County Contact Centres PLC

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30th JUNE 2004

Company registration number:	3869545
Registered office:	Melford Court The Havens Ransomes Europark Ipswich Suffolk IP3 9SJ
Directors:	Peter Michael Brown William Alexander Catchpole Geoffrey Forsyth Robert Stuart McWhinnie Gordon
Secretary:	Robert Stuart McWhinnie Gordon BA FCMA
Bankers:	Barclays Bank PLC
Solicitors:	Stringer Saul
Auditors:	Grant Thornton UK LLP
Nominated Advisers and Brokers:	Brewin Dolphin Securities Limited
Registrars:	Lloyds TSB Registrars

County Contact Centres PLC

CHAIRMAN'S STATEMENT

FOR THE YEAR ENDED 30th JUNE 2004

Highlights

- Half year profit of £28,977 (see following trend)

	£
Loss after taxation in six months to December 2002	(498,409)
Loss after taxation in six months to June 2003	(290,028)
Loss after taxation in six months to December 2003	(206,658)
Profit after taxation in six months to June 2004	28,977

- Sales increased by £458,519 in the year to £1,735,475
- Positive cash inflow in second six months of the year

In my half yearly review for the period to 30th December 2003, I told shareholders that the Board were convinced that we could reach monthly break-even during 2004. I am very pleased to report that this has been exceeded during the second six months of the year to 30th June so that the annual result disguised a profit of £28,977 over this second period.

The detailed reviews of our two divisions are given in the Business Review and you will see that Ansaback has powered ahead whilst our CallScripter software has been further developed through the release of version 2.5.Net, which has led to extra enquiries, which we expect to turn into sales in the next six months.

We have kept a tight rein on overheads though, inevitably, call centre wages have increased to retain experienced staff. We now transact over 60% of our business via direct debit and combined with robust credit management this has resulted in a positive cash inflow over the last six months.

Staffing unattractive shifts, be it weekends, bank holidays or overnight, is difficult within any company and modern technology now allows most of our current clients to seamlessly divert extra calls to us whenever they have problems or need additional capacity. We continually monitor our traffic, including unexpected surges, to ensure that we achieve our agreed levels of service and are currently looking to expand to fulfil the increasing demands of pan European and International clients.

At the year end our shares had approximately doubled in value since last year and the Board, who have increased their personal shareholdings, remain confident that we are on course to further enhance shareholder value.

Peter M Brown
Chairman
6th August 2004

County Contact Centres PLC

BUSINESS REVIEW

FOR THE YEAR ENDED 30th JUNE 2004

The group continues to make excellent progress, against what many would class as difficult times with the continued publicity of UK companies moving operations to India and other offshore low cost centres. While there is no doubt that the best overseas call centres can provide a first class service, they are prospecting for the largest global clients who may also choose to add out of the country back-office processing to their outsourcer. Our client base is too much of a niche market for these major call centres, while the next tier of offshore call centres, who are trying to win smaller clients from this country, are hampered by the reputation of some poor quality facilities which make outbound calls or provide help desk services but employ operators who are not sufficiently fluent for the majority of the UK population.

Our business, with its advanced call centre software, is well placed to continue to progress with its plans.

Ansaback

Ansaback has surged forward, with billable minutes in June 2004 achieving a 98% increase on the June 2003 levels. Looking back over the last year confirms our view that, both in terms of price and service, our offering is attractive, a fact supported by the large quantity of referral business gained from providing a quality solution to a client who has then passed our details on to selected contacts.

In addition, a number of other call centres now overflow to Ansaback, both when they are closed or have staffing problems, and this too has been a key factor in our turnover increase with a consequential shift in our staffing patterns providing extra workload at the weekends and evenings. We continue to monitor and review key performance indicators, which assist in planning the manning levels thus ensuring the correct staffing levels in the call centre around the clock. The Ansaback business, as a bureau call centre, operates in a relatively low call volume sector where the service is of prime importance as well as the perception of a prompt answer in a neutral dialect thus presenting a polished UK image.

