Property Management & Accounting

Trace Solutions is one of the UK's leading suppliers of computer software and services to the property sector. It specialises in property management and accounting software packages for all types of businesses and offers complementary bespoke design, development, support, hosting and consultancy services as well as full project management and implementation facilities. Additionally, the company offers property management and accounting resources, including the supply of permanent and temporary staff as well as a fully managed outsourced service.

Banking & Financial

Trace Financial focuses on the wholesale financial market place, especially the securities industry, delivering mission critical messaging and business solutions to its user base of blue chip financial institutions. Activities concentrate on support for industry led initiatives (including ISO15022/20022, CREST, SWIFT FIN, SWIFTNet, OMGEO, FIX, Euroclear Single Platform, TRAX and TRAX 2 etc.) and combine leading industry technologies (such as XML and Java) with line of business expertise and industry experienced consultants. Its portfolio of products includes data and application integration and sophisticated message transformation technology which are SWIFTReady GOLD accredited. They also provide workflow based corporate actions solutions and real-time trading and feed management systems.

Insurance & Reinsurance Broking

Trace Isys specialises in application software and related services for insurance and reinsurance risk managers. Its core products centre on a life cycle package, focused in particular at commercial intermediaries operating in the global insurance market. The company also hosts a Managed Service for their clients providing electronic message creation, transmission and tracking services.

Payroll & HR

Trace Payroll Services offers a complete range of payroll and HR solutions including a fully managed payroll service and traditional bureau facilities.

Directors	Andrew Bell Colin Clarke (non-executive) Mick Flynn John Murphy Peter Stolerman (finance director) Julian Mancell-Smith Richard Wolfe (chief executive officer)
Secretary	Peter Stolerman, FCA
Head office and registered office	224-232 St John Street, London, ECIV 4QR.
Company registration number	2388822
Auditors	Baker Tilly UK LLP, 2 Bloomsbury Street, London, WC1B 3ST.
Solicitors	Bevan Brittan, Fleet Place House, 2 Fleet Place, Holborn Viaduct, London EC4M 7RF.
Bankers	Fortis Bank SA/NV, 5 Aldermanbury Square, London, EC2V 7HR.

In many ways the financial year ended 31st May 2007 was normal. Revenue from continuing operations at £13.49 million (2006 - £12.69 million) was comparable to both the previous year and to budget. Profit before tax, adjusted for exceptional costs, at £1.36 million (2006 - £1.66 million), held up reasonably well in spite of some slowing down in our main business sectors towards the end of the financial year. We continued to invest heavily in new products, to safeguard both our clients' investments and our own future.

In particular it is pleasing to note that our recurring revenue, which reflects annual support and payroll bureau contracts, at £6.822 million (2006 - £6.684 million) was at an all time high. For this we provide a first class support service as well as version releases of our products and it represents the solidity of our future. Overall we continue to be a service led company, aiming to provide the highest level of support to our clients.

What, however, was out of the ordinary in the financial year was management's decision, made towards the end of 2006, to take the company private via Tulip, an acquisition vehicle set up specifically for this purpose. Trace had enjoyed a full listing on the London Stock Exchange since 1989 and had benefited from many of the advantages such a listing had provided. One of the most significant reasons we went public in the first case was to raise the profile of Trace, something which we clearly achieved. However, many of the reasons why companies are listed had little continuing appeal and in particular being a small player on the exchange meant that investor interest in our company was minimal.

The key driver behind the Tulip offer was a keen desire to achieve something which was unique, which was to transfer ownership of a listed company from the public to the staff. In the Tulip Offer Document we explained it as follows: "In particular the Tulip Directors recognise that the employees of Trace have made a significant contribution towards the success of the business over a period of many years and will continue to do so. The Trace employees, in the Tulip Directors' opinion, are therefore also significant stakeholders in the Company and should be treated as such. For this reason, Tulip intends that 95 per cent of the ownership of the three main Trace subsidiaries, Financial, Isys and Solutions, will in due course vest with the current and future employees of these subsidiaries (except for a small percentage which will be held by head office staff). The remaining 5% will be held by a charitable trust, one of whose aims will be to support ex staff who are in need. The fourth subsidiary, Payroll Services, is expected to remain within the enlarged Tulip Group and it is intended that appropriate alternative and beneficial provisions will be made for its staff". Additionally, aligning the interests of our staff so closely with the company can only be good for the future of both the company and its clients.

After a contested bid, Tulip succeeded in acquiring Trace on July 31st 2007. On 6th September 2007 the company was de-listed and on 10th October 2007 it was reregistered as a private limited company. We are currently working through the detailed proposals from our advisors, Deloitte, relating to the transfer of ownership of the Trace companies to its staff and hope to have implemented appropriate schemes by autumn 2008.

A take over such as this can have a major impact on the company, and in particular on its finances, and I am pleased to report that we have emerged from this process in a reasonable position. The funds used to acquire the share capital of Trace came from two sources, being the assets of the company and the issue of loan notes. Trace owned the freehold of its main office premises at 224-232 St. John Street and we were fortunate to be able to complete a sale and leaseback of this property at the peak of the recent commercial property boom. This transaction released a net £9 million in cash. We are a cash generative group and at the time of the acquisition had some £4 million at the bank. The remainder of the purchase price was funded by the significant number of Trace shareholders who exchanged their shares for Tulip loan notes and to whom we are extremely grateful. The loan notes bear a modest interest coupon and the terms mean a demand can not be made for their repayment unless the company is in a position to afford the payments.

We are now a tenant paying rent, as well as paying the interest on our borrowings, but these costs are fully offset by the savings resulting from our no longer being listed and by other reorganisation savings. Even though our normal trading activities are cash generative, we need in particular to control our costs and cash flow this year, whilst some of the final costs of the acquisition work their way through the system.

At the time of writing we have a good idea of our 2007-08 performance and I am pleased to report that in spite of the general decline in the economy and in our markets in particular, we expect to show an acceptable level of trading profit. Counter intuitively, our prospective business in two of our three core markets, the City and the property sector, are at an all time high and Isys continues to produce excellent results in a steady market. Payroll Services is expected to show a further improvement.

Finally, I would like offer thanks to our staff who remain the bedrock of the company, and who have remained fully supportive of Trace especially through the somewhat fraught moments of the MBO. I also thank those external shareholders who expressed their support of Tulip's aims by accepting our lower cash offer, our clients whose relationships we so value, and for the first time our bank, whose support during the acquisition and thereafter has been of the best.

Richard Wolfe
CEO
13th June 2008

TRACE ISYS

2006-07 was a busy year for Trace Isys following the successful implementation of TWINS at Guy Carpenter. We have been involved in 4 main strands, being market initiatives, the Managed Message Service, bespoke enhancements for clients and the continuing development of OpenTWINS, the new replacement for our existing TWINS product suite.

The London insurance market made significant progress this year, moving forwards with various market initiatives aimed at modernising processes. The Accounting & Settlement project is one of these initiatives and Phases 1 and 2 of the project were successfully developed and implemented, although the applications were more limited in scope compared to the original vision. Accounting & Settlement replaces a paper-based process with a central market repository. The initial phases enable digital versions of documents to be logged in the central repository and shared by the market. We are hopeful that the more comprehensive, electronic message based solution originally envisaged will eventually be required. The first phases have enabled the market to build traction in the take-up of the initiative but the real business benefit lies in the total solution which removes the manual re-keying and duplication of effort in the current process.

There was generally an increased take-up of the Electronic Claim File (ECF), which modernises the claims broking process by allowing electronic versions of documents to be shared, replacing the need for physical files to be moved around the market. The initial phase had been specific to Lloyd's syndicates, but this year the scope has been extended to IUA companies. This has involved us in considerable changes to this application. In addition, we have integrated ECF with the document management system (DMS) used by many of our clients. This gives them a much improved and more efficient process for attaching relevant documents to claims messages. We are a leading software supplier in these areas and we are fortunate that our clients are keen to be at the forefront of these initiatives.

The increased interest in electronic market initiatives has enabled us to broaden the client base for our Managed Messaging Service. This is a service we host for our clients giving them an intelligent "hub" and a message creation application integrated with TWINS, or any back office broking system. This means, for example, that claims processed through TWINS automatically create ECF packages to which the claims technicians can subsequently attach documents and transmit to the central document repository.

Our development revenue held up well this year as many of our clients invested in bespoke enhancements to improve the effectiveness and reach of our software in their businesses. Guy Carpenter in particular continued their investment with an emphasis on changes to the fiduciary accounting module following their successful live implementation last year. At the end of this financial year we successfully released version 16 of TWINS to all of our clients.

We are well advanced with the redevelopment of our flagship TWINS product. The main motivation continues to be to take advantage of new technological opportunities which will allow us to offer customers greater flexibility in their choice of technology infrastructure and furthermore, as technology changes, our clients will not be forced to reinvest in new systems. Some clients have specific requirements to run their systems based upon particular databases – SQL Server or Oracle for example. With the current version of TWINS we have not been successful in bidding for certain business opportunities as a result of our being locked into particular technologies. OpenTWINS will give us much greater flexibility in this respect. We expect to be able to begin marketing at the end of 2008 and several of our clients are already showing interest in the new product. When complete, OpenTWINS will be the most technologically advanced solution available in the market, combining the rich functionality of our existing product with the advantages offered by workflow concepts and ease of integration – all increasingly important requirements for today's systems.

TRACE FINANCIAL

Trace Financial specialises in the supply of services and applications based upon complex messaging standards used by the wholesale finance community.

During the year under review Trace Financial made a significant positive contribution to the Group although turnover and profit were behind budget. Maintenance and services areas performed well and ahead of budget but new sales fell short of expectations. We invested in increased sales and marketing resources but overall market inertia and client resistance to change in general and new solutions in particular meant demand for new systems was less than we had anticipated. Areas affected included the TRAX 2 initiative which did not generate the amount of activity we hoped for and which had been a primary focus for our new sales staff. Despite this situation, we have grown the user base for Transformer, our flagship messaging technology, and we continue to receive very positive feedback from users.

One area where change will be unavoidable is the replacement of Crest with the new Euroclear Single Platform (ESP) for the settlement of equity transactions. We have already secured agreements with a number of existing and new clients for an ESP solution and we expect levels of interest and support to grow as the position becomes clear. We also anticipate there being opportunity for our messaging toolkit, which addresses the needs of those clients looking for message libraries and gateway connectivity to assist their ESP projects. Furthermore, as we have noted previously, the first phase of the ESP project covers the area of corporate actions, which is another area of focus for us. We now have two clients live on the latest version of our corporate actions system, CAMS. We still believe that this remains a significant market opportunity for us, despite being frustrated for several years by the fact that it has not yet 'taken off'. Corporate Actions remains a high-risk and complex area for the businesses involved and in the main is still not-automated. We cannot predict exactly when this situation may come under serious focus by the market in general but initiatives such as ESP should add to the pressure.

