

Company Number: 2765607

**REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004
FOR
CONTROLACCOUNT PLC**



CONTROLACCOUNT PLC

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CONTROLACCOUNT PLC
COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2004

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 2004

The directors present their report with the financial statements of the company for the year ended 31 December 2004.

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.

2004 was the most challenging year the company has endured since its inception. The loss in the last quarter of 2003 of a client providing over 25% of revenue was a heavy blow and has, and still is, taking some time to replace. In addition in January of 2004 we replaced our previous application software for software that is much more appropriate to the sophisticated requirements of our current client base. The implementation did not go well and this had a major, albeit temporary, impact on our ability to properly service our clients.

That said we ended 2004 on a much happier note. The last quarter was profitable and our new software is now working extremely well enabling us to provide a level of service and reporting which previously would have been impossible. Moreover in spite of all the foregoing we still managed to show a small operating profit. We are gradually picking up more and more business and our staff are now more motivated and enabled to perform to the highest standards.

I am optimistic about 2005 as we are a stronger and better company than we were twelve months ago.

I would like to take this opportunity to thank all our staff for bearing with us over the last difficult year and trust that they too will reap rewards during 2005.

DIVIDENDS

Interim dividends per share were paid as follows:

53.6p	- 5 April 2004
86.0p	- 31 December 2004
139.6p	

The directors recommend that no final dividend be paid.

The total distribution of dividends for the year ended 31 December 2004 will be £69,800.

CONTROLACCOUNT PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2004

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 2004 in the issued share capital of the company were as follows:

	31.12.04	1.1.04
Ordinary £1 shares		
G A R Ball	49,999	49,999
I L Morris	-	-
R W Roberts	-	-

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

The auditors, Arthur Wigglesworth & Co, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD:


G A R Ball - Secretary

Date: 26.07.05

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 2004 on pages six to nineteen. 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

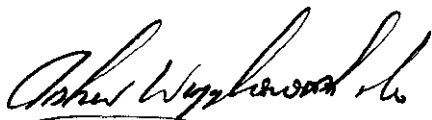
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates 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.

**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 2004 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

Date:

CONTROLACCOUNT PLC

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2004**

		2004		2003	
	Notes	£	£	£	£
TURNOVER	2		1,581,963		1,651,686
Cost of sales			243,696		251,445
GROSS PROFIT			1,338,267		1,400,241
Administrative expenses			1,336,429		1,287,464
			1,838		112,777
Other operating income			13,675		4,778
OPERATING PROFIT	4		15,513		117,555
Income from investments	5	50		1,827	
Interest receivable and similar income		7,481		8,288	
			7,531		10,115
			23,044		127,670
Amounts written off investments	6		20,466		-
			2,578		127,670
Interest payable and similar charges	7		186		-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			2,392		127,670
Tax on profit on ordinary activities	8		572		21,189
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION			1,820		106,481
Dividends	9		69,800		92,774
			(67,980)		13,707

The notes form part of these financial statements

CONTROLACCOUNT PLC

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2004**

	<u>2004</u>	<u>2003</u>
	£	£
Brought forward	(67,980)	13,707
Retained profit brought forward	<u>263,643</u>	<u>249,936</u>
RETAINED PROFIT CARRIED FORWARD	<u><u>£195,663</u></u>	<u><u>£263,643</u></u>

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.

The notes form part of these financial statements

CONTROLACCOUNT PLC

BALANCE SHEET 31 DECEMBER 2004

		2004		2003	
	Notes	£	£	£	£
FIXED ASSETS:					
Tangible assets	10		61,526		46,217
Investments	11		26,718		47,184
			<u>88,244</u>		<u>93,401</u>
CURRENT ASSETS:					
Debtors	12	344,200		258,394	
Cash at bank and in hand		500		189,884	
		<u>344,700</u>		<u>448,278</u>	
CREDITORS: Amounts falling due within one year	13	<u>186,709</u>		<u>228,036</u>	
NET CURRENT ASSETS:			<u>157,991</u>		<u>220,242</u>
TOTAL ASSETS LESS CURRENT LIABILITIES:			246,235		313,643
PROVISIONS FOR LIABILITIES AND CHARGES:	16		572		-
			<u>£245,663</u>		<u>£313,643</u>
CAPITAL AND RESERVES:					
Called up share capital	17		50,000		50,000
Profit and loss account			195,663		263,643
SHAREHOLDERS' FUNDS:	21		<u>£245,663</u>		<u>£313,643</u>

ON BEHALF OF THE BOARD:

.....
- Director

Approved by the Board on26.07.05.....