The various section managers within the call centre have risen to the task of progressing the business while the further recruitment of new graduates ensures that the existing clients efficiently receive their data and day-to-day services.

The Outbound Telemarketing section, although small, has grown and continues to win telemarketing campaigns. Increased turnover for the coming year is expected, helped by our software's ability to manage small campaigns and pilot projects, which can test the water for a client.

CallScripter

This division sells our award winning software to other call centres, and, as the product is now over 4 years old, includes vastly improved and simplified functionality. We are one of very few companies offering such a telephony solution in the market place.

In September 2003 the departure of the Sales Director caused a full review of this division's activities and the allocation of responsibilities within the group. While this pushed the business back by some three months from where we would have liked to be, the product is now in a more robust position in the market place and the Directors expect the 2004/2005 year to be back on track. New features and ever-easier control tools programmed in the latest .Net software version will all help to secure valuable orders against our competitors.

On an international basis a call centre in Holland, servicing the Dutch Mobile Telecoms & Domestic Service market, was an important export contract in the lead up to Christmas and we are also well placed on several other international enquiries.

BUSINESS REVIEW (CONTINUED)

FOR THE YEAR ENDED 30th JUNE 2004

The outlook for our call centre software remains very positive. The Technical Director now has overall responsibility for this division and will continue to drive his team forwards, creating even better features, which will in turn assist the sales.

William A Catchpole
6th August 2004

DIRECTORS' REPORT

The directors present their report together with the financial statements for the year to 30th June 2004.

1. Principal activity

The company operates principally as a holding company. The main subsidiary is engaged in the provision of a 24 hours a day, 7 days a week out of hours and overflow telephony service and the development and sale of call centre contact relationship management software.

2. Results, dividends and future prospects

The trading results of the group are set out in the annexed accounts and are summarised as follows:

	2004 £	2003 £
Turnover	1,735,475	1,276,956
Loss on ordinary activities before taxation	(177,681)	(839,936)

The Chairman's Statement and Managing Director's Business Review contain a full explanation of developments during the year and the group's future prospects.

The directors do not recommend payment of a dividend.

3. Directors

The present membership of the Board is set out below. All directors served through the year with the exception of Simon Madden who resigned on 9th September 2003.

The beneficial and other interests of the directors and their families in the shares of the company at 30th June 2004 and 1st July 2003, as recorded in the register maintained by the company in accordance with the provisions of the Companies Act 1985, were as follows:

	30th June 2004 Ordinary shares of 1p each	1st July 2003 Ordinary shares of 1p each
W A Catchpole	1,384,989	1,364,989
P M Brown (non-executive)	1,358,351	1,208,351
R S M Gordon	406,802	256,242
G Forsyth	339,672	273,536

The above interests include 54,220 ordinary shares held by or on behalf of Mr Catchpole's wife and son.

3. Directors (continued)

On 12th September 2002 the directors were granted options to subscribe for ordinary shares in the company as follows:

	Number of Shares	Exercise Price (pence)
W A Catchpole	1,000,000	12.36
G Forsyth	1,000,000	12.36
R S M Gordon	1,000,000	12.36
P M Brown	200,000	12.36

These options can be realised on the following formula between three and ten years from their grant:

If the share price is at or above	Percentage of options realisable
25p	25%
40p	50%
65p	75%
100p	100%

During the year the share price fluctuated between 5.25 pence and 9.75 pence and closed at 9.5 pence on 30th June 2004.

4. Directors' responsibilities for the financial statements

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 the group and of the profit or loss of the group 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 group will continue in business.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for ensuring that the directors' report and other information included in the annual report is prepared in accordance with company law in the United Kingdom.

4. Directors' responsibilities for the financial statements (continued)

Going Concern
As set out in the accounting policies the directors have prepared forecasts, which reflect current performance and show that the group will continue to operate within its available resources for the foreseeable future. The directors therefore believe it is appropriate to prepare the financial statements on a going concern basis.

Web Site
The maintenance and integrity of the web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the information contained in the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports differs from legislation in other jurisdictions.

5. Research and Development

The group continues to develop CallScripter, a web based workflow management software suite for modern contact centres.