Where partnership opportunities arise we will pursue them and we believe that our Transformer messaging technology is well suited to partnership arrangements. There are already two other vertical business areas within the group - being insurance and property - that have found this technology to be of value and we signed a partnership arrangement with another vendor in the financial marketplace which has already borne positive results.

New product development will be targeted at the area of complex financial messaging and delivering solutions as "services" that can be deployed in practically any client technology. Our strategy remains focused where technology, messaging and business meet. We will continue to provide solutions that address this significant niche market and enhance our reputation and customer base in this sector. We secured SWIFTReady GOLD accreditation once again, for the ninth consecutive year, and no other middleware vendor has been accredited more.

TRACE SOLUTIONS

2006-07 was another good year for Trace Solutions. We managed to exceed our budget on turnover and came very close to budget in terms of contribution to the Group. This was underpinned by continuing increases in our recurring revenues following on, in the main, from new sales of our software packages, being TRAMPS for managing agents, BlueBox for investors and o6ix for occupiers.

Our major sale this year was to Workman and Partners, a company that focuses exclusively on property and facilities management. The conversion of users from our legacy Unix property management system to our current software was virtually completed in the year. Several of our clients have started to use our packages to manage their international portfolios and development of our software to support these operations remains for us a very high priority. Our latest sale in this area is to Cluttons in Bahrain. We now have two clients in the Middle East to complement our drive into Europe.

We continued to invest heavily in the development of our core products together with the optional modules that we provide to this market place. As well as providing new functionality, we upgraded our technical platform by making our software available on the Microsoft SQL Server 2005 platform. We undertook much of this work with our Indian subsidiary company which continues to provide flexible resources to bolster our development plans. Part of this work included the development of an initial framework to support web services for future products, supporting our vision of increased use of e-business in the property industry. This new framework will facilitate the exchange of data between many types of systems and devices and will also enable more interoperability for systems integration.

Trace Solutions has been instrumental in driving forward a new industry data exchange standard for property managers. The new standard - PIE (Portfolio Information Exchange) – has been developed in conjunction with other firms of investors, agents and software suppliers under the PISCES banner. PISCES is an organisation dedicated to determining global data exchange standards for the property industry. The resulting software that adheres to this new standard will allow exchanges of large volumes of data between different systems, saving time and improving accuracy of data for our clients. In the future, it is likely that clients will only purchase systems that comply with these standards.

There was a notable slow down in IT spending by the property sector from June 2007 onwards as the credit crunch started to take hold. With its high levels of recurring revenues, Trace Solutions is well placed to weather this storm and we are confident we will continue to make new sales and a healthy contribution in the coming year.

TRACE PAYROLL SERVICES

Trace Payroll Services provides outsourced managed payroll services to organisations across a wide range of industry sectors. The outsourcing market continues to expand as organisations seek to rid themselves of the responsibility for legislative compliance, HMRC obligations and paying their employees. During the year, underperforming members of the sales team left the Company, but new business revenue was maintained at the previous year's level. The in house telemarketing team based in our Leatherhead office provided a steady flow of good quality leads and started to make small payroll sales themselves.

The lack of competitive features and functionality in our mainframe based payroll software led to a decision to replace this with web enabled PC software from KCS. This software, which includes an Absence and an HR module, allows the sales team to compete with the larger payroll providers in offering local enquiry and reporting facilities via the web. It also helps to keep existing customers happy, as there are continuous pressures on them from other payroll providers to review the vast range of alternatives that are currently available.

Quality of service continues to be a major differentiator in the payroll market and the drive to improve internal processes and reduce the opportunities for error continues apace. Our ISO and BACS accreditations were maintained and a significant percentage of customer services staff are studying for formal payroll qualifications.

Our two legacy non-payroll customers delayed their plans to transfer to alternative solutions and now seem set to remain with us until well into the next financial year.

The challenge for next year will be to migrate our customer base to the new software at the same time as we continue to grow the base by expanding our marketing efforts through the internet and our telemarketing team. The re-designed web site has generated a significant amount of interest in the business and we have a strong sales pipeline. The reorganised sales team are actively managing this to ensure opportunities are not lost and there is healthy optimism in the team for next year's sales.

The directors of Trace Group Limited ("Trace" or "the Company") have pleasure in presenting their report together with the audited financial statements of the Company and its subsidiaries ("the Group") for the year ended 31st May 2007.

PRINCIPAL ACTIVITIES AND REVIEW OF DEVELOPMENTS

The principal activities of the Group are the provision of computer consultancy services, proprietary software products and a complementary range of other products and services. A review of the Group's business and future prospects is contained in the Review of Operations. The subsidiary undertakings principally affecting the profits or net assets of the Group in the year are listed in note 16 to the consolidated financial statements.

The Group's key performance indicators are total shareholder return and earnings per share. The Group's activities are technology based and its principal risks and uncertainties are in the area of technology change. Our markets are fast moving and influenced by regulation and so competition and regulation are also risk and uncertainty factors.

Following a strategic review, on 12th February 2007, the Company completed the disposal of Prospect Recruitment Limited ("Prospect") to Messrs Dayer-Smith and Chapman who were directors of this wholly owned subsidiary. Prospect is a recruitment business which was not core to Trace's main activities. The consideration was £112,034 and has been satisfied in cash by instalments over the period to May 2008. For the year ended 31st May 2006, Prospect had gross assets of £518,621 and generated turnover of £1.7 million on which it made a pre-tax loss of £101,462.

POST BALANCE SHEET EVENTS

Subsequent to the year end and following a successful bid for the Company's entire issued share capital, Trace was acquired by Tulip Holdings Limited ("Tulip"). Tulip is a newly formed company which was set up with the intention of acquiring Trace. Tulip has one shareholder, Richard Wolfe, the CEO of Trace. Further details on the future direction of the group are given in the CEO's Report.

The Tulip offer was declared unconditional as to acceptances on 31st July 2007 and remained open up until 28th August 2007 at which stage Tulip announced that it either owned or had received acceptances for 97.49% of the issued share capital of Trace. Following this date Tulip applied the provisions of sections 974 to 991 of the Companies Act 2006 to acquire compulsorily the outstanding shares that it didn't own. On 6th September 2007, Trace's official listing on the London Stock Exchange was cancelled.

The 229,327 ordinary shares held in the Company's Employee Share Ownership Plan ("ESOP") were sold to Tulip during the acquisition, as a result of which the loan due from the ESOP to the Company has been repaid in full. The gain on the disposal has been applied by the Company to the payment to employees of a bonus under the Group annual bonus scheme.

During the late Spring of 2007, the directors felt that conditions in the London commercial property market were such that it would be in the best interests of the Company to realise its principal property asset. As a result, on 24th September 2007 the Company sold its main office premises at 224-232 St John Street, London EC1 for £9.1 million. At the same time, the Company entered into a 15 year lease with the purchaser at an initial rent of £500,000 per annum, fixed for the first five years.

Following an extraordinary general meeting of the Company held on 27th September 2007, Trace re-registered as a private company and changed its name to Trace Group Limited. Subsequently, the 939,846 shares held in treasury were cancelled.

In October 2007 all of the meetings necessary to effect a whitewash of the Group's assets were convened and held and all necessary resolutions were passed and requirements were complied with. Following this, the Company made loans to Tulip of £14 million.

Following an extraordinary general meeting of the Company held on 1st October, Messrs Chapchal, Begg and Woodall were removed as directors of the Company.

The offer by Tulip caused all outstanding share options to crystallise and as a result, on 14th March 2008 the Company allotted 325,877 new ordinary shares of 5p each to option holders. These shares were all immediately purchased by Tulip under the terms of the Tulip offer.

DIVIDENDS

The directors are not proposing any dividend for the year ended 31st May 2007 (2006 - final 0.95p).

FIXED ASSETS

The directors commissioned a valuation of the Group's two freehold properties as at 31st May 2007 by Daniel Watney, Chartered Surveyors, who are independent valuers and not connected with the Group. The valuation complies with the RICS Appraisal and Valuation Standards issued by the Royal Institution of Chartered Surveyors and was undertaken in accordance with International Valuation Application 1 of the International Valuation Standards. As a result of this work, the property valuations in the accounts have been increased to £1,325,000 for 53 Farringdon Road, London EC1 and to £6,250,000 for 224-232 St John Street, London EC1. The surpluses compared with the amounts standing in the Company accounts have been transferred to the revaluation reserve. Since the year end, the St John Street property has been sold, as noted above.

POLITICAL AND CHARITABLE CONTRIBUTIONS

The Group operates a give as you earn scheme whereby contributions to charities made by employees are matched by a contribution from the Group. During the year ended 31 May 2007, the Group contributed a total of £10,738 (2006 - £12,183) to support various charities. The Group made no political donations.

DISABLED EMPLOYEES

Applications for employment by disabled persons are always fully considered bearing in mind the aptitudes of the applicant concerned. In the event that members of staff become disabled, every effort is made to ensure that their employment with the Group continues and that training, if appropriate, is arranged. It is the Group's policy that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

FINANCIAL RISK MANAGEMENT

The Group's financial instruments comprise cash, short-term bank deposits, bank overdrafts, available for sale investments, loan notes, finance lease liabilities and various items within trade and other receivables and trade and other payables that arise directly from its operations. The Group has not traded in any financial instruments during the period under review. The Group operates in the United Kingdom and as such all of its financial assets and liabilities are denominated in Sterling. The main risk arising from the Group's financial instruments is interest rate risk. The board reviews and agrees the policy for managing interest rate risk. The Group is mainly financed through shareholders' funds and places surplus cash on short-term deposits which earn interest at variable market rates. The Group's loan notes are all at a capped floating rate and in total amount to £34,014 and the finance lease liabilities are fixed. The directors consider that their policies keep financial risks at an acceptable level.

DIRECTORS AND THEIR INTERESTS

The directors at 31st May 2007 and their interests in the share capital of the Company were as follows:

	Ordinary Shares of 5p each	
	31st May 2007	1st June 2006
Executive		
P.I. Stolerman	**8,000**	8,000
R.J. Wolfe	**3,265,771**	3,265,771
Non-executive		
D. R. Chapchal (removed 1st October 2007)	**10,000**	10,000
C. A. Clarke	**1,424,493**	1,424,493
D. K. H. Begg (removed 1st October 2007)	**–**	–
R. H. Woodall (removed 1st October 2007)	**–**	–

All of the above shareholdings were beneficial. Since the year end Tulip has acquired all of the issued share capital of the Company as described above.

Details of directors' interests in share options are disclosed in the Directors' Remuneration Report. As noted in that report, since the end of the year all share options have been exercised and none are now outstanding.

All of the directors are regarded as having an interest in the 229,327 ordinary shares held in the Company's ESOP. As noted above, since the year end the ESOP has sold these shares as part of the acquisition of the Company by Tulip.