The notes form part of these financial statements

CONTROLACCOUNT PLC

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2004**

		<u>2004</u>	<u>2003</u>
	Notes	£	£
Net cash (outflow)/inflow from operating activities	1	(35,315)	185,598
Returns on investments and servicing of finance	2	7,345	10,115
Taxation		(21,189)	(4,570)
Capital expenditure	2	(39,166)	(21,574)
Equity dividends paid		(109,800)	(110,774)
(Decrease)/Increase in cash in the period		<u>£(198,125)</u>	<u>£58,795</u>
Reconciliation of net cash flow to movement in net funds	3		
(Decrease)/Increase in cash in the period		<u>(198,125)</u>	<u>58,795</u>
Change in net funds resulting from cash flows		<u>(198,125)</u>	<u>58,795</u>
Movement in net funds in the period		<u>(198,125)</u>	<u>58,795</u>
Net funds at 1 January		<u>189,884</u>	<u>131,089</u>
Net (debt)/funds at 31 December		<u>£(8,241)</u>	<u>£189,884</u>

The notes form part of these financial statements

CONTROLACCOUNT PLC

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2004

1. RECONCILIATION OF OPERATING PROFIT TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES

	2004 £	2003 £
Operating profit	15,513	117,555
Depreciation charges	23,855	23,757
Profit on sale of fixed assets	-	(691)
(Increase)/Decrease in debtors	(85,804)	52,997
Increase/(Decrease) in creditors	11,121	(8,020)
	<u> </u>	<u> </u>
Net cash (outflow)/inflow from operating activities	(35,315)	185,598
	<u> </u>	<u> </u>

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

	2004 £	2003 £
Returns on investments and servicing of finance		
Interest received	7,481	8,288
Interest paid	(186)	-
Dividends received	50	1,827
	<u> </u>	<u> </u>
Net cash inflow for returns on investments and servicing of finance	<u>7,345</u>	<u>10,115</u>
	<u> </u>	<u> </u>
Capital expenditure		
Purchase of tangible fixed assets	(39,166)	(24,337)
Sale of tangible fixed assets	-	2,763
	<u> </u>	<u> </u>
Net cash outflow for capital expenditure	<u>(39,166)</u>	<u>(21,574)</u>
	<u> </u>	<u> </u>

The notes form part of these financial statements

CONTROLACCOUNT PLC

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2004

3. ANALYSIS OF CHANGES IN NET FUNDS

	At 1.1.04 £	Cash flow £	At 31.12.04 £
Net cash:			
Cash at bank and in hand	189,884	(189,384)	500
Bank overdraft	-	(8,741)	(8,741)
	<u>189,884</u>	<u>(198,125)</u>	<u>(8,241)</u>
Total	<u>189,884</u>	<u>(198,125)</u>	<u>(8,241)</u>

Analysed in Balance Sheet

Cash at bank and in hand	189,884	500
Bank overdraft	-	(8,741)
	<u>189,884</u>	<u>(8,241)</u>

The notes form part of these financial statements

CONTROLACCOUNT PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

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.

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

	2004	2003
	£	£
Wages and salaries	761,405	762,786
Social security costs	74,830	77,175
Other pension costs	2,592	4,745
	838,827	844,706

CONTROLACCOUNT PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

3. STAFF COSTS - continued

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

	2004	2003
Administration (including directors)	9	11
Debt collectors	23	23
	<u>32</u>	<u>34</u>

4. OPERATING PROFIT

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

	2004 £	2003 £
Hire of plant and machinery	105	6,052
Depreciation - owned assets	23,855	23,757
Profit on disposal of fixed assets	-	(691)
Auditors' remuneration	5,000	5,000
	<u>105,805</u>	<u>121,798</u>
Directors' emoluments	105,805	121,798
Directors' pension contributions to money purchase schemes	-	2,000
	<u>-</u>	<u>2,000</u>

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

Money purchase schemes	-	1
	<u>-</u>	<u>1</u>

5. INCOME FROM INVESTMENTS

	2004 £	2003 £
Dividends received	50	1,827
	<u>50</u>	<u>1,827</u>

6. AMOUNTS WRITTEN OFF INVESTMENTS

	2004 £	2003 £
Fixed asset investments	20,466	-
	<u>20,466</u>	<u>-</u>

CONTROLACCOUNT PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2004	2003
	£	£
Bank interest	186	-
	<u>186</u>	<u>-</u>

8. TAXATION

Analysis of the tax charge

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

	2004	2003
	£	£
Current tax:		
UK corporation tax	-	21,189
Deferred taxation	572	-
Tax on profit on ordinary activities	<u>572</u>	<u>21,189</u>

UK corporation tax was charged at 19% in 2003.