6. Payment practice

It is the group's policy to settle the terms of payment with suppliers when agreeing the terms of the transaction, to ensure that suppliers are aware of the terms and to abide by them. Trade creditors at the year end amount to 61 days (2003: 67 days) of average supplies for the year.

7. Auditors

On 1st July 2004, the Grant Thornton partnership converted to a limited liability partnership called Grant Thornton UK LLP. Under Section 26 (5) of the Companies Act 1989 the Directors consented to extend the audit appointment to Grant Thornton UK LLP from 1st July 2004.

Grant Thornton UK LLP offer themselves for re-appointment as auditors in accordance with section 385 of the Companies Act 1985.

Melford Court
The Havens
Ransomes Europark
Ipswich, Suffolk
IP3 9SJ

BY ORDER OF THE BOARD

R S M Gordon
Secretary
6th August 2004

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF COUNTY CONTACT CENTRES PLC

We have audited the financial statements of County Contact Centres PLC for the year ended 30th June 2004, which comprise the principal accounting policies, the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement, and notes 1 to 24. These financial statements have been prepared under 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

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and 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 group is not disclosed.

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. This other information comprises only the directors' report, the chairman's statement and the business review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of 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 group'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 MEMBERS OF COUNTY CONTACT CENTRES PLC (CONTINUED)

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 30th June 2004 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS

IPSWICH

6th August 2004

PRINCIPAL ACCOUNTING POLICIES

1. Basis of preparation

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

The principal accounting policies of the group are set out below, and are unchanged from the previous year.

Going Concern
While the result for the year is a loss of £177,681 the Directors are delighted to report a profit of £28,977 for the second half of the year. Underlying this performance is an increase in turnover and savings in administrative expenses.

During the year the expected £150,000 Small Firms Loan was received.

June 2004 billable minutes were 98% above the June 2003 level, which was exceeded every month throughout the year. On the basis of forecasts prepared which reflect current performance the Directors are confident that providing this level of activity continues then the company has sufficient working capital for the foreseeable future.

Therefore the Directors have continued to adopt the going concern basis in preparing the financial statements.

2. Basis of consolidation

The group financial statements consolidate those of the company and its subsidiary undertakings (see note 9) drawn up to 30th June 2004. Profits and losses on intra-group transactions are eliminated in full.

The company is entitled to merger relief offered by Section 131 of the Companies Act 1985, and the shares issued when the subsidiary undertaking, County Contact Centres (UK) Limited, was acquired are shown at their nominal value. All other subsidiaries are accounted for using the acquisition method.

The group has taken advantage of the exemption in FRS 8 and not disclosed intra-group transactions which are eliminated on consolidation.

3. Turnover

Turnover is the total amount receivable by the group for goods supplied and services provided, excluding VAT and trade discounts. Software maintenance contracts and annual licences are recognised over the period to which they relate.

PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

4. Tangible fixed assets and depreciation

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets by equal annual instalments over their expected useful lives. The rates generally applicable are:

Motor vehicles	33%
Fixtures and fittings	20% to 50%
Computer equipment	50% to 100%

5. Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the group an obligation to pay more tax in the future, or a right to pay less tax in future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured on an undiscounted basis using rates of tax that have been enacted or substantively enacted by the balance sheet date.

6. Contribution to defined contribution pension schemes

The pension costs charged against profits represent the amount of the contributions payable to the schemes in respect of the accounting period.

7. Leased assets

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

8. Share options

In accordance with UITF 17, any excess of the market value of shares over the exercise price at the date of grant of options is charged to the profit and loss account.

Employer's national insurance contributions that would be payable if all options were exercised at the period end are accrued based on the market value of the shares at the period end.

9. Financial instruments

Financial assets are recognised in the balance sheet at the lower of cost and net realisable value. Provision is made for diminution in value where appropriate.

10. Research and development

Research and development expenditure is charged to the profit and loss account in the period in which it is incurred.