On 7th September 2007 Con Torley, Mick Flynn, John Murphy and Andrew Bell were appointed as directors of the Company. Each of them is the managing director of a Trace Group company. Following an extraordinary general meeting of the Company held on 1st October, Messrs Chapchal, Begg and Woodall were removed as directors of the Company. On 29th February 2008, Con Torley resigned as a director and on 11th June 2008 Julian Mancell-Smith was appointed a director in his place.

EMPLOYEE CONSULTATION

The Group places considerable importance on the involvement of its employees and has continued its long-standing practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. Employees are consulted on a variety of matters on a regular basis. There are regular formal and informal meetings covering all employees of the Group.

SUPPLIER PAYMENT TERMS

It is the Company's normal practice to agree terms of transactions, including payment terms, with suppliers and provided that suppliers perform in accordance with the agreed terms it is the Company's policy that payment should be made accordingly. The period of credit taken from suppliers as at 31st May 2007 was 38 days (2006 - 39 days).

AUDITOR

In the case of each of the persons who are directors of the Company at the date when this report was approved:

- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the Company’s auditor is unaware; and
- each of the directors has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information (as defined) and to establish that the Company’s auditor is aware of that information.

The directors, having been notified of the cessation of the partnership known as Baker Tilly, resolved that Baker Tilly UK Audit LLP be appointed as successor auditor with effect from 1st April 2007 in accordance with the provisions of the Companies Act 1989 s25(5). Baker Tilly UK Audit LLP has indicated its willingness to continue in office.

DIRECTORS’ INDEMNITIES

The directors are granted an indemnity from the Company to the extent permitted by law in respect of liabilities incurred as a result of their office.

GOING CONCERN

After making enquiries, the directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements.

STATEMENT OF DIRECTORS’ RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and financial statements. The directors are required to prepare financial statements for the Group in accordance with International Financial Reporting Standards (“IFRS”). The directors have elected to continue to prepare financial statements for the Company in accordance with UK Generally Accepted Accounting Practice (“GAAP”).

In the case of the UK GAAP financial statements the directors are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company. In preparing these 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; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

In the case of the IFRS financial statements, International Accounting Standard 1 requires that the financial statements present fairly for each financial year the Group’s financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board’s “Framework for the preparation and Presentation of Financial Statements”. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards. The directors are also required to

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company and the Group, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a directors’ report and directors’ remuneration report which comply with the Companies Act 1985.

The directors are also responsible for the maintenance and integrity of the Trace Group Limited website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

P. Stolerman
Secretary
13th June 2008

INTRODUCTION

This report has been prepared in accordance with Schedule 7A to the Companies Act 1985.

The Act requires the auditor to report to the Company's members on certain parts of the directors' remuneration report and to state whether in their opinion those parts of the report has been properly prepared in accordance with the Companies Act 1985. The report has therefore been divided into separate sections for audited and unaudited information.

UNAUDITED INFORMATION

Remuneration committee

During the year, the remuneration committee comprised the non-executive directors and the chairman. The committee determined the level of remuneration of the executive directors. The chairman of the committee was Colin Clarke.

Remuneration policy

Executive remuneration packages are designed to attract, motivate and retain directors of the calibre needed to maintain the Company's position and to reward them for enhancing shareholder value. Performance measurement of the executive directors and the determination of their annual remuneration package is undertaken by the committee. No director takes part in discussions about his own remuneration. The remuneration of non-executive directors is determined by the executive members of the Board.

Executive directors' remuneration comprises annual salary, performance related bonus, participation in the Group's share option schemes and contributions to the Group's pension scheme. Basic salaries are determined by the remuneration committee at the beginning of each year and if an individual changes position or responsibility. Appropriate salary levels are set by reference to the performance, experience and responsibilities of each individual concerned and having regard to published information for similar jobs and generally prevailing market conditions. Performance related bonuses are based on the achievement of objectives that are set annually. Executive share options are granted with a view to motivating and retaining directors in the longer term. The current share option schemes were approved by shareholders in 2005. Participation in the Group's pension scheme is on the same basis as for any other employee. Directors also benefit from the death in service and permanent health insurance arrangements which exist for all members of staff.

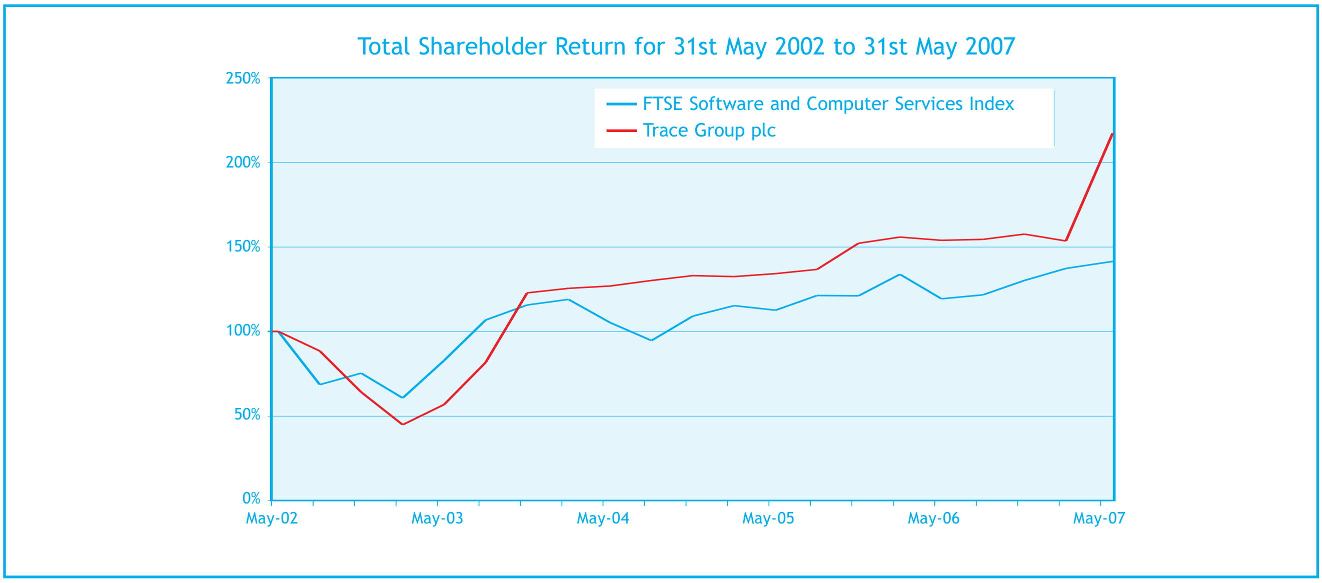
Directors' service contracts

Executive directors' contracts are determinable on one year's notice. Non-executive directors' contracts are for an initial period of one year and are then determinable on three month's notice. It is the Company's policy not to allow executive directors to accept appointments and retain payments from sources outside the Group. Details of the service contracts of directors who were in office as at 31st May 2007 are disclosed below:

	Current contract dated	Expiry
P.I. Stolerman	14th June 1989	12 months notice
R.J. Wolfe	14th June 1989	12 months notice
C.A. Clarke	29th November 2004	3 months notice
D.R. Chapchal	29th November 2004	3 months notice
D. K. H Begg	24th January 2006	3 months notice
R. H. Woodall	2nd May 2006	3 months notice

On termination of a director's service contract, the company is required to pay basic salary or fees for the duration of his entitlement to notice.

Performance Graph



The graph above shows the total shareholder return of the Company compared to the total shareholder return for FTSE Software and Computer Services Index. This index has been used as a benchmark for comparison as the Company is a member of this sector.

AUDITED INFORMATION

Directors' Emoluments

The breakdown of directors' emoluments is as follows:

	Salaries & fees £	Bonus £	**Total Year ended 31st May 2007 £**	Salaries & fees £	Bonus £	Total Year ended 31st May 2006 £
Executive Directors						
Peter Stolerman	113,475	–	**113,475**	108,517	7,500	116,017
Richard Wolfe	115,554	–	**115,554**	110,513	12,500	123,013
Non-executive Directors						
Danny Chapchal	30,000	–	**30,000**	30,000	–	30,000
Colin Clarke	10,000	–	**10,000**	10,000	–	10,000
David Begg	10,000	–	**10,000**	3,564	–	3,564
Robin Woodall	10,000	–	**10,000**	795	–	795
	289,029	–	**289,029**	263,389	20,000	283,389

Directors' Share Options

Details of options for directors who served during the year are as follows:

	As at 1st June 2006	Granted or lapsed in the year	**As at 31st May 2007**	Exercise Price	Date from which exercisable	Expiry date
Peter Stolerman - LTIP scheme	16,667	–	**16,667**	0.01p	31.01.09	30.12.15
Peter Stolerman - EMI scheme	6,667	–	**6,667**	95.0p	31.01.09	31.01.16
Peter Stolerman - SAYE scheme	4,426	–	**4,426**	84.5p	01.11.08	30.04.09
Richard Wolfe - SAYE scheme	11,065	–	**11,065**	84.5p	01.11.08	30.04.09

The value of a share in the Company on 31st May 2007 was 151.5p. The highest price during the year ended 31st May 2007 was 151.5p and the lowest price was 85p.

The LTIP and EMI options are subject to a performance condition. In order for either option to be exercised, the earnings per share of the Group over the 3 year period from 31st May 2005 must increase by at least 33.1%. The SAYE scheme options are not subject to any performance condition.

SInce the end of the year, as a result of the acquisition of the Company by Tulip, all share options have become exercisable and all have been exercised. The shares issued as a result have been sold to Tulip and there are no longer any outstanding share options

Directors' Pension Contributions

During the year ended 31 May 2007 the Group made payments into defined contribution pension schemes for Peter Stolerman and Richard Wolfe amounting to £12,564 (2006 - £12,099) and £18,273 (2006 - £17,664) respectively.

By order of the Board

P Stolerman
Secretary
13th June 2008

We have audited the group and parent company financial statements on pages 12 to 42. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

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 auditor's 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 group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union ("EU"), and for preparing the parent company financial statements and the Directors' Remuneration Report in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and whether, in addition, the group financial statements have been properly prepared in accordance with Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Review of Operations that is cross referenced from the Review of Developments section of the Directors' Report.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Chief Executive Officer's report, the Review of Operations, the Directors' Report and the unaudited part of the Directors' Remuneration Report. 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 AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 and the part of the Directors' Remuneration Report to be audited. 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 and 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 and the part of the Directors' Remuneration Report to be audited 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 and the part of the Directors' Remuneration Report to be audited.

