

REGISTERED NUMBER: 2765607 (England and Wales)

**REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2002
FOR
CONTROLACCOUNT PLC**



CONTROLACCOUNT PLC

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CONTROLACCOUNT PLC
COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2002

DIRECTORS: G A R Ball
I L Morris
R W Roberts

SECRETARY: G A R Ball

REGISTERED OFFICE: Westec
Westgate
Ealing
London
W5 1YZ

REGISTERED NUMBER: 2765607 (England and Wales)

AUDITORS: Arthur Wigglesworth & Co
Chartered Accountants &
Registered Auditors
Springfield House
South Parade
Doncaster
DN1 2EG

CONTROLACCOUNT PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2002

The directors present their report with the financial statements of the company for the year ended 31 December 2002.

PRINCIPAL ACTIVITIES

The principal activities of the company in the year under review were those of a debt collection agency and the provision of debt management outsourcing, management and consultancy services.

REVIEW OF BUSINESS

The results for the year and financial position of the company are as shown in the annexed financial statements.

2002 saw a 5% decrease in turnover resulting in a reduction in the profit before tax of some 20%. However, we have absorbed very significant one off costs caused by our move to new and bigger premises coupled with some dilapidation costs in our old building, and were these to be added back the net impact would have created an increase in profits before tax.

We continued to incur heavy sales costs in the expectation of increasing gross revenue but the task has proven more difficult than at first thought as shown by the deterioration in the sales figure. Although the net decrease in sales masks an increase in new business that has been more than compensated for by a reduction in revenue from our existing client base.

The prospects for 2003 are again mixed. It is notoriously difficult to predict future revenue in this business, we have had a good start but the directors are reluctant to extrapolate from this.

Once again, I would like to take this opportunity to thank all our staff for their efforts for the year under review.

DIVIDENDS

An interim dividend of 30p per share was paid on 11 April 2002. The directors recommend a final dividend of 116p per share, making a total of 146p per share for the year ended 31 December 2002.

The total distribution of dividends for the year ended 31 December 2002 will be £73,000.

DIRECTORS

The directors during the year under review were:

G A R Ball
I L Morris
R W Roberts

The beneficial interests of the directors holding office on 31 December 2002 in the issued share capital of the company were as follows:

	31.12.02	1.1.02
Ordinary £1 shares		
G A R Ball	49,999	49,999
I L Morris	-	-
R W Roberts	-	-

In accordance with the Articles of Association, G A R Ball will retire at the forthcoming Annual General Meeting, and being eligible, will stand for re-election.

CONTROLACCOUNT PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2002

STATEMENT OF 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

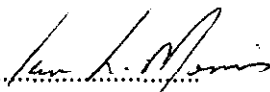
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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.

AUDITORS

Freeman and Partners resigned as auditors during the year. Arthur Wigglesworth & Co were appointed during the year and will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD:


.....
I L Morris - DIRECTOR

Dated: 10th June 2003

CONTROLACCOUNT PLC

REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF CONTROLACCOUNT PLC

We have audited the financial statements of Controlaccount PLC for the year ended 31 December 2002 on pages six to seventeen. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described on page three the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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

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.

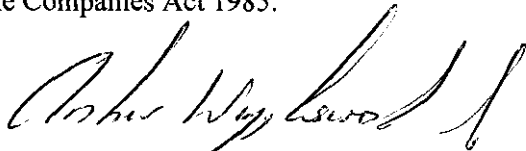
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

CONTROLACCOUNT PLC

**REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF
CONTROLACCOUNT PLC**

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 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Wigglesworth & Co
Chartered Accountants &
Registered Auditors
Springfield House
South Parade
Doncaster
DN1 2EG

Dated:

29.7.03

CONTROLACCOUNT PLC

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2002

		2002		2001	
	Notes	£	£	£	£
TURNOVER	2		1,604,438		1,696,008
Cost of sales			<u>193,293</u>		<u>176,266</u>
GROSS PROFIT			1,411,145		1,519,742
Administrative expenses			<u>1,390,469</u>		<u>1,493,812</u>
			20,676		25,930
Other operating income			<u>2,502</u>		<u>5,766</u>
OPERATING PROFIT	4		23,178		31,696
Income from investments	5	3,771		345	
Interest receivable and similar income		<u>1,294</u>		<u>6,829</u>	
			<u>5,065</u>		<u>7,174</u>
			28,243		38,870
Amounts written off investments	6		<u>3,191</u>		-
			25,052		38,870
Interest payable and similar charges	7		-		<u>4,478</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			25,052		34,392
Tax on profit on ordinary activities	8		<u>4,570</u>		<u>10,321</u>
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION			20,482		24,071
Dividends	9		<u>73,000</u>		<u>50,075</u>
			(52,518)		(26,004)
Retained profit brought forward			<u>302,454</u>		<u>328,458</u>
RETAINED PROFIT CARRIED FORWARD			<u>£249,936</u>		<u>£302,454</u>