County Contact Centres PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30th JUNE 2004

	Note	**2004** £	**2003** £
Turnover	1	**1,735,475**	**1,276,956**
Cost of sales		(953,631)	(879,192)
Gross profit		781,844	397,764
Administrative expenses		(951,739)	(1,247,629)
Operating loss		**(169,895)**	**(849,865)**
Other interest receivable and similar income	2	3,124	11,055
Interest payable and similar charges	3	(10,910)	(1,126)
Loss on ordinary activities before taxation	1	**(177,681)**	**(839,936)**
Tax on loss on ordinary activities	5	-	51,499
Loss on ordinary activities after taxation deducted from reserves	15	**(177,681)**	**(788,437)**
Basic loss per share	6	(0.6) p	(2.8) p

All of the activities of the group are classed as continuing.

There were no recognised gains or losses for the year other than the loss disclosed above.

The accompanying accounting policies and notes form an integral part of these financial statements.

County Contact Centres PLC

CONSOLIDATED BALANCE SHEET

AS AT 30th JUNE 2004

	Note	2004 £	2003 £
Fixed assets			
Tangible assets	8	49,147	88,321
		49,147	88,321
Current assets			
Debtors	10	455,526	420,053
Cash at bank and in hand		265,227	291,943
		720,753	711,996
Creditors: amounts falling due within one year	11	(405,776)	(343,516)
Net current assets		314,977	368,480
Total assets less current liabilities		**364,124**	**456,801**
Creditors: amounts falling due after more than one year	12	(161,667)	(76,663)
		202,457	380,138
Capital and reserves			
Share capital	14	297,908	297,908
Share premium account	15	6,045,563	6,045,563
Merger reserve	15	18,396	18,396
Profit and loss account	15	(6,159,410)	(5,981,729)
Shareholders' funds	16	202,457	380,138

The Board of Directors approved the financial statements on 6th August 2004.

W A Catchpole **Director**

R S M Gordon **Director**

The accompanying accounting policies and notes form an integral part of these financial statements.

County Contact Centres PLC

COMPANY BALANCE SHEET

AS AT 30th JUNE 2004

	Note	2004 £	2003 £
Fixed assets			
Investments	9	201,608	201,608
		201,608	201,608
Current assets			
Debtors	10	361,120	253,813
		361,120	253,813
Creditors: amounts falling due within one year	11	(65,033)	(32,957)
Net current assets		296,087	220,856
Total assets less current liabilities		**497,695**	**422,464**
Creditors: amounts falling due after more than one year	12	(161,667)	(76,663)
		336,028	345,801
Capital and reserves			
Share capital	14	297,908	297,908
Share premium account	15	6,045,563	6,045,563
Profit and loss account	15	(6,007,443)	(5,997,670)
Shareholders' funds		336,028	345,801

The Board of Directors approved the financial statements on 6th August 2004.

W A Catchpole **Director**

R S M Gordon **Director**

The accompanying accounting policies and notes form an integral part of these financial statements.

County Contact Centres PLC

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 30th JUNE 2004

	Note	2004 £	2003 £
Net cash outflow from operating activities	17	**(176,173)**	**(673,301)**
Returns on investments and servicing of finance			
Interest received	2	3,124	11,055
Interest paid	3	(10,910)	(1,126)
Net cash (outflow)/inflow from returns on investments and servicing of finance		(7,786)	9,929
Taxation	5	51,499	114,953
Capital expenditure and financial investment			
Purchase of fixed assets		(9,256)	(22,989)
Proceeds from sale of tangible fixed assets		-	20
Net cash (outflow) from capital expenditure and financial investment		(9,256)	(22,969)
Financing			
Proceeds from issue of new shares		-	205,350
Expenses paid in connection with share issue		-	(3,650)
Receipt of bank loan		150,000	100,000
Repayment of Borrowings		(35,000)	(3,333)
Net cash inflow from financing		115,000	298,367
Decrease in cash	18	**(26,716)**	**(273,021)**

The accompanying accounting policies and notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30th JUNE 2004

1. TURNOVER AND LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Turnover derives principally from the provision of a 24 hours a day, 7 days a week out of hours and overflow telephony service and the development and sale of call centre contact relationship management software.