OPINION

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 May 2007 and of its profit for the year then ended;
- the group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation;
- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 31 May 2007;
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

BAKER TILLY UK AUDIT LLP
Registered Auditor
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST
13th June 2008

	Note	Year ended 31st May 2007 £	Year ended 31st May 2006 (restated) £
CONTINUING OPERATIONS			
Revenue	4	**13,488,185**	12,688,405
Direct cost of sales		**(1,303,481)**	(972,800)
Gross margin		**12,184,704**	11,715,605
Sales and software service and support costs		**(9,256,516)**	(8,473,381)
Gross profit		**2,928,188**	3,242,224
Administrative expenses		**(1,803,594)**	(1,690,994)
Operating profit		**1,124,594**	1,551,230
Property rental income	4	**448,502**	368,961
Related property costs		**(378,949)**	(416,167)
Exceptional offer related costs	6	**(187,500)**	–
Profit before interest and tax		**1,006,647**	1,504,024
Finance income	8	**183,221**	165,567
Finance costs	9	**(12,659)**	(11,024)
Profit before tax		**1,177,209**	1,658,567
Tax	10	**(340,742)**	(366,656)
Profit for the year from continuing operations		**836,467**	1,291,911
Loss for the year from discontinued operations	11	**(83,137)**	(253,417)
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	6, 27	**753,330**	1,038,494
EARNINGS PER SHARE	13		
Continuing operations			
Basic earnings per share		**5.97 p**	8.94 p
Diluted earnings per share		**5.87 p**	8.90 p
Continuing and discontinued operations			
Basic earnings per share		**5.37 p**	7.19 p
Diluted earnings per share		**5.29 p**	7.15 p

	Note	31st May 2007 £	31st May 2006 £
Non-current assets			
Freehold land and buildings	15	**7,575,000**	6,997,800
Other property, plant and equipment	15	**479,120**	312,553
Intangible assets	14	**2,808,636**	2,256,956
Available for sale investments	17	**766**	766
Trade and other receivables	19	**57,302**	68,636
Deferred tax asset	20	**150,902**	168,671
		11,071,726	9,805,382
Current assets			
Inventories	18	**97,084**	175,975
Trade and other receivables	19	**4,182,502**	4,662,181
Cash and cash equivalents	19	**3,282,159**	2,417,242
		7,561,745	7,255,398
TOTAL ASSETS		**18,633,471**	17,060,780
Current liabilities			
Trade and other payables	21	**(4,314,269)**	(4,367,727)
Current tax liabilities		**(140,015)**	(26,030)
Provisions	22	**—**	(72,880)
Finance lease liabilities	23	**(29,290)**	—
		(4,483,574)	(4,466,637)
Net current assets		**3,078,171**	2,788,761
Non-current liabilities			
Long term provisions	22	**(186,171)**	(115,394)
Deferred tax liabilities	20	**(1,065,931)**	(833,265)
Finance lease liabilities	23	**(34,171)**	—
		(1,286,273)	(948,659)
TOTAL LIABILITIES		**(5,769,847)**	(5,415,296)
NET ASSETS		**12,863,624**	11,645,484
Equity			
Share capital	24	**759,433**	759,433
Share premium account		**2,918,615**	2,918,615
Revaluation reserve	25	**2,370,988**	1,846,969
Own shares	26	**(1,136,060)**	(1,136,060)
Capital redemption reserve		**1,500**	1,500
Other reserve		**39,821**	39,821
Retained earnings	27	**7,909,327**	7,215,206
TOTAL EQUITY		**12,863,624**	11,645,484

The financial statements were approved by the Board of directors and authorised for issue on 13th June 2008. They were signed on its behalf by:

R J Wolfe
Director

	Year ended 31st May 2007 £	Year ended 31st May 2006 (restated) £
OPERATING ACTIVITIES		
Profit before tax from continuing operations	**1,177,209**	1,658,567
Loss before tax from discontinued operations	**(40,819)**	(249,071)
Adjustments for:		
- Share option charge	**74,028**	30,000
- Depreciation of property, plant and equipment	**187,272**	247,062
- Gain on disposal of property, plant and equipment	**(903)**	–
- Net finance income	**(170,562)**	(154,543)
- Amortisation of other intangible assets	**229,198**	224,172
Changes in working capital:		
- Decrease/(increase) in inventories	**78,891**	(10,133)
- Decrease/(increase) in trade and other receivables	**436,110**	429,152
- Increase/(decrease) in trade and other payables	**38,985**	(250,135)
- (Decrease)/increase in provisions	**(2,103)**	(73,183)
Cash generated from operations	**2,007,306**	1,851,774
Interest paid	**(12,659)**	(11,110)
Tax paid	**(27,961)**	(350,526)
Cash generated from operating activities	**1,966,686**	1,490,138
INVESTING ACTIVITIES		
Interest received	**183,221**	165,766
Proceeds on disposal of property, plant and equipment	**24,327**	8,083
Purchases of property, plant and equipment	**(323,597)**	(240,445)
Development expenditure	**(780,878)**	(1,009,558)
Cash outflow from sale of subsidiary	**(29,597)**	–
Net cash used in investing activities	**(926,524)**	(1,076,154)
FINANCING ACTIVITIES		
Dividends paid	**(133,237)**	(127,154)
Repayment of loan notes	**(17,600)**	(17,000)
Purchase of treasury shares	**–**	(878,198)
Finance lease payments	**(24,408)**	–
Net cash used in financing activities	**(175,245)**	(1,022,352)
Net change in cash and cash equivalents	**864,917**	(608,368)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**2,417,242**	3,025,610
CASH AND CASH EQUIVALENTS AT END OF YEAR	**3,282,159**	2,417,242

	Note	Year ended 31st May 2007 £	Year ended 31st May 2006 £
Profit attributable to equity holders of the Company	27	**753,330**	1,038,494
Revaluation surplus	25	**560,625**	–
Deferred tax on property revaluation	25	**(36,606)**	5,701
Total recognised income and expense for the year		**1,277,349**	1,044,195
Share option charge	27	**74,028**	30,000
Dividends	27	**(133,237)**	(127,154)
Purchase of treasury shares		**–**	(878,198)
Net increase in shareholders' equity		**1,218,140**	68,843
Total shareholders' equity brought forward		**11,645,484**	11,576,641
Total shareholders' equity carried forward		**12,863,624**	11,645,484

1. GENERAL INFORMATION

Trace Group Limited is incorporated in the United Kingdom under the Companies Act 1985. The address of the registered office is given on page 2. The nature of the Group's operations and its principal activities are set out in the Review of Operations on pages 4 to 6.

The following standards and interpretations are effective for the current year:

IFRS 6 - Exploration for and Evaluation of Mineral Resources
IFRIC 4 - Determining whether an Arrangement contains a Lease
IFRIC 5 - Rights to Interest Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IFRIC 7 - Applying the Restatement Approach under IAS29 Financial Reporting in Hyperinflationary Economies
IFRIC 8 - Scope of IFRS 2 Share-based Payment
IFRIC 9 - Reassessment of Embedded Derivatives

The adoption of these standards and interpretations has not led to any changes in the Group's accounting policies used for these consolidated financial statements.

At the date of authorisation of these financial statements the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

IAS 23 (Revised) - Borrowing Costs
IFRS 3 (Revised) - Business Combinations
IFRS 7 - Financial instruments: Disclosures; and the related amendment to IAS 1 on capital disclosures
IFRS 8 - Operating Segments
IFRIC 10 - Interim Financial Reporting and Impairment
IFRIC 11 - IFRS 2 - Group and Treasury Share transactions
IFRIC 12 - Service Concession Arrangements
IFRIC 13 - Customer Loyalty Programmes
IFRIC 14 - Reassessment of Embedded Derivatives

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group when the relevant standards and interpretations come into effect.

2. SIGNIFICANT ACCOUNTING POLICIES

a) BASIS OF ACCOUNTING

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") adopted for use in the European Union and therefore comply with Article 4 of the EU IAS Regulation.

The financial statements have been prepared in accordance with the historical cost convention, modified to incorporate the revaluation of freehold land and buildings. The principal accounting policies adopted are set out below.

b) BASIS OF CONSOLIDATION

The Group financial statements consolidate the financial statements of the Company and all its subsidiary undertakings for the periods during which they were members of the Group. Subsidiary undertakings are those entities controlled directly or indirectly by the Company. Control arises when the Company has the ability to direct the financial and operating policies of an entity so as to obtain benefits from its activities.

Subsidiary undertakings are consolidated from the date of acquisition. Profits and balances arising on trading between Group companies are excluded from the financial statements. All companies within the Group make up their financial statements to the same date.

On acquisition, assets and liabilities of subsidiaries are measured at their fair values at the date of acquisition with any excess of the cost of acquisition over this value being capitalised as goodwill.

c) AVAILABLE FOR SALE INVESTMENTS

Available for sale investments are non-derivative financial assets that are designated as available for sale. The investments are held at fair value with gains and losses taken to equity. The gains and losses taken to equity are recycled through the income statement on realisation. If there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is removed from equity and recognised in the income statement. The amount removed from equity and recognised in the income statement is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in income.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) REVENUE RECOGNITION

Revenue is the amount derived from the provision of goods and services falling within the Group's ordinary activities after deduction of trade discounts and value added tax and excludes intra-Group transactions. Revenue is not recognised until the significant risks and rewards of ownership of the products and services sold have passed to the buyer, value can be reliably measured and the amount can be reasonably assured of being recovered.

The Group derives revenue from software licenses, customer support and maintenance and the provision of other products and services. Software license revenue is recognised when persuasive evidence of an agreement exists, such as a signed contract or purchase order, where delivery to and acceptance of the software by the customer has occurred and no future elements to be delivered are essential to the functionality of the delivered element, and when the price is determinable and collectibility is considered probable. Support and maintenance revenues are recognised on a straight line basis over the term of the relevant contract. Revenue not recognised in the income statement under this policy is classified as deferred income in the balance sheet.

All other revenues are recognised when products are delivered or services are provided. Larger contracts for the delivery of solution with multiple elements, typically involving license, support and maintenance and other services, are unbundled, and revenue is recognised based on the accounting policy applicable to each constituent part.

Revenue for software development is assessed on a contract by contract basis and reflected in the income statement by recording turnover as contract activity progresses. Turnover is ascertained in a manner appropriate to the stage of completion of the contract and credit taken for profit earned to date when the outcome of the contract can be assessed with reasonable certainty. The amount by which turnover exceeds payments received on account is classified as amounts recoverable on contracts and to the extent that payments on account exceed turnover the excess is included as a deferred income.

e) LEASES

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the Group. All other leases are classified as operating leases.

Assets held under finance leases are capitalised as property, plant or equipment and depreciated accordingly. The capital element of future lease payments is included in borrowings and interest is charged in the income statement over each lease term to give a constant rate of charge on the remaining balance of the obligation.