The notes form part of these financial statements

CONTROLACCOUNT PLC

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2002**

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current and previous years.

TOTAL RECOGNISED GAINS AND LOSSES

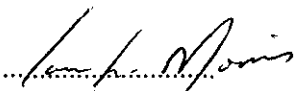
The company has no recognised gains or losses other than the profits for the current and previous years.

CONTROLACCOUNT PLC

BALANCE SHEET 31 DECEMBER 2002

		2002		2001	
	Notes	£	£	£	£
FIXED ASSETS:					
Tangible assets	10		47,709		66,904
Investments	11		<u>47,184</u>		<u>-</u>
			94,893		66,904
CURRENT ASSETS:					
Debtors	12	311,391		302,802	
Investments	13	-		50,375	
Cash at bank and in hand		<u>131,089</u>		<u>151,277</u>	
		442,480		504,454	
CREDITORS: Amounts falling due within one year	14	<u>237,437</u>		<u>218,904</u>	
NET CURRENT ASSETS:			<u>205,043</u>		<u>285,550</u>
TOTAL ASSETS LESS CURRENT LIABILITIES:			<u>£299,936</u>		<u>£352,454</u>
CAPITAL AND RESERVES:					
Called up share capital	16		50,000		50,000
Profit and loss account			<u>249,936</u>		<u>302,454</u>
SHAREHOLDERS' FUNDS:	19		<u>£299,936</u>		<u>£352,454</u>

ON BEHALF OF THE BOARD:


I L Morris - DIRECTOR

Approved by the Board on 10th June 2003

The notes form part of these financial statements

CONTROLACCOUNT PLC

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2002**

		<u>2002</u>		<u>2001</u>	
	Notes	£	£	£	£
Net cash inflow from operating activities	1		49,845		146,658
Returns on investments and servicing of finance	2		5,065		2,696
Taxation			(8,880)		(44,259)
Capital expenditure	2		(21,218)		(39,169)
Equity dividends paid			<u>(45,000)</u>		<u>(20,075)</u>
(Decrease)/Increase in cash in the period			<u>£(20,188)</u>		<u>£45,851</u>
Reconciliation of net cash flow to movement in net funds	3				
(Decrease)/Increase in cash in the period		(20,188)		45,851	
Cash inflow from decrease in liquid resources		(50,375)		-	
Cash outflow from decrease in debt and lease financing		<u>-</u>		<u>19,822</u>	
Change in net funds resulting from cash flows			<u>(70,563)</u>		<u>65,673</u>
Movement in net funds in the period			(70,563)		65,673
Net funds at 1 January			<u>201,652</u>		<u>135,979</u>
Net funds at 31 December			<u>£131,089</u>		<u>£201,652</u>

The notes form part of these financial statements

CONTROLACCOUNT PLC

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2002

1. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2002 £	2001 £
Operating profit	23,178	31,696
Depreciation charges	37,913	42,087
Loss on sale of fixed assets	2,500	-
Profit on sale of fixed assets	-	(613)
(Increase)/Decrease in debtors	(8,589)	114,698
Decrease in creditors	<u>(5,157)</u>	<u>(41,210)</u>
Net cash inflow from operating activities	<u>49,845</u>	<u>146,658</u>

2. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2002 £	2001 £
Returns on investments and servicing of finance		
Interest received	1,294	6,829
Interest element of hire purchase or finance lease rentals payments	-	(4,478)
Dividends received	<u>3,771</u>	<u>345</u>
Net cash inflow for returns on investments and servicing of finance	<u>5,065</u>	<u>2,696</u>
Capital expenditure		
Purchase of tangible fixed assets	(41,218)	(52,818)
Sale of tangible fixed assets	<u>20,000</u>	<u>13,649</u>
Net cash outflow for capital expenditure	<u>(21,218)</u>	<u>(39,169)</u>