Loss on ordinary activities is stated after:

	2004 £	2003 £
Auditors' remuneration	11,000	11,000
Auditors' non-audit remuneration (taxation advice)	3,250	7,145
Depreciation and amortisation:		
Tangible fixed assets owned	48,430	71,264
Rents payable	75,000	71,500

2. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	2004 £	2003 £
Bank interest receivable	3,124	11,055

3. INTEREST PAYABLE AND SIMILAR CHARGES

	2004 £	2003 £
Interest on bank borrowings	10,910	1,126

4. DIRECTORS AND EMPLOYEES

Staff costs of the group, including the directors, during the year were as follows:	2004 £	2003 £
Wages and salaries	1,234,278	1,332,929
Social security costs	98,292	105,999
Other pension costs	26,519	28,247
	1,359,089	1,467,175
Average number of employees during the year was	106	107

4. DIRECTORS AND EMPLOYEES (continued)

Remuneration in respect of directors was as follows:

	2004 £	2003 £
Emoluments	254,359	329,207
Pension contributions to money purchase pension schemes	24,451	25,519
	278,810	354,726

During the year 4 (2003: 4) directors participated in money purchase pension schemes.

The amounts set out above include remuneration in respect of the highest paid director as follows:

	2004 £	2003 £
Emoluments	83,810	87,010
Pension contributions to money purchase pension schemes	7,370	7,245

5. TAX ON LOSS ON ORDINARY ACTIVITIES

	2004 £	2003 £
The tax credit represents		
UK corporation tax in respect of previous years	-	51,499

The tax credits are in respect of repayments to the group arising from Research and Development claims.

As illustrated below, there is no tax charge for the period due to the loss for the year. The losses carried forward of £3,369,000 (2003: £3,720,000) are disclosed as a contingent deferred tax asset (see note 13).

	2004 £	2003 £
Loss on ordinary activities before tax	(177,681)	(839,936)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2003: 30%)	(33,759)	(251,981)
Effect of:		
Expenses not deductible for tax purposes	1,731	4,206
Depreciation for the year in excess of capital allowances	9,202	21,373
Losses carried forward	31,728	226,402
Losses utilised	(7,673)	-
Other	(1,229)	-
Adjustments in respect of previous years	-	(51,499)
Current tax credit for the period	-	(51,499)

6. BASIC LOSS PER SHARE

The calculation of the basic loss per share is based on the loss of £177,681 (2003: £788,437) attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year of 29,790,743 (2003: 27,966,303). No diluted loss per share is shown because all options are anti-dilutive.

7. LOSS FOR THE FINANCIAL YEAR

The company has taken advantage of section 230 of the Companies Act 1985 and has not included its own profit and loss account in these financial statements. The loss for the company for the year was £9,773 (2003: £5,478,299 after an exceptional provision of £5,400,000 against inter-company balances receivable.)

8. TANGIBLE FIXED ASSETS

Group

	Motor vehicles £	**Fixtures and fittings £**	**Computer equipment £**	**Total £**
Cost:				
At 1st July 2003	15,700	248,776	316,389	580,865
Additions	-	1,994	7,262	9,256
Disposals	-	(14,424)	(12,134)	(26,558)
At 30th June 2004	15,700	236,346	311,517	563,563
Depreciation:				
At 1st July 2003	8,117	169,482	314,945	492,544
Charge in year	3,500	39,723	5,207	48,430
Disposals	-	(14,424)	(12,134)	(26,558)
At 30th June 2004	11,617	194,781	308,018	514,416
Net book amount at 30th June 2004	4,083	41,565	3,499	49,147
Net book amount at 30th June 2003	7,583	79,294	1,444	88,321

9. FIXED ASSETS - INVESTMENTS

Company	Subsidiary undertaking £
Cost at 1st July 2003	201,608
Cost at 30th June 2004	201,608
Net book amount at 30th June 2004	201,608
Net book amount at 30th June 2003	201,608

At 30th June 2004 the company held 100% of the allotted share capital of the following subsidiary undertakings, which are included in the consolidated accounts:

Name	Country of Incorporation	Class of Share Capital held	Proportion held	Nature of business
County Contact Centres (UK) Limited	England	Ordinary	100%	Out of hours and overflow telephony service and software company.
Lots Of Jobs Limited	England	Ordinary	100%	Recruitment consultancy
Ansaback Europe Limited (previously Ansaback Services Limited)	England	Ordinary	100%	Dormant
CallScripter Limited	England	Ordinary	100%	Dormant

On 11th May 2004 the subsidiary Ansaback Services Limited changed its name to Ansaback Europe Limited.