Rentals payable under operating leases are charged to income in equal annual amounts over the periods of the leases.

f) FOREIGN CURRENCIES

Foreign currency transactions are translated into sterling at the rates of exchange ruling at the dates of the transactions. Year end assets and liabilities are translated at the rates of exchange ruling at the balance sheet date. Translation differences are dealt with in the income statement.

g) OPERATING PROFIT

Operating profit is stated before property related transactions, exceptional costs, finance income, finance costs and tax.

h) RETIREMENT BENEFIT COSTS

The cost of pensions in respect of the Group's money purchase pension schemes is charged to the income statement as incurred.

i) PROVISIONS

Provisions are recognised for future committed property lease payments when the Group receives no benefit from the property through continuing usage and future receipts from any sub-letting arrangements are not in excess of the Group's future committed payments.

j) SHARE BASED PAYMENTS

The Group operates executive and employee share schemes. For all grants of share options, the fair value as at the date of grant is calculated using an option pricing model and the corresponding expense is recognised over the vesting period. The expense is recognised as a staff cost and the associated credit entry is made against equity.

k) EMPLOYEE SHARE OWNERSHIP PLAN AND TREASURY SHARES

The Group operates an ESOP trust and has de facto control of the shares held by the trust and bears its benefits and risks. The Group records the assets and liabilities of the ESOP as its own. Finance costs and administrative expenses are charged as they accrue. Own shares held by the ESOP or in treasury are deducted in arriving at total equity.

l) DIVIDENDS

A liability is recorded for a final dividend when the dividend is approved by the company's shareholders and for an interim dividend when the dividend is paid.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

m) TAXATION

The charge for current taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. It is calculated using rates that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are recognised for all taxable temporary differences except in respect of investments in subsidiaries where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future, and on the initial recognition of non-deductible goodwill.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilised. Their carrying amount is reviewed at each balance sheet date on the same basis.

Deferred tax is measured on an undiscounted basis and at the tax rates that are expected to apply in the periods in which the asset or liability is settled. Deferred tax is recognised in the income statement except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

The tax expense represents the sum of the tax currently payable and deferred tax.

n) FREEHOLD LAND AND BUILDINGS AND OTHER PROPERTY, PLANT AND EQUIPMENT

Freehold land and buildings are stated at year end valuation. All other fixed assets are stated at historical cost less accumulated depreciation and any provision for impairment.

No depreciation is provided on freehold buildings, as, in the directors' opinion, the amount would be immaterial. A review for impairment of freehold buildings is carried out at each year end and any impairment is recognised immediately by a charge to the income statement to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset. For all other property, plant and equipment, depreciation is calculated so as to write down their cost to their estimated residual values, by equal annual instalments, over the period of their estimated useful economic lives which are considered to be:

- Leasehold improvements - the period of the lease
- Fixtures, fittings and office equipment - 4 to 7 years
- Computer equipment - 2 to 5 years
- Motor vehicles - 3 to 4 years

Residual values and useful lives are reviewed on an annual basis.

Any revaluation increase arising on the revaluation of freehold land and buildings is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of freehold land and buildings is charged as an expense to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised as income.

o) IMPAIRMENT OF ASSETS

The carrying values of property, plant and equipment and intangible assets are reviewed for impairment annually and when events or changes in circumstances indicate the carrying value may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

p) INTERNALLY GENERATED INTANGIBLE ASSETS - SOFTWARE DEVELOPMENT EXPENDITURE

The Group considers that the regulatory, technical and market uncertainties inherent in the development of new products and technologies means that internal software development costs should not be capitalised as intangible assets until the commercial viability of a project is demonstrable and appropriate resources are in place to launch the product. Research and development expenditure prior to this point in time is expensed as incurred.

An intangible asset arising from development is only recognised if all of the following conditions are met:

- The intangible asset is considered to be technically feasible and the project to create it is sufficiently resourced to be capable of completion
- There is an intention to complete the asset and then both the intention and ability to sell it
- It is reasonably expected that the asset is likely to generate net future economic benefits
- Development costs in relation to the asset can be reliably measured

Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses. The expenditure capitalised includes the cost of materials and direct labour. Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of the products concerned.

q) INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost includes direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

r) FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the Group's balance sheet when a group becomes a party to the contractual provisions of the instrument.

Trade receivables - at initial recognition are measured at fair value and subsequently at amortised cost using the effective interest rate method, if material. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Cash and cash equivalents - comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Financial liabilities and equity - are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Trade payables - are initially measured at fair value and subsequently at amortised cost using the effective interest rate method, if material.

Equity instruments - issued by the Company are recorded at the proceeds received net of direct issue costs.

s) EXCEPTIONAL ITEMS

Exceptional items are items of income or expense which the directors consider, either individually or, if of a similar type, in aggregate, to be being material and which require disclosure in order to provide additional information to assist the understanding of the financial information.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may ultimately differ from those estimates. The key source of estimation uncertainty at the balance sheet date derives from management assumptions in relation to the capitalisation and amortisation of internally generated software assets. The accounting policy in relation to this item is disclosed in note 2 above.

4. REVENUE

An analysis of the Group's revenue is as follows:

	Year ended 31st May 2007 £	Year ended 31st May 2006 (restated) £
Continuing operations		
Software packages, hardware, consumables and other goods	**1,724,455**	1,375,063
Software development, consultancy, maintenance and related services	**10,145,216**	9,849,599
Permanent and contract staff placement	**95,823**	52,000
Payroll services	**1,522,691**	1,411,743
Revenue per income statement	**13,488,185**	12,688,405
Property rental income	**448,502**	368,961
Interest income	**183,221**	165,567
	14,119,908	13,222,933
Discontinued operations	**1,015,457**	1,801,645
Total Revenue	**15,135,365**	15,024,578

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

BUSINESS SEGMENTS

For management purposes the Group is currently organised into five operating divisions. These divisions are the basis on which the Group reports its primary segment information and are as follows:

- plc - head office, central functions and investment holding company
- Insurance - Trace Isys, providing insurance broking and reinsurance broking software and related services
- Property - Trace Solutions, providing property management software and related services
- Finance - Trace Financial, providing financial messaging and corporate actions software and related services
- Payroll - Trace Payroll Services, providing fully managed outsourced payroll services

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

The Group was involved, through Prospect Recruitment, in the provision of permanent and contract staff. This operation was discontinued during the year. The Group was also previously involved, through Trace Datawise, in other areas of financial software. This operation was discontinued last year. Neither activity is therefore included as part of the ongoing Group in the information presented below. Details of the discontinued operations are disclosed in note 11.

Segment information about these businesses is presented below:

YEAR ENDED 31st MAY 2007	Insurance £	Property £	Finance £	Payroll £	Elimination £	Ongoing Group £
REVENUE						
External sales	4,583,231	3,823,464	3,573,799	1,507,691	–	**13,488,185**
Inter-segment sales	50,643	43,574	66,594	24,485	(185,296)	–
Total revenue	4,633,874	3,867,038	3,640,393	1,532,176	(185,296)	**13,488,185**
Inter-segment sales are charged at prevailing market prices.						
RESULT						
Segment result	1,699,506	379,858	159,404	(603,252)	–	**1,635,516**
Unallocated corporate expenses						**(628,869)**
Profit before interest and tax						**1,006,647**
Finance income						**183,221**
Finance costs						**(12,659)**
Profit before tax						**1,177,209**
Tax						**(340,742)**
Profit after tax						**836,467**
OTHER INFORMATION						
Capital additions	457,907	410,056	167,752	155,337	–	**1,191,052**
Depreciation	53,795	44,806	33,742	47,623	–	**179,966**
Amortisation	53,287	82,535	31,019	62,357	–	**229,198**
BALANCE SHEET						
Segment assets	15,016,664	9,444,670	6,114,037	3,080,190	(15,505,082)	**18,150,479**
Unallocated corporate assets						**482,992**
Consolidated total assets						**18,633,471**
Segment liabilities	6,922,030	4,592,371	2,987,339	5,713,605	(15,084,434)	**5,130,911**
Unallocated corporate liabilities						**638,936**
Consolidated total liabilities						**5,769,847**

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

YEAR ENDED 31st MAY 2006	Insurance £	Property £	Finance £	Payroll £	Elimination £	Ongoing Group £
REVENUE						
External sales	4,183,304	3,446,036	3,647,322	1,411,743	–	12,688,405
Inter-segment sales	–	30,000	50,400	8,920	(89,320)	–
Total revenue	4,183,304	3,476,036	3,697,722	1,420,663	(89,320)	12,688,405
Inter-segment sales are charged at prevailing market prices.						
RESULT						
Segment result	1,386,915	490,652	498,774	(459,041)	–	1,917,300
Unallocated corporate expenses						(413,276)
Profit before interest and tax						1,504,024
Finance income						165,567
Finance costs						(11,024)
Profit before tax						1,658,567
Tax						(366,656)
Profit after tax						1,291,911
OTHER INFORMATION						
Capital additions	467,422	329,634	282,221	151,846	–	1,231,123
Depreciation	59,060	48,980	36,085	78,276	–	222,401
Amortisation	53,287	61,848	107,019	2,018	–	224,172
BALANCE SHEET						
Segment assets	12,989,315	7,828,967	5,393,538	3,246,227	(13,299,344)	**16,158,703**
Unallocated corporate assets						**902,077**
Consolidated total assets						**17,060,780**
Segment liabilities	6,190,154	3,611,029	2,466,753	5,199,320	(12,680,821)	**4,786,435**
Unallocated corporate liabilities						**628,861**
Consolidated total liabilities						**5,415,296**

GEOGRAPHICAL SEGMENTS

All of the Group's material operations and assets are located in the United Kingdom. The following table provides an analysis of Group sales by geographical market:

	Year ended 31st May 2007 £	Year ended 31st May 2006 (restated) £
United Kingdom	**12,384,286**	11,725,320
United States	**208,241**	122,649
Europe	**870,280**	807,805
Other	**25,378**	32,631
	13,488,185	12,688,405

6. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	Year ended 31st May 2007 £	Year ended 31st May 2006 (restated) £
Net foreign exchange losses	**12,577**	62
Research and development costs	**25,000**	41,500
Depreciation of property, plant and equipment	**187,272**	247,062
Amortisation of intangible assets included in sales and software service and support costs	**229,198**	148,172
Amortisation of software licenses	**–**	76,000
Cost of inventories recognised as cost of sales	**273,835**	179,325
Staff costs	**9,267,969**	9,361,569
Exceptional offer related costs	**187,500**	–
Auditor's remuneration for audit services	**75,000**	94,000

As a result of the bids to acquire the company's entire share by Tulip Holdings Limited and Microgen plc in April and May 2007, the company incurred £187,500 of offer related costs during the period to 31 May 2007 to ensure compliance with the appropriate procedures under the Listing Rules. Further costs associated with these bids were incurred subsequent to 31st May 2007 which will be recognised as an exceptional expense in the accounts for the year ended 31st May 2008. These expenses were of a one-off nature and have been disclosed separately on the face of the income statement.

Amounts payable to the group's auditor and its related entities in respect of both audit and non-audit services are set out below:

	Year ended 31st May 2007 £	Year ended 31st May 2006 (restated) £
Fees payable to the Company auditor for the audit of the parent company and consolidated accounts	**30,000**	39,000
Fees payable to the company auditor and its associates for other services:		
- The audit of the company's subsidiaries pursuant to legislation	**45,000**	55,000
- Tax services	**24,495**	31,445
- Other services	**9,725**	11,655
	109,220	137,100

Following the cessation of the partnership known as Baker Tilly, on 1 April 2007 the directors appointed Baker Tilly UK Audit LLP as successor auditor. The audit fees disclosed in 2007 represent the directors' estimate of the fees payable for the audit for the year ended 31 May 2007. Included in the fees disclosed for tax and other services in 2007 are amounts of £4,525 and £9,545 respectively were paid to Baker Tilly UK Audit LLP's related entities and the balance was paid to the partnership known as Baker Tilly.

