
Cost of sales		(80,068)	(87,054)
Gross profit		822,491	783,600
Administrative expenses		(726,508)	(649,856)
Other operating income		10,490	-
Operating profit	3	106,473	133,744
Investment income	4	(1,400)	438
Other interest receivable and similar income	4	6,300	5,032
Amounts written off investments	5	(15,585)	(5,171)
Interest payable and similar charges	6	(45)	(183)
Profit on ordinary activities before taxation		95,743	133,860
Tax on profit on ordinary activities	7	(24,038)	(33,906)
Profit on ordinary activities after taxation		71,705	99,954
Dividends	8	(85,000)	(75,000)
Retained (loss)/profit for the year	15	(13,295)	24,954

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 1998**

		1998	1997
		£	£
	Notes		
Profit for the financial year		71,705	99,954
Unrealised deficit on trade investment	5	15,585	5,171
Total recognised gains and losses relating to the year		<u>87,290</u>	<u>105,125</u>

CONTROLACCOUNT PLC

**BALANCE SHEET
AS AT 31 DECEMBER 1998**

	Notes	1998 £	£	1997 £	£
Fixed assets					
Tangible assets	9		28,577		23,117
Current assets					
Debtors	10	138,115		221,749	
Investments	11	24,562		27,824	
Cash at bank and in hand		214,608		53,477	
		<u>377,285</u>		<u>303,050</u>	
Creditors: amounts falling due within one year	12	<u>(203,943)</u>		<u>(110,953)</u>	
Net current assets			173,342		192,097
Total assets less current liabilities			<u>201,919</u>		<u>215,214</u>
Capital and reserves					
Called up share capital	14		50,000		50,000
Profit and loss account	15		151,919		165,214
Shareholders' funds - equity interests	16		<u>201,919</u>		<u>215,214</u>

The financial statements were approved by the board on 27 July 1999



G A R Ball
Director

CONTROLACCOUNT PLC**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 1998**

	1998 £	1997 £
Net cash inflow from operating activities	214,495	74,454
Returns on investments and servicing of finance		
Interest received	6,300	5,032
Interest paid	(45)	(183)
Dividends received	1,641	438
Net cash inflow for returns on investments and servicing of finance	7,896	5,287
Taxation	(22,744)	(25,394)
Capital expenditure and financial investment		
Payments to acquire tangible assets	(18,352)	(35,570)
Receipts from sales of tangible assets	200	-
Receipts from sales of investments	501	-
Net cash outflow for capital expenditure	(17,651)	(35,570)
Equity dividends paid	(5,000)	(75,000)
Net cash inflow/(outflow) before management of liquid resources and financing	176,996	(56,223)
Management of liquid resources		
Current asset investments	(15,865)	(27,108)
Increase/(decrease) in cash in the year	<u>161,131</u>	<u>(83,331)</u>

CONTROLACCOUNT PLC

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 1998

1	Reconciliation of operating profit to net cash inflow from operating activities	1998	1997
		£	£
	Operating profit	106,473	133,744
	Depreciation of tangible assets	12,892	26,399
	Amortisation of intangible assets	-	3,750
	Profit on disposal of tangible assets	(200)	-
	Decrease/(increase) in debtors	84,884	(106,838)
	Increase in creditors within one year	10,446	17,399
	Net cash inflow from operating activities	214,495	74,454

2	Analysis of net funds	1 January 1998	Cash flow	Other non-cash changes	31 December 1998
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	53,477	161,131		214,608
	Liquid resources:				
	Short-term investments	27,824	(3,262)		24,562
	Debt:				
	Net funds	81,301	157,869	-	239,170

3	Reconciliation of net cash flow to movement in net funds	1998	1997
		£	£
	Increase/(decrease) in cash in the year	161,131	(83,331)
	Cash inflow/(outflow) from decrease/(increase) in liquid resources	(3,262)	21,937
	Cash inflow from increase in debt	-	-
	Movement in net funds in the year	157,869	(61,394)
	Opening net funds	81,301	142,695
	Closing net funds	239,170	81,301

CONTROLACCOUNT PLC

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1998

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	25% per annum straight line
Fixtures & fittings	25% per annum straight line
Motor vehicles	25% per annum straight line

The directors have, during the year under consideration, reviewed the remaining useful economic lives of the company's tangible fixed assets and have accordingly revised the applicable rates of depreciation. In the directors' opinion this is unlikely to have any material distortion on future results or the financial position of the company.

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.

CONTROLACCOUNT PLC**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1998****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.