The group has incorporated two companies registered in England and Wales to protect the trading names in the United Kingdom. Each company is dormant and is owned by County Contact Nominees Limited. Mr W A Catchpole holds the whole of the issued share capital of County Contact Nominees Limited on behalf of the group.

10. DEBTORS

	Group 2004 £	Group 2003 £	Company 2004 £	Company 2003 £
Trade debtors	296,108	195,444	-	-
Other debtors	81,175	81,175	2,172	707
Corporation tax recoverable	-	51,499	-	-
Amount owed by group undertaking	-	-	355,789	249,141
Prepayments and accrued income	78,243	91,935	3,159	3,965
	455,526	420,053	361,120	253,813

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2004 £	Group 2003 £	Company 2004 £	Company 2003 £
Bank loans	50,000	20,004	50,000	20,004
Trade creditors	93,168	100,101	8,864	4,353
Social security and other taxes	119,450	83,311	-	-
Other creditors	12,016	11,298	-	-
Accruals and deferred income	129,792	124,164	6,169	8,600
Pension contributions	1,350	4,638	-	-
	405,776	343,516	65,033	32,957

12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group 2004 £	Group 2003 £	Company 2004 £	Company 2003 £
Bank loans	161,667	76,663	161,667	76,663

Borrowings

Bank loans are repayable as follows:

Within one year	50,000	20,004	50,000	20,004
After one year and within two years	50,000	20,004	50,000	20,004
After two and within five years	111,667	56,659	111,667	56,659
	211,667	96,667	211,667	96,667

On 20th March 2003, through the government's Small Firms Loan Guarantee Scheme, the group obtained a loan of £100,000 repayable over 5 years in equal monthly instalments of £1,667, secured by a Department of Trade and Industry Guarantee. Interest on the loan is payable at 2% above the bank base rate.

On 16th July 2003, through the government's Small Firms Loan Guarantee Scheme, the group obtained a further loan of £150,000 repayable over 5 years in equal monthly instalments of £2,500, secured by a Department of Trade and Industry Guarantee. Interest on the loan is payable at 2% above the bank base rate.

13. DEFERRED TAXATION

Unprovided deferred taxation is calculated at a rate of 19% (2003: 30%) and represents a contingent asset at the balance sheet date.

	Group 2004 £	Group 2003 £	Company 2004 £	Company 2003 £
Accelerated capital allowances	194,000	292,000	-	-
Trading losses	640,000	1,116,000	26,000	26,000
	834,000	1,408,000	26,000	26,000

The unprovided deferred tax asset attributable to losses is only reduced by the effect of claims for research and development tax credits when receipt of the credits is reasonably certain.

The unprovided deferred tax asset attributable to losses should be recoverable when the group achieves profitability, although the extent of the losses available is subject to agreement with the Inland Revenue.

14. SHARE CAPITAL

Group and Company

	2004 Number	2004 £	2003 Number	2003 £
Authorised:				
Ordinary shares of 1p each	100,000,000	1,000,000	100,000,000	1,000,000
Allotted called up and fully paid:				
Ordinary shares of 1p each	29,790,743	297,908	29,790,743	297,908

Share Issue

On the 13th February 2003 2,933,571 new ordinary shares of 1p each were issued at a price of 7p per share, raising £205,350.

Contingent rights to the allotment of shares

The company has granted the following options, in respect of ordinary shares of 1p each, which were still valid and unexercised at 30th June 2004.