7. STAFF COSTS

The average monthly number of persons employed by the Group, including executive directors, within each category was:

	Year ended 31st May 2007 Number of Employees	Year ended 31st May 2006 Number of Employees
Management & administration	**21**	23
Production & services	**145**	146
Sales & distribution	**16**	18
	182	187

The costs incurred in respect of these employees were:

	Year ended 31st May 2007 £	Year ended 31st May 2006 £
Wages and salaries	**8,051,039**	8,163,519
Share option charge	**74,028**	30,000
Social security costs	**874,318**	911,821
Other pension costs	**268,584**	256,229
	9,267,969	9,361,569

8. FINANCE INCOME

	Year ended 31st May 2007 £	Year ended 31st May 2006 £
Interest on bank deposits	**167,016**	162,190
Other interest income	**16,205**	3,377
	183,221	165,567

9. FINANCE COSTS

	Year ended 31st May 2007 £	Year ended 31st May 2006 (restated) £
Interest payable on bank loans and overdrafts	**4,900**	6,027
Interest payable on loan notes	**4,411**	–
Other interest payable	**3,348**	4,997
	12,659	11,024

In 2006, overaccrued loan note interest was written back resulting in a net credit, shown as other interest income. As a result there was no charge shown in 2006 for loan note interest even though it was paid in the normal manner.

10. TAX

	Year ended 31st May 2007 £	Year ended 31st May 2006 (restated) £
Current tax:		
UK corporation tax	216,450	108,432
Adjustment in respect of prior years	(74,504)	(63,927)
Total current tax	**141,946**	44,505
Deferred tax:		
Origination and reversal of timing differences	205,850	322,151
Adjustment in respect of prior years	(7,054)	–
Total deferred tax	**198,796**	322,151
Total tax charge	**340,742**	366,656

Corporation tax is calculated at 30% (2006 - 30%) of the estimated assessable profit for the year. The tax charge for the year can be reconciled to the profit per the income statement as follows:

	Year ended 31st May 2007 £	Year ended 31st May 2006 (restated) £
Profit before tax	**1,177,209**	1,658,567
Tax at the UK corporation tax rate of 30% (2006 - 30%)	**353,158**	497,570
Expenses not deductible for tax purposes	**68,221**	22,515
Group relief claimed from discontinued operations	**–**	(74,229)
Other differences	**–**	(1,130)
Effect of small company tax rate	**921**	(14,143)
Adjustment in respect of prior years	**(81,558)**	(63,927)
Tax expense for the year	**340,742**	366,656

The adjustments in respect of prior years arise from enhanced research and development tax relief claimed in respect of work undertaken during the year ended 31st May 2006 (2006 – work undertaken during the year ended 31st May 2005). The directors expect to claim enhanced research and development tax relief for the year ended 31st May 2007 and future years.

11. DISCONTINUED OPERATIONS

Following a strategic review, on 12th February 2007, the Company completed the disposal of Prospect, the Group's non core recruitment business. Last year the Group completed the wind down of its Datawise operation. The results of these discontinued operations which have been included in the consolidated income statement were as follows:

	Year ended 31st May 2007 Prospect £	Year ended 31st May 2007 Datawise £	**Year ended 31st May 2007 Total £**	Year ended 31st May 2006 Total (restated) £
Revenue	1,014,682	775	**1,015,457**	1,801,645
Expenses	(1,056,276)	–	**(1,056,276)**	(2,050,716)
(Loss)/profit before tax	(41,594)	775	**(40,819)**	(249,071)
Attributable tax expense	–	(6,793)	**(6,793)**	(4,346)
(Loss)/profit after tax	(41,594)	(6,018)	**(47,612)**	(253,417)
Loss on disposal of discontinued operations	(35,525)	–	**(35,525)**	–
Net loss attributable to discontinued operations	(77,119)	(6,018)	**(83,137)**	(253,417)
Loss per share - basic			**(0.60)p**	(1.75)p
Loss per share - diluted			**(0.60)p**	(1.75)p

The net assets of Prospect at the date of disposal and at the end of the comparative year were as follows:

	Year ended 12th February 2007 £	Year ended 31st May 2006 £
Property, plant and equipment	**17,627**	23,642
Deferred tax asset	**8,239**	8,239
Trade and other receivables	**130,939**	236,528
Cash and cash equivalents	**65,597**	83,556
Trade and other payables	**(74,843)**	(106,888)
Net Assets	**147,559**	245,077
Loss arising on disposal of subsidiary	**(35,525)**	–
Total cash consideration	**112,034**	–

The cash consideration was payable by instalments over the period to 31 May 2008. During the period from date of disposal to 31st May 2007, the group received cash consideration of £36,000.

12. DIVIDENDS

	Year ended 31st May 2007 £	Year ended 31st May 2006 £
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31st May 2006 (0.95p per share)	**133,237**	–
Final dividend for the year ended 31st May 2005 (0.85p per share)	–	127,154
	133,237	127,154

The directors are not proposing any dividend for the year ended 31st May 2007.

13. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	Year ended 31st May 2007 £	Year ended 31st May 2006 (restated) £
Profit for the year from continuing operations	**836,467**	1,291,911
Loss for the year from discontinued operations	**(83,137)**	(253,417)
Profit attributable to equity holders of the company	**753,330**	1,038,494
Weighted average number of ordinary shares for the purposes of basic earnings per share	**14,019,488**	14,443,518
Effect of dilutive potential ordinary shares to be issued	**219,996**	71,563
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**14,239,484**	14,515,081

The weighted average number of ordinary shares for the purposes of basic earnings per share excludes the weighted average number of shares held in the Company's ESOP and in Treasury.

The dilutive potential relates to shares options under outstanding LTIPs and EMI arrangements, together with shares that may be issued in relation to the Group's SAYE scheme.

14. INTANGIBLE ASSETS

	Goodwill £	Software licenses £	Internally generated software £	TOTAL £
COST				
At 1st June 2005	3,087,574	380,000	2,810,393	**6,277,967**
Additions	–	–	1,009,558	**1,009,558**
At 31st May 2006	3,087,574	380,000	3,819,951	**7,287,525**
Additions	–	–	780,878	**780,878**
At 31st May 2007	3,087,574	380,000	4,600,829	**8,068,403**
AMORTISATION				
At 1st June 2005	3,087,574	304,000	1,414,823	**4,806,397**
Charge for the year	–	76,000	148,172	**224,172**
At 31st May 2006	3,087,574	380,000	1,562,995	**5,030,569**
Charge for the year	–	–	229,198	**229,198**
At 31st May 2007	3,087,574	380,000	1,792,193	**5,259,767**
CARRYING AMOUNT				
At 31st May 2007	**–**	**–**	**2,808,636**	**2,808,636**
At 31st May 2006	**–**	**–**	2,256,956	**2,256,956**

The amortisation period for internally generated software is calculated on a product by product basis and is reviewed on this basis annually. Currently the periods used vary between 3 and 9 years.

Goodwill, which arose from the acquisition of Datawise, was fully impaired as at 31st May 2005.

£380,000 of take on costs in relation to the Group's CLOVERLEAF *Finance* product were capitalised at 31st May 2001. These were amortised in equal amounts over a five year period.

15. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings £	Short leasehold improvements £	Fixtures, fittings and equipment £	Motor vehicles £	TOTAL £
COST OR VALUATION					
At 1st June 2005	6,985,000	64,881	2,237,846	95,759	**9,383,486**
Additions	12,800	–	211,085	16,560	**240,445**
Disposals	–	–	(95,496)	(22,885)	**(118,381)**
At 31st May 2006	6,997,800	64,881	2,353,435	89,434	**9,505,550**
Additions	16,575	–	394,890	–	**411 ,465**
Revaluation	560,625	–	–	–	**560,625**
Disposals	–	–	–	(61,825)	**(61,825)**
On disposal of subsidiary	–	–	(192,318)	–	**(192,318)**
At 31st May 2007	7,575,000	64,881	2,556,007	27,609	**10,223,497**
DEPRECIATION					
At 1st June 2005	–	64,881	1,947,380	46,173	**2,058,434**
Charge for the year	–	–	228,782	18,280	**247,062**
Disposals	–	–	(95,449)	(14,850)	**(110,299)**
At 31st May 2006	–	64,881	2,080,713	49,603	**2,195,197**
Charge for the year	–	–	179,644	7,628	**187,272**
Disposals	–	–	–	(38,401)	**(38,401)**
On disposal of subsidiary	–	–	(174,691)	–	**(174,691)**
At 31st May 2007	–	64,881	2,085,666	18,830	**2,169,377**
CARRYING AMOUNT					
At 31st May 2007	**7,575,000**	**–**	**470,341**	**8,779**	**8,054,120**
At 31st May 2006	6,997,800	–	272,722	39,831	**7,310,353**

The directors commissioned a valuation of the Group's two freehold properties as at 31st May 2007 by Daniel Watney, Chartered Surveyors, who are independent valuers and not connected with the Group. The valuation complies with the RICS Appraisal and Valuation Standards issued by the Royal Institution of Chartered Surveyors and was undertaken in accordance with International Valuation Application 1 of the International Valuation Standards. As a result of this work, the property valuations in the accounts have been increased to £1,325,000 for 53 Farringdon Road, London EC1 and to £6,250,000 for 224-232 St John Street, London EC1. The surpluses compared with the amounts standing in the Company accounts have been transferred to the revaluation reserve. Since the year end, the St John Street property has been sold.

If land and buildings had been stated at historical cost then they would have been included at £4,937,516 (2006 - £4,920,941).

Included in fixtures, fittings and equipment are assets on finance leases with a carrying amount as at 31st May 2007 of £83,935 (2006 - £nil) and a depreciation charge for the year of £4,417 (2006 - £nil).

16. SUBSIDIARIES

The trading companies in the Group were:

	Percentage of nominal value of issued ordinary shares held at 31st May 2007
Trace Isys Limited	100%
Trace Financial Limited	100%
Trace Solutions Limited	100%
Trace Payroll Services Limited	100%

All subsidiaries are consolidated in the Group accounts.

16. SUBSIDIARIES (continued)

Trace Financial Limited is 51% owned by Trace Isys Limited and 49% owned by the Company. Trace Payroll Services Limited is wholly owned by G&G Computer Group Limited. All other shareholdings are directly held by the Company.

All of the above companies were incorporated in Great Britain and registered in England and Wales and have their principal operations in England. All of the above trading companies are involved in the provision of computer consultancy services, proprietary software products, computer hardware and a complementary range of other products and services.