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	1998	1997
	£	£
Operating profit is stated after charging:		
Amortisation of intangible assets	-	3,750
Depreciation of tangible assets	12,892	26,399
Auditors' remuneration - other	2,555	2,733
Operating lease rentals	65,739	27,352
Auditors' remuneration	4,500	4,200
	<u> </u>	<u> </u>
4 Income from investments, other interest receivable and similar income	1998	1997
	£	£
Loss on disposal of listed investments	(3,041)	-
Other investment income	1,641	438
Bank interest	6,300	5,032
	<u> </u>	<u> </u>
	4,900	5,470
	<u> </u>	<u> </u>
5 Amounts written off investments	1998	1997
	£	£
Amounts written off current asset investments	15,585	5,171
	<u> </u>	<u> </u>
6 Interest payable	1998	1997
	£	£
On bank loans and overdrafts	45	183
	<u> </u>	<u> </u>
7 Taxation	1998	1997
	£	£
U.K. current year taxation		
U.K. corporation tax at 21% (1997 - 23%)	24,038	33,906
	<u> </u>	<u> </u>

CONTROLACCOUNT PLC
**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1998**

8 Dividends	1998 £	1997 £
Ordinary interim paid	-	75,000
Ordinary interim paid 7 December 1998	5,000	-
Ordinary final proposed	80,000	-
	<u>85,000</u>	<u>75,000</u>

9 Tangible fixed assets	Office equipment and computers £	Fixtures & fittings £	Motor vehicles £	Total £
Cost				
At 1 January 1998	66,842	18,781	9,381	95,004
Additions	5,277	75	13,000	18,352
Disposals	(3,500)	-	-	(3,500)
	<u>68,619</u>	<u>18,856</u>	<u>22,381</u>	<u>109,856</u>
At 31 December 1998				
Depreciation				
At 1 January 1998	53,708	14,038	4,141	71,887
On disposals	(3,500)	-	-	(3,500)
Charge for the year	5,697	1,599	5,596	12,892
	<u>55,905</u>	<u>15,637</u>	<u>9,737</u>	<u>81,279</u>
At 31 December 1998				
Net book value				
At 31 December 1998	<u>12,714</u>	<u>3,219</u>	<u>12,644</u>	<u>28,577</u>
At 31 December 1997	<u>13,134</u>	<u>4,743</u>	<u>5,240</u>	<u>23,117</u>

10 Debtors	1998 £	1997 £
Trade debtors	110,265	190,924
ACT recoverable	1,250	-
Other debtors	17,303	18,301
Prepayments and accrued income	9,297	12,524
	<u>138,115</u>	<u>221,749</u>

CONTROLACCOUNT PLC**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1998**

11 Current asset investments	1998	1997
	£	£
Listed investments	24,562	27,824
	<u>24,562</u>	<u>27,824</u>
Market valuation of listed investments	24,562	27,824
	<u>24,562</u>	<u>27,824</u>

The historic cost of the current asset investments at 31st December 1998 was £43,861 (1997 - £32,995)

12 Creditors: amounts falling due within one year	1998	1997
	£	£
Trade creditors	29,334	47,140
Corporation tax	24,038	15,244
Other taxes and social security costs	31,160	26,452
Other creditors	24,182	5,630
Accruals and deferred income	15,229	16,487
Proposed dividend	80,000	-
	<u>203,943</u>	<u>110,953</u>

13 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 (1997 - £28,000).

14 Share capital	1998	1997
	£	£
Authorised		
250,000 Ordinary shares of £1 each	250,000	250,000
	<u>250,000</u>	<u>250,000</u>
Allotted, called up and fully paid		
50,000 Ordinary shares of £1 each	50,000	50,000
	<u>50,000</u>	<u>50,000</u>

CONTROLACCOUNT PLC

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1998

15 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 January 1998	165,214
Retained loss for the year	(13,295)
Balance at 31 December 1998	<u>151,919</u>

16 Reconciliation of movements in shareholders' funds

	1998 £	1997 £
Profit for the financial year	71,705	99,954
Dividends	(85,000)	(75,000)
Net (depletion in)/addition to shareholders' funds	<u>(13,295)</u>	<u>24,954</u>
Opening shareholders' funds	215,214	190,260
Closing shareholders' funds	<u>201,919</u>	<u>215,214</u>

17 Financial commitments

a) Operating leases

At 31 December 1998 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	1998 £	1997 £	1998 £	1997 £
Expiry date:				
Within one year	-	-	5,357	-
Between two and five years	51,700	44,214	3,523	5,357
	<u>51,700</u>	<u>44,214</u>	<u>8,880</u>	<u>5,357</u>

b) Client monies

At 31st December 1998 the company held in its client bank account, the sum of £38,299 (1997 - £5,384), 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 1998.

CONTROLACCOUNT PLC

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1998**

18 Directors' emoluments	1998 £	1997 £
Emoluments	<u>146,057</u>	<u>137,900</u>
Emoluments disclosed above (excluding pension contributions) include amounts paid to:		
The chairman and the highest paid director	<u>72,000</u>	<u>66,000</u>
Other directors' emoluments (excluding pension contributions) were in the following ranges:		
£nil - £5,000	1	1
£15001 - £20,000	1	1
£25,001 - £30,000	<u>1</u>	<u>1</u>
19 Employees		
Number of employees		
The average monthly number of employees (including directors) during the year was:		
	1998 Number	1997 Number
Debt collectors	15	13
Administration	5	5
	<u>20</u>	<u>18</u>
Employment costs		
	£	£
Wages and salaries	457,454	413,124
Other pension costs	28,000	28,000
	<u>485,454</u>	<u>441,124</u>

20 Control

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