Date of grant	Number of shares	Exercise price	Period exercisable
30th December 1999	50,000	50p	From 3 months to 10 years from grant
24th January 2000	5% of fully diluted issued ordinary share capital	100p	5 years from 24th January 2000
11th September 2000	1,000	100p	From 3 months to 10 years from grant
12th September 2002	3,926,000	12.36p	See below *
1st February 2004	700,000	12.36p	See below *

14. SHARE CAPITAL (continued)

Contingent rights to the allotment of shares (continued)

* These options can be realised on the following formula between three and ten years from their grant:

If the share price is at or above	Percentage of options realisable
25p	25%
40p	50%
65p	75%
100p	100%

15. RESERVES

Group	Share premium account £	Merger reserve £	Profit and loss account £
At 1st July 2003	6,045,563	18,396	(5,981,729)
Loss for the year	-	-	(177,681)
At 30th June 2004	6,045,563	18,396	(6,159,410)

Company	Share premium account £	Profit and loss account £
At 1st July 2003	6,045,563	(5,997,670)
Loss for the year	-	(9,773)
At 30th June 2004	6,045,563	(6,007,443)

16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Group

	2004 £	2003 £
Shareholders' funds at 1st July	380,138	966,875
Loss for the financial year	(177,681)	(788,437)
Issue of shares	-	205,350
Issue expenses	-	(3,650)
Shareholders' funds at 30th June	202,457	380,138

17. NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2004 £	2003 £
Operating loss	(169,895)	(849,865)
Depreciation	48,430	71,264
Profit on disposal of fixed assets	-	(20)
(Increase)/decrease in debtors	(86,972)	82,916
Increase/(decrease) in creditors	32,264	22,404
Net cash outflow from operating activities	(176,173)	(673,301)

18. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2004 £	2003 £
Decrease in cash in the year	(26,716)	(273,021)
Cash inflow from financing	(115,000)	(96,667)
Change in net funds resulting from cash flows	(141,716)	(369,688)
Net funds at 1st July 2003	195,276	564,964
Movement in net funds in the year	(141,716)	(369,688)
Net funds at 30th June 2004	53,560	195,276

19. ANALYSIS OF CHANGES IN NET FUNDS

	At 1st July 2003 £	Movement £	At 30th June 2004 £
Cash at bank and in hand	291,943	(26,716)	265,227
Debt	(96,667)	(115,000)	(211,667)
	195,276	(141,716)	53,560

20. FINANCIAL INSTRUMENTS

The group use financial instruments, comprising cash and various items such as Trade Creditors etc that arise directly from its operations. During the year a further loan of £150,000 has been received under the government's Small Firms Loan Scheme. The total loan balance outstanding at 30th June 2004 is £211,667. Interest is payable at 2% above the bank's base rate (see note 12).

The group has not entered into foreign currency transactions during the year.

The group seeks to manage financial risk to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. The directors achieve this by regularly preparing and reviewing forecasts based on the trends shown in the monthly management accounts. During the year this process identified the need for new working capital as set out above.

21. CAPITAL COMMITMENTS

The group had no capital commitments at 30th June 2004 and 30th June 2003.

22. CONTINGENT LIABILITIES

During the year the Inland Revenue raised a routine enquiry into certain aspects of the tax computation of the subsidiary, County Contact Centres (UK) Limited, for the year ended 30th June 2002, including the Research and Development tax credits of £51,499 received in respect of that year. The Directors are confident of the basis upon which the Research and Development tax credit claim was made, but should the Inland Revenue not accept this basis the amount of £51,499 may be repayable. There were no contingent liabilities at 30th June 2003.

23. LEASING COMMITMENTS

Operating lease payments amounting to £69,000 (2003: £69,000) are due within one year. The leases to which these amounts relate expire as follows:

	Group 2004 £	**Group 2003 £**
Land and Buildings		
In five years or more	69,000	69,000

24. TRANSACTIONS WITH DIRECTORS

During the year, £6,000 (2003: £2,500) was paid to Synergy Holdings Limited, a company controlled by Peter Brown, a Director, in respect of rent for the use of his London office.

At 30th June 2004, £1,000 (2003: £500) was outstanding in respect of this agreement.