CONTROLACCOUNT PLC

**NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2002**

3. ANALYSIS OF CHANGES IN NET FUNDS

	At 1.1.02 £	Cash flow £	At 31.12.02 £
Net cash:			
Cash at bank and in hand	<u>151,277</u>	<u>(20,188)</u>	<u>131,089</u>
	<u>151,277</u>	<u>(20,188)</u>	<u>131,089</u>
Liquid resources:			
Current asset investments	<u>50,375</u>	<u>(50,375)</u>	<u>-</u>
	<u>50,375</u>	<u>(50,375)</u>	<u>-</u>
Total	<u><u>201,652</u></u>	<u><u>(70,563)</u></u>	<u><u>131,089</u></u>
Analysed in Balance Sheet			
Cash at bank and in hand	151,277		131,089
Current asset investments	<u>50,375</u>		<u>-</u>
	<u><u>201,652</u></u>		<u><u>131,089</u></u>

The notes form part of these financial statements

CONTROLACCOUNT PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention.

Turnover

Turnover represents net invoiced sales of services, excluding value added tax.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Fixtures and fittings	- 25% on cost
Motor vehicles	- 25% on cost
Office equipment and computers	- 25% on cost

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Hire purchase and leasing commitments

Rentals paid under operating leases are charged to the profit and loss account as incurred.

Pensions

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. Contributions payable for the year are charged in the profit and loss account.

Investments

The company has now decided to hold its investments for at least the medium term and therefore these items have been reclassified from current to fixed asset investments.

2. TURNOVER

The turnover and profit of the company for the year has been derived from its principal activities wholly undertaken in the United Kingdom.

3. STAFF COSTS

	2002	2001
	£	£
Wages and salaries	831,585	912,936
Social security costs	79,992	86,934
Other pension costs	<u>28,420</u>	<u>28,669</u>
	<u>939,997</u>	<u>1,028,539</u>

CONTROLACCOUNT PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002

3. STAFF COSTS - continued

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

	2002	2001
Administration (including directors)	11	11
Debt collectors	<u>25</u>	<u>30</u>
	<u>36</u>	<u>41</u>

4. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	2002	2001
	£	£
Hire of plant and machinery	41,675	45,738
Depreciation - owned assets	37,913	42,087
Loss/(Profit) on disposal of fixed assets	2,500	(613)
Auditors' remuneration	<u>9,745</u>	<u>4,500</u>
Directors' emoluments	162,321	228,472
Directors' pension contributions to money purchase schemes	<u>28,000</u>	<u>28,000</u>

The number of directors to whom retirement benefits were accruing was as follows:

Money purchase schemes	<u>2</u>	<u>2</u>
------------------------	----------	----------

5. INCOME FROM INVESTMENTS

	2002	2001
	£	£
Dividends received	<u>3,771</u>	<u>345</u>

6. AMOUNTS WRITTEN OFF INVESTMENTS

	2002	2001
	£	£
Current asset investments	<u>3,191</u>	<u>-</u>

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2002	2001
	£	£
Hire purchase	<u>-</u>	<u>4,478</u>

CONTROLACCOUNT PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002

8. TAXATION

Analysis of the tax charge

The tax charge on the profit on ordinary activities for the year was as follows:

	2002 £	2001 £
Current tax:		
UK corporation tax	4,570	8,880
Prior year adjustments	-	1,441
Total current tax	<u>4,570</u>	<u>10,321</u>
Tax on profit on ordinary activities	<u>4,570</u>	<u>10,321</u>

UK corporation tax has been charged at 16.70% (2001 - 19.74%).

