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**TRACEDANCE LIMITED**

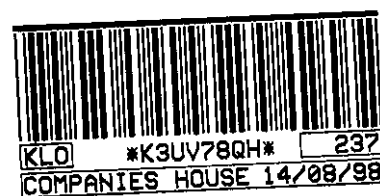
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE PERIOD ENDED**  
**31 MARCH 1998**

**Registered Number : 3268265**

**MORGAN BROWN & SPOFFORTH**  
*Chartered Accountants*

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**TRACEDANCE LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE PERIOD ENDED 31 MARCH 1998**

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**TRACEDANCE LIMITED****DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the period ended 31 March 1998.

**Principal Activity and Date of Incorporation**

The company was incorporated on 24 October 1996.

The principal activity of the company is that of a holding company. The principal activity of the subsidiary company is that of commercial enquiry agents.

**Review of the Business**

The company acquired the entire issued share capital of Specialised Investigation Services Limited during the period. The entire issued share capital of Tracedance Limited was acquired by Capitol Group plc on 14 February 1997.

The directors do not recommend a dividend for the period under review.

**Directors and Directors' Interests**

The directors who held office during the period, together with their beneficial interests in the company were as follows:

	Ordinary 10p shares	
	31 March 1998	At date of appointment
K P Dulieu (appointed 14 February 1997)	-	-
C J Cavender (appointed 14 February 1997)	-	-
S P Hayes (appointed 24 October 1996)	-	10,000

The beneficial interests of the directors in the ultimate parent company were as follows:

	Capitol Group plc			
	At 31 March 1998		At date of appointment	
	Ordinary 5p shares	Options	Ordinary 5p shares	Options
K P Dulieu	4,746,800	-	4,746,800	-
C J Cavender	-	180,747	-	180,747
S P Hayes	589,970	-	-	-

In addition to the options detailed above, an award under the group's long term incentive plan has been made to C J Cavender whereby a further entitlement of 36,923 ordinary 5p shares may be taken up.

**Statement of Directors' Responsibilities**

Company law requires the directors to prepare financial statements for each financial period 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 enable them to ensure that the financial statements comply with the Companies Act 1985, as amended. 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.

**TRACEDANCE LIMITED****DIRECTORS' REPORT (continued)**

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**Year 2000 Compliance**

The implications of the year 2000 with respect to many computer and digital storage systems have been well publicised in recent months. The problem is complex in that it will impact on our own systems as well as those of our suppliers and customers, and this may expose the company to risk if outside parties fail to address the year 2000 issue.

From the company's perspective, the issue will require the modification or replacement of systems to avoid potential malfunctions. The board has recognised this problem and a group wide appraisal of the impact of the year 2000 on the company's systems has been implemented with the intention of designing an action plan to ensure that the key risk factors are addressed and minimal disruption is experienced by the company as a result of failure of the internal systems and those of external parties.

The board recognise that it is difficult to address all areas which may impact on the company's activities, but believes that the company will achieve an acceptable state of readiness to minimise its exposure to the problem.

The costs to the company of achieving compliance with the year 2000 are being written off as incurred although the ultimate cost is not quantifiable at this stage. The directors aim to be in a position to report that the company is fully compliant at 31 March 1999.

**Auditors**


The auditors, Morgan Brown & Spofforth, retire and being eligible, offer themselves for reappointment at the forthcoming Annual General Meeting in accordance with Section 385 of the Companies Act 1985.

*Registered Office:*

82 St John Street  
London  
EC1M 4JN

19 May 1998

By order of the board



C J Cavender  
Secretary

**AUDITORS REPORT TO THE SHAREHOLDERS OF  
TRACEDANCE LIMITED**

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We have audited the financial statements on pages 4 to 7 which have been prepared in accordance with the accounting policies on page 6.

**Respective Responsibilities of Directors and Auditors**

As described on page 1, the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial 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 March 1998 and of its result for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

82 St John Street  
London  
EC1M 4JN

  
MORGAN BROWN & SPOFFORTH

19 May 1998

*Chartered Accountants  
Registered Auditor*

**TRACEDANCE LIMITED**

**PROFIT AND LOSS ACCOUNT**

**FOR THE PERIOD ENDED 31 MARCH 1998**

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During the period, there were no transactions required to be reported in the company's profit and loss account. Accordingly, the company made neither a profit nor a loss for the period.

**Recognised Gains and Losses**

There were no recognised gains or losses in the period.

The notes on pages 6 and 7 form part of these financial statements.

**TRACEDANCE LIMITED****BALANCE SHEET****AS AT 31 MARCH 1998**

	Notes	1998 £
<b>Fixed Assets</b>		
Investments	3	250,000
<b>Creditors: amounts falling due within one year</b>	4	<u>249,000</u>
<b>Net Assets</b>		<u>1,000</u>
<b>Capital and Reserves</b>		
Called up share capital	5	1,000
Profit and loss account		<u>-</u>
Shareholders' funds (equity interests)	6	<u>1,000</u>

The financial statements on pages 4 to 7 were approved by the board of directors on the date shown below and were signed on its behalf by:

.....  
C J Cavender - Director

19 May 1998

**TRACEDANCE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 MARCH 1998**

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**1. ACCOUNTING POLICIES**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

**Basis of preparation**

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

The company has not prepared consolidated financial statements on the basis that the parent company is preparing consolidated financial statements. These financial statements disclose the results of this company as an individual company.

**Investments**

Investments held as fixed assets are stated at cost less any provision for permanent diminution in value.

**Cash flow**

The financial statements do not include a cash flow statement on the basis that the results for the period are included in the consolidated financial statements of the ultimate parent company, which include a consolidated cash flow statement.

**2. STAFF COSTS**

There were no employees during the period other than directors who were not remunerated by this company.

**3. INVESTMENTS**

	<b>1998</b>
	<b>£</b>
Shares in group undertakings - at cost	<u>250,000</u>

The company has the following wholly owned subsidiary which is registered in England and Wales:

	<b>Activity</b>	<b>Holding</b>	<b>Shares</b>
Specialised Investigation Services Limited	Commercial Enquiry Agents	100%	Ordinary

**4. CREDITORS: Amounts falling due within one year**

	<b>1998</b>
	<b>£</b>
Amounts owed to group undertakings	<u>249,000</u>

The amounts owed to group undertakings represents amounts owed to Capitol Group plc.



**TRACEDANCE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 MARCH 1998**

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**5. SHARE CAPITAL**

	<b>1998</b>
	<b>£</b>
Authorised 10,000 Ordinary shares of 10p each	<u>1,000</u>
Allotted, called up and fully paid 10,000 Ordinary shares of 10p each	<u>1,000</u>
During the period, 10,000 ordinary 10p shares were issued at par, realising aggregate proceeds of £1,000.	

**6. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS**

	<b>1998</b>
	<b>£</b>
Issue of share capital and net increase in shareholders funds	<u>1,000</u>

**7. ULTIMATE PARENT COMPANY**

On 14 February 1997 the company became a wholly owned subsidiary of Capitol Group plc, a company registered in England and Wales.

Copies of the consolidated financial statements of Capitol Group plc can be obtained from the company's registered office 82 St John Street, London, EC1M 4JN.

**8. RELATED PARTY TRANSACTIONS**

The company is a wholly owned subsidiary of Capitol Group plc. On this basis, no disclosure of transactions between group companies has been made, as permitted by FRS8.

Prior to the acquisition of the company by Capitol Group plc, the company was controlled by S P Hayes.