Factors affecting the tax charge

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

	2004	2003
	£	£
Profit on ordinary activities before tax	<u>2,392</u>	<u>127,670</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2003 - 19%)	454	24,257
Effects of:		
Non deductible expenses	5,328	51
Depreciation	4,532	4,514
(Profit)/Loss on disposal of assets	-	(131)
Capital and balancing allowances	(8,463)	(7,155)
Dividends and distributions received	(9)	(347)
Adjustments for differing rates of taxation	<u>(1,842)</u>	<u>-</u>
Current tax charge	<u>-</u>	<u>21,189</u>

CONTROLACCOUNT PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

9. DIVIDENDS

	2004 £	2003 £
Equity shares:		
Dividends paid	69,800	52,774
Dividends proposed	-	40,000
	<u>69,800</u>	<u>92,774</u>

10. TANGIBLE FIXED ASSETS

	Fixtures and fittings	Motor vehicles	Office equipment and computers	Totals
	£	£	£	£
COST:				
At 1 January 2004	98,921	12,403	87,912	199,236
Additions	200	-	38,966	39,166
	<u>99,121</u>	<u>12,403</u>	<u>126,878</u>	<u>238,402</u>
At 31 December 2004				
DEPRECIATION:				
At 1 January 2004	71,599	9,626	71,796	153,021
Charge for year	13,998	1,755	8,102	23,855
	<u>85,597</u>	<u>11,381</u>	<u>79,898</u>	<u>176,876</u>
At 31 December 2004				
NET BOOK VALUE:				
At 31 December 2004	<u>13,524</u>	<u>1,022</u>	<u>46,980</u>	<u>61,526</u>
At 31 December 2003	<u>27,323</u>	<u>2,778</u>	<u>16,116</u>	<u>46,217</u>

CONTROLACCOUNT PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

11. FIXED ASSET INVESTMENTS

	£
COST:	
At 1 January 2004	
and 31 December 2004	47,184
PROVISIONS:	
Provision during year	20,466
At 31 December 2004	20,466
NET BOOK VALUE:	
At 31 December 2004	26,718
At 31 December 2003	47,184

	2004	2003
	£	£
Investments listed on recognised stock exchange	26,718	47,184

Market value of listed investments at 31 December 2004 - £26,718 (2003 - £46,704).

Due to the continued decrease in their share price, the investments have been written down to their market values as at 31 December 2004.

12. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2004	2003
	£	£
Trade debtors	302,744	218,641
Other debtors	6,892	5,031
Prepayments	34,564	34,722
	344,200	258,394

CONTROLACCOUNT PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2004 £	2003 £
Bank loans and overdrafts (see note 14)	8,741	-
Trade creditors	47,304	52,765
Other creditors	52,965	30,980
Dividend proposed	-	40,000
V.A.T.	50,013	39,804
Social security & other taxes	21,270	21,579
Taxation	-	21,189
Accrued expenses	6,416	21,719
	<u>186,709</u>	<u>228,036</u>

14. LOANS AND OVERDRAFTS

An analysis of the maturity of loans and overdrafts is given below:

	2004 £	2003 £
Amounts falling due within one year or on demand:		
Bank overdrafts	<u>8,741</u>	<u>-</u>

15. OPERATING LEASE COMMITMENTS

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

	2004 £	2003 £
		Land and buildings operating leases
Expiring:		
In more than five years	<u>77,920</u>	<u>77,920</u>

16. PROVISIONS FOR LIABILITIES AND CHARGES

	2004 £	2003 £
Deferred taxation	<u>572</u>	<u>-</u>

CONTROLACCOUNT PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

16. PROVISIONS FOR LIABILITIES AND CHARGES - continued

	Deferred tax £
Accelerated capital allowances	572
Balance at 31 December 2004	572

17. CALLED UP SHARE CAPITAL

Authorised:		Nominal value:	2004	2003
Number:	Class:		£	£
250,000	Ordinary	£1	250,000	250,000
Allotted, issued and fully paid:		Nominal value:	2004	2003
Number:	Class:		£	£
50,000	Ordinary	£1	50,000	50,000

18. CAPITAL COMMITMENTS

	2004 £	2003 £
Contracted but not provided for in the financial statements	-	43,964

19. OTHER FINANCIAL COMMITMENTS

At 31 December 2004, the company held in its client bank account, the sum of £332,819 (2003 - £15,661), 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 2004.

20. RELATED PARTY DISCLOSURES

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

There are no balances with related parties as at 31 December 2004.

CONTROLACCOUNT PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004**

21. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2004	2003
	£	£
Profit for the financial year	1,820	106,481
Dividends	(69,800)	(92,774)
Net (reduction)/addition to shareholders' funds	(67,980)	13,707
Opening shareholders' funds	313,643	299,936
Closing shareholders' funds	245,663	313,643
Equity interests	245,663	313,643