Factors affecting the tax charge

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2002 £	2001 £
Profit on ordinary activities before tax	<u>25,052</u>	<u>34,392</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 16.703% (2001 - 19.740%)	4,184	6,789
Effects of:		
Non deductible expenses	928	1,694
Depreciation	6,333	8,308
(Profit)/Loss on disposal of assets	418	(120)
Capital and balancing allowances	(6,663)	(7,723)
Dividends and distributions received	(630)	(68)
Adjustments to previous periods	-	1,441
Current tax charge	<u>4,570</u>	<u>10,321</u>

9. DIVIDENDS

	2002 £	2001 £
Equity shares:		
Dividends paid	15,000	20,075
Dividends proposed	<u>58,000</u>	<u>30,000</u>
	<u>73,000</u>	<u>50,075</u>

CONTROLACCOUNT PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002

10. TANGIBLE FIXED ASSETS

	Fixtures and fittings	Motor vehicles	Office equipment and computers	Totals
	£	£	£	£
COST:				
At 1 January 2002	58,825	38,315	69,304	166,444
Additions	35,180	4,088	1,950	41,218
Disposals	<u>-</u>	<u>(30,000)</u>	<u>-</u>	<u>(30,000)</u>
At 31 December 2002	<u>94,005</u>	<u>12,403</u>	<u>71,254</u>	<u>177,662</u>
DEPRECIATION:				
At 1 January 2002	38,042	13,614	47,884	99,540
Charge for year	18,788	1,756	17,369	37,913
Eliminated on disposals	<u>-</u>	<u>(7,500)</u>	<u>-</u>	<u>(7,500)</u>
At 31 December 2002	<u>56,830</u>	<u>7,870</u>	<u>65,253</u>	<u>129,953</u>
NET BOOK VALUE:				
At 31 December 2002	<u>37,175</u>	<u>4,533</u>	<u>6,001</u>	<u>47,709</u>
At 31 December 2001	<u>20,783</u>	<u>24,701</u>	<u>21,420</u>	<u>66,904</u>

11. FIXED ASSET INVESTMENTS

	£	
COST:		
Additions	<u>47,184</u>	
At 31 December 2002	<u>47,184</u>	
NET BOOK VALUE:		
At 31 December 2002	<u><u>47,184</u></u>	
	2002	2001
	£	£
Investments listed on recognised stock exchange	<u>47,184</u>	<u>-</u>

Market value of listed investments at 31 December 2002 - £38,868.

CONTROLACCOUNT PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002

12. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002 £	2001 £
Trade debtors	257,255	273,676
Other debtors	21,407	18,843
Prepayments	<u>32,729</u>	<u>10,283</u>
	<u>311,391</u>	<u>302,802</u>

13. CURRENT ASSET INVESTMENTS

	2002 £	2001 £
Listed investments	<u>-</u>	<u>50,375</u>

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002 £	2001 £
Trade creditors	64,680	53,126
Other creditors	26,769	28,320
Dividend proposed	58,000	30,000
V.A.T.	33,539	50,506
Social security & other taxes	24,931	25,558
Taxation	4,570	8,880
Accrued expenses	<u>24,948</u>	<u>22,514</u>
	<u>237,437</u>	<u>218,904</u>

15. OBLIGATIONS UNDER LEASING AGREEMENTS

The following payments are committed to be paid within one year:

Operating leases			
	Land and buildings		Other
	2002 £	2001 £	2002 £
Expiring:			2001 £
Within one year	-	-	5,194
Between one and five years	-	45,000	-
In more than five years	<u>77,920</u>	<u>-</u>	<u>-</u>
	<u>77,920</u>	<u>45,000</u>	<u>5,194</u>
			<u>38,819</u>

CONTROLACCOUNT PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002

16. CALLED UP SHARE CAPITAL

Authorised:				
Number:	Class:	Nominal value:	2002	2001
			£	£
250,000	Ordinary	£1	<u>250,000</u>	<u>250,000</u>

Allotted, issued and fully paid:				
Number:	Class:	Nominal value:	2002	2001
			£	£
50,000	Ordinary	£1	<u>50,000</u>	<u>50,000</u>

17. OTHER FINANCIAL COMMITMENTS

At 31 December 2002, the company held in its client bank account, the sum of £47,377 (2001 - £8,606), 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 as at 31 December 2002.

18. RELATED PARTY DISCLOSURES

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

There are no balances with related parties as at 31 December 2002.

During the year, a motor vehicle with a net book value of £22,500 was sold for £20,000 to R W Roberts, a director of the company.

19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002	2001
	£	£
Profit for the financial year	20,482	24,071
Dividends	<u>(73,000)</u>	<u>(50,075)</u>
Net reduction of shareholders' funds	(52,518)	(26,004)
Opening shareholders' funds	<u>352,454</u>	<u>378,458</u>
Closing shareholders' funds	<u>299,936</u>	<u>352,454</u>
Equity interests	<u>299,936</u>	<u>352,454</u>