Details of dormant companies, none of which is material to the financial statements, are omitted and a complete list will be attached to the forthcoming annual return.

17. AVAILABLE FOR SALE INVESTMENTS

The Group's non-current asset investments comprise the following:

Company Name	Date of Acquisition	No. of shares	Fair value £	% of issued capital
Property Computer Show Limited	30th October 1990	8	766	6.01
At 31st May 2007			766	

The above company has its principal place of business and was incorporated in Great Britain and is registered in England and Wales.

18. INVENTORIES

	31st May 2007 £	31st May 2006 £
Raw materials & consumables	**8,375**	9,715
Goods for resale	**88,709**	166,260
	97,084	175,975

19. OTHER FINANCIAL ASSETS

TRADE AND OTHER RECEIVABLES - CURRENT ASSETS

	31st May 2007 £	31st May 2006 £
Trade debtors	**3,103,379**	3,543,853
Other debtors	**458,515**	277,964
Prepayments & accrued income	**254,233**	294,082
Amounts recoverable on contracts	**366,375**	546,282
	4,182,502	4,662,181

Trade and other receivables included as non-current assets totalling £57,203 (2006 - £68,636) comprise certain ordinary sales transactions where deferred payment terms have been agreed.

The average credit period taken on sales of goods and services is 54 days (2006 - 50 days). No interest is charged on overdue balances. An allowance is made for estimated irrecoverable amounts by reference to specific circumstances as well as past default experience and at 31st May 2007 this was £92,153 (2006 - £110,139).

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

19. OTHER FINANCIAL ASSETS (continued)

CASH AND CASH EQUIVALENTS

The directors consider that the carrying amount of cash and cash equivalents approximates their fair value.

CREDIT RISK

The Group's principal financial assets are bank balances and cash, trade and other receivables and investments.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

20. DEFERRED TAX

The following are the major deferred tax assets and liabilities recognised by the Group and movements thereon during the current and prior reporting period.

	Accelerated tax depreciation £	Revaluation of building £	Tax losses £	R & D £	Other timing differences £	TOTAL £
At 1st June 2005	230,969	(235,591)	44,933	(419,209)	35,100	**(343,798)**
Charges to income	(92,520)	–	(44,933)	(184,104)	(4,940)	**(326,497)**
Charges to equity	–	5,701	–	–	–	**5,701**
At 31st May 2006	138,449	(229,890)	–	(603,313)	30,160	**(664,594)**
Charges to income - continuing operations	(17,894)	–	–	(196,122)	15,219	**(198,797)**
Charges to income - discontinued operations	(6,793)	–	–	–	–	**(6,793)**
On disposal of subsidiary	(8,239)	–	–	–	–	**(8,239)**
Charges to equity	–	(36,606)	–	–	–	**(36,606)**
At 31st May 2007	105,523	(266,496)	–	(799,435)	45,379	**(915,029)**

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances, after offset, for financial reporting purposes:

	31st May 2007 £	31st May 2006 £
Deferred tax liabilities	**(1,065,931)**	(833,265)
Deferred tax assets	**150,902**	168,671
	(915,029)	(664,594)

21. TRADE AND OTHER PAYABLES

	31st May 2007 £	31st May 2006 £
Trade creditors	378,521	346,529
Loan notes	34,014	51,614
Other tax and social security	590,700	775,660
Accruals and deferred income	3,235,107	3,103,223
Other creditors	75,927	90,701
	4,314,269	4,367,727

Trade and other creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 39 days (2006 - 32 days).

The directors consider that the carrying amount of trade and other creditors approximates to their fair value.

As part of the acquisition of Prospect Recruitment Limited, Trace Isys Limited issued non-convertible loan notes for £260,000 to the vendors of that company. These are repayable on two months' notice at any time. In any event they are to be repaid by 30th June 2009. Interest is payable monthly at the greater of 3% under the London Interbank Offered Rate ("LIBOR") or 10%. During the year, £17,600 of these loan notes were redeemed at par, bringing the total amount redeemed to date to £225,986 (2006 - 208,386).

22. PROVISIONS

	Onerous lease £
At 1st June 2006	188,274
Utilisation of provision	(2,103)
At 31st May 2007	186,171

	31st May 2007 £	31st May 2006 £
Included in current liabilities	–	72,880
Included in non-current liabilities	186,171	115,394
	186,171	188,274

The onerous lease provision represents management best estimate of the Group's likely net loss in relation to its lease in respect of premises at Scrutton Street, London EC2, which are not used for operational purposes. The lease expires in December 2008.

23. FINANCE LEASE LIABILITIES

	31st May 2007 £	31st May 2006 £
Included in current liabilities	29,290	–
Included in non-current liabilities	34,171	–
	63,461	–

The gross finance lease liability approximates the present value of the minimum lease payments. The finance lease liability is payable in equal monthly instalments with the final payment in July 2009.

24. SHARE CAPITAL

	31st May 2007 £	31st May 2006 £
Authorised: 20,000,000 ordinary shares of 5p each	**1,000,000**	1,000,000
Called up, allotted and fully paid: 15,188,661 ordinary shares of 5p each	**759,433**	759,433

There have been no changes in the ordinary share capital in either year.

25. REVALUATION RESERVE

	Property revaluation £	Deferred tax £	Net revaluation reserve £
At 1st June 2005	2,076,859	(235,591)	1,841,268
Effect of indexation on deferred tax	–	5,701	5,701
Balance at 31st May 2006	2,076,859	(229,890)	1,846,969
Revaluation increase on land and buildings	560,625	–	560,625
Deferred tax arising on revaluation of land and buildings	–	(36,606)	(36,606)
Balance at 31st May 2007	2,637,484	(266,496)	2,370,988

26. OWN SHARES

	ESOP shares £	Treasury shares £	Total £
Balance at 1st June 2006 and 31st May 2007	257,862	878,198	1,136,060

The group operates an ESOP trust which owned 229,327 shares of 5p each in the Company throughout the year. These were acquired at a cost of £257,862. The market value of these shares as at 31st May 2007 was £347,430 (2006 - £222,447).

During the year ended 31st May 2006, the company acquired 939,846 shares of 5p each for a total consideration of £878,198 and these shares were held as treasury shares. The market value of these shares as at 31st May 2007 was £1,423,867 (2006 - £911,651).

Since the year end, as a result of the acquisition of the Company by Tulip, all of the ESOP shares have been sold and the loan due from the ESOP to the Company has been repaid in full. The gain on the disposal has been applied by the Company to the payment to employees of a bonus under the Group annual bonus scheme. In addition, the Company has cancelled all Treasury shares.

27. RETAINED EARNINGS

	£
At 1st June 2005	6,273,866
Dividends paid	(127,154)
Credit to equity for share-based payments	30,000
Net profit for the year	1,038,494
Balance at 31st May 2006	7,215,206
Dividends paid	(133,237)
Net profit for the year	753,330
Credit to equity for share-based payments	74,028
Balance at 31st May 2007	7,909,327

28. OPERATING LEASE ARRANGEMENTS

At 31st May 2007, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	Land and buildings		Other	
	31st May 2007 £	31st May 2006 £	**31st May 2007 £**	31st May 2006 £
Within one year	**340,500**	366,500	**–**	220
In two to five years	**473,667**	837,667	**–**	–
After five years	**67,083**	433,583	**–**	–
	881,250	1,637,750	**–**	220

The lease payments made under operating leases recognised in income for the year totalled £344,752 (2006 - £366,720). Related property rental income earned during the year was £360,500 (2006 - £295,500). At 31st May 2007 the Group had contracted with tenants for the following future minimum lease payments:

	31st May 2007 £	31st May 2006 £
Within one year	**360,500**	295,500
In two to five years	**485,333**	662,417
After five years	**67,083**	147,583
	912,916	1,105,500

29. SHARE BASED PAYMENTS

SAVE AS YOU EARN SHARE OPTION SCHEME ("SAYE")

In October 2005, the Company operated its SAYE scheme, approved by shareholders in 1998. On 26th October 2005 the Company granted options to employees over 314,683 ordinary shares. The option period is 3 years, at which stage the options vest, and the exercise price was fixed at 84.5p per share, a discount of 8.4% to the prevailing market price. Options may only be exercised during the 6 month period following vesting and if an employee leaves the Group before the date of exercise or vesting then options will normally lapse.

ENTERPRISE MANAGEMENT INCENTIVE SHARE OPTION PLAN ("EMI") AND LONG TERM INCENTIVE PLAN ("LTIP")

Following approval by shareholders at the 2005 AGM, the Company introduced an EMI plan and an LTIP plan in order to allow selected employees to share in the success of the Group. EMI options are exercisable at a price equal to the quoted market price of a Trace share on the date of grant. LTIP awards are exercisable, in total, for the nominal sum of £1 per employee. The vesting period for both plans is 3 years and the exercise period is generally between 3 and 6 years from the date of grant. If an employee leaves the Group before the date of exercise or vesting then options and awards will normally lapse.

Details of SAYE and EMI options and LTIP awards outstanding during the year were as follows:

	Number of share options LTIP	Number of share options EMI	Number of share options SAYE
Outstanding at 1st June 2005	–	–	–
Granted during the year	128,276	64,664	314,683
Lapsed during the year	–	–	(8,852)
Outstanding at 31st May 2006	128,276	64,664	305,831
Granted during the year	–	–	–
Lapsed during the year	(2,222)	(833)	(44,259)
Outstanding at the 31st May 2007	126,054	63,831	261,572
Exercisable at 31st May 2007	–	–	–

29. SHARE BASED PAYMENTS (continued)

The EMI options outstanding at 31st May 2007 had a weighted average exercise price of 95.5p (2006 - 95.5p). The SAYE options outstanding at 31st May 2007 had a weighted average exercise price of 84.5p (2006 - 84.5p). The LTIP awards are all exercisable at the nominal value of £1 per employee award. The EMI options and LTIP awards outstanding have a weighted average remaining contractual life of 8½ years (2006 - 9½ years). The SAYE options have a weighted average remaining contractual life of 2 years (2006 - 3 years).

The share based payments charge in 2006 was calculated using the Black-Scholes method, the inputs into which are as follows:

	LTIP	EMI	SAYE
Weighted average share price	95.50p	95.50p	93.50p
Weighted average exercise price	—	95.50p	84.50p
Expected volatility	32.80%	32.80%	32.80%
Expected life	9.5 years	9.5 years	3.5 years
Risk free rate	4.40%	4.40%	4.40%
Expected dividends	1.00%	1.00%	1.00%

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous 5 years The expected useful life used in the model has been adjusted, based on management's best estimates, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Since the year end, all outstanding share options have been exercised and the shares issued as a result have been acquired by Tulip. Further details are given in note 32.

30. PENSION SCHEMES

The Group operates a defined contribution retirement scheme for all qualifying employees. The scheme is in the form of a group personal pension plan and the assets are held separately from the Group in funds under the control of independent trustees. The total cost charged to income in respect of contributions to the plan at rates specified in the rules of the plan was £268,584 (2006 - £256,229).

31. RELATED PARTY TRANSACTIONS

Transactions between the Group companies, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

The remuneration of the directors, who are the key management personnel of the Group, is set out below:

	31st May 2007 £	31st May 2006 £
Short term employee benefits	**289,029**	283,389
Post employment benefits	**30,837**	29,763
Share based payment	**10,600**	2,500
Total	**330,466**	315,652

Information about the remuneration of individual directors is provided in the Directors' Remuneration Report.

32. POST BALANCE SHEET EVENTS

Subsequent to the year end and following a successful bid for the Company's entire issued share capital, Trace was acquired by Tulip Holdings Limited ("Tulip"). Tulip is a newly formed company which was set up with the intention of acquiring Trace. Tulip has one shareholder, Richard Wolfe, the CEO of Trace. Further details on the future direction of the group are given in the CEO's Report.

The Tulip offer was declared unconditional as to acceptances on 31st July 2007 and remained open up until 28th August 2007 at which stage Tulip announced that it either owned or had received acceptances for 97.49% of the issued share capital of Trace. Following this date Tulip applied the provisions of sections 974 to 991 of the Companies Act 2006 to acquire compulsorily the outstanding shares that it didn't own. On 6th September 2007, Trace's official listing on the London Stock Exchange was cancelled.

The 229,327 ordinary shares held in the Company's Employee Share Ownership Plan ("ESOP") were sold to Tulip during the acquisition, as a result of which the loan due from the ESOP to the Company has been repaid in full. The gain on the disposal has been applied by the Company to the payment to employees of a bonus under the Group annual bonus scheme.

During the late Spring of 2007, the directors felt that conditions in the London commercial property market were such that it would be in the best interests of the Company to realise its principal property asset. As a result, on 24th September 2007 the Company sold its main office premises at 224-232 St John Street, London EC1 for £9.1 million. At the same time, the Company entered into a 15 year lease with the purchaser at an initial rent of £500,000 per annum, fixed for the first five years.

Following an extraordinary general meeting of the Company held on 27th September 2007, Trace re-registered as a private company and changed its name to Trace Group Limited. Subsequently, the 939,846 shares held in treasury were cancelled.

In October 2007 all of the meetings necessary to effect a whitewash of the Group's assets were convened and held and all necessary resolutions were passed and requirements were complied with. Following this, the Company made loans to Tulip of £14 million.

Following an extraordinary general meeting of the Company held on 1st October, Messrs Chapchal, Begg and Woodall were removed as directors of the Company.

The offer by Tulip caused all outstanding share options to crystallise and as a result, on 14th March 2008 the Company allotted 325,877 new ordinary shares of 5p each to option holders. These shares were all immediately purchased by Tulip under the terms of the Tulip offer.

	Note	31st May 2007 £	31st May 2006 £
Fixed assets			
Tangible assets	5	**7,806,263**	7,093,752
Investments	6	**1,749,422**	1,749,422
		9,555,685	8,843,174
Current assets			
Debtors - due within one year	7	**1,040,966**	1,431,339
Debtors - due after more than one year	7	**51,597**	64,139
Cash at bank and in hand		**3,469,787**	2,489,535
		4,562,350	3,985,013
Creditors - amounts falling due within one year			
Bank overdrafts		**(797,246)**	(1,606,133)
Trade creditors		**(101,388)**	(105,447)
Other creditors	8	**(5,197,321)**	(3,227,564)
		(6,095,955)	(4,939,144)
Net current liabilities		**(1,553,605)**	(954,131)
Total assets less current liabilities		**8,022,080**	7,889,043
Creditors - amounts falling due after more than one year	9	**(34,171)**	—
Provisions for liabilities	10	**(1,219,297)**	(188,274)
Net assets		**6,768,612**	7,700,769
Capital and reserves			
Called up share capital	11	**759,433**	759,433
Share premium account		**2,918,615**	2,918,615
Revaluation reserve	12	**2,433,560**	1,872,935
Capital redemption reserve		**1,500**	1,500
Profit and loss account	13	**1,791,564**	3,284,346
Shares held by ESOP and treasury shares	14	**(1,136,060)**	(1,136,060)
Equity shareholders' funds		**6,768,612**	7,700,769

The financial statements were approved by the Board of directors and authorised for issue on 13th June 2008. They were signed on its behalf by:

R.J. Wolfe
Director

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable accounting standards. The accounting policies adopted by the Company are consistent with those adopted in prior years.

a) ACCOUNTING CONVENTION

The financial statements have been prepared in accordance with the historical cost convention, modified to incorporate the revaluation of freehold land and buildings.

b) TURNOVER

Turnover is the amount derived from the provision of goods and services falling within the Company's ordinary activities after deduction of trade discounts and value added tax.

c) TANGIBLE FIXED ASSETS AND DEPRECIATION

Freehold land and buildings are stated at year end valuation. All other fixed assets are stated at historical cost less any provision for impairment.

No depreciation is provided on freehold buildings, as, in the directors' opinion, the amount would be immaterial. A review for impairment of freehold buildings is carried out at the end of each reporting period and any impairment is recognised immediately by a charge to the profit and loss account. For all other tangible fixed assets, depreciation is calculated to write down their cost to their estimated residual values, by equal annual instalments, over the period of their estimated useful economic lives which are considered to be:

- Leasehold improvements – the period of the lease
- Fixtures, fittings and office equipment – 4 – 7 years
- Computer equipment – 2 – 5 years
- Motor vehicles – 3 – 4 years

d) LEASES

Assets held under finance leases and hire purchase contracts are recorded in the balance sheet at the fair value of the leased assets at the inception of the leases. The amounts by which the lease payments exceed the recorded lease obligations are treated as finance charges which are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligation. Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the periods of the leases.

e) FIXED ASSET INVESTMENTS

Investments held as fixed assets are stated at cost less provision for impairment.

f) DEFERRED TAXATION

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements arising from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

g) PENSION COSTS

The cost of pensions in respect of the Company's money purchase pension scheme is charged to the profit and loss account as incurred.

h) EMPLOYEE SHARE OWNERSHIP PLAN

The Company operates an ESOP which holds shares in the Company. The Company records the assets and liabilities of the ESOP as its own. In accordance with UITF Abstract 38, own shares held, which include treasury shares, are deducted in arriving at shareholders' funds and are included in a separate negative reserve described as "Shares held by ESOP and treasury shares".

i) DIVIDENDS

A liability is recorded for a final dividend when the dividend is approved by the company's shareholders and for an interim dividend when the dividend is paid.

j) SHARE BASED PAYMENTS

The Company operates executive and employee share schemes. For all grants of share options, the fair value as at the date of grant is calculated using an option pricing model and the corresponding expense is recognised over the vesting period. The expense is recognised as a staff cost and the associated credit entry is made against equity.

j) PROVISIONS

Provisions are recognised for future committed property lease payments when the Group receives no benefit from the property through continuing usage and future receipts from any sub-letting arrangements are not in excess of the Group's future committed payments.

2. (LOSS)/PROFIT FOR THE YEAR

The loss for the year dealt with in the financial statements of the Company was £1,370,136 (2006 - profit of £79,380). The Company has taken advantage of S230 of the Companies Act 1985 and consequently a profit and loss account for the Company alone is not presented.

The auditor's remuneration for all its services to the company was £30,000 (2006 - £39,000).

3. STAFF COSTS

The average monthly number of persons employed by the Company, including executive directors, within each category was:

	Year ended 31st May 2007 Number of Employees	Year ended 31st May 2006 Number of Employees
Management & administration	**11**	12
Production & services	**–**	1
Sales & distribution	**2**	2
	13	15

The costs incurred in respect of these employees were:

	Year ended 31st May 2007 £	Year ended 31st May 2006 £
Wages and salaries	**635,538**	650,010
Share option charge	**10,591**	2,500
Social security costs	**67,679**	86,721
Other pension costs	**33,244**	22,046
	747,052	761,277

Details of directors' remuneration is given in the directors' remuneration report.

4. DIVIDENDS

The directors are not recommending the payment of any dividend for the year (2006 - £133,237 representing 0.95p per share).

5. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Short leasehold improvements £	Fixtures, fittings and equipment £	Motor vehicles £	TOTAL £
COST OR VALUATION					
At 1st June 2006	6,997,800	64,881	1,100,149	23,221	**8,186,051**
Additions	16,575	–	194,206	–	**210,781**
Revaluation	560,625	–	–	–	**560,625**
Disposals	–	–	–	(23,221)	**(23,221)**
At 31st May 2007	7,575,000	64,881	1,294,355	–	**8,934,236**
DEPRECIATION					
At 1st June 2006	–	64,881	1,004,198	23,220	**1,092,299**
Charge for the year	–	–	58,894	–	**58,894**
Disposals	–	–	–	(23,220)	**(23,220)**
At 31st May 2007	–	64,881	1,063,092	–	**1,127,973**
NET BOOK VALUE					
At 31st May 2007	**7,575,000**	**–**	**231,263**	**–**	**7,806,263**
At 31st May 2006	6,997,800	–	95,951	1	**7,093,752**

The directors commissioned a valuation of the Group's two freehold properties as at 31st May 2007 by Daniel Watney, Chartered Surveyors, who are independent valuers and not connected with the Group. The valuation complies with the RICS Appraisal and Valuation Standards issued by the Royal Institution of Chartered Surveyors and was undertaken in accordance with International Valuation Application 1 of the International Valuation Standards. As a result of this work, the property valuations in the accounts have been increased to £1,325,000 for 53 Farringdon Road, London EC1 and to £6,250,000 for 224-232 St John Street, London EC1. The surpluses compared with the amounts standing in the Company accounts have been transferred to the revaluation reserve. Since the year end, the St John Street property has been sold.

If land and buildings had been stated at historical cost then they would have been included at £5,141,440 (2006 - £5,124,865).

Included in fixtures, fittings and equipment are assets on finance leases with a carrying amount as at 31st May 2007 of £83,935 (2006 - £nil).

6. FIXED ASSET INVESTMENTS

Fixed asset investments comprise investments in Group companies. At 31st May 2007 these were stated at a cost of £5,583,488 (2006 - £5,583,488), less provisions for impairment of £3,834,066 (2006 - £3,834,066).

The trading companies in the Group were:

	Percentage of nominal value of issued ordinary shares held at 31st May 2007
Trace Isys Limited	100%
Trace Financial Limited	100%
Trace Solutions Limited	100%
Trace Payroll Services Limited	100%

All of the above companies were incorporated in Great Britain and registered in England and Wales and have their principal operations in England. All of the above trading companies are involved in the provision of computer consultancy services, proprietary software products, computer hardware and a complementary range of other products and services. Details of dormant companies are omitted and a complete list will be attached to the forthcoming annual return.

7. DEBTORS

	31st May 2007 £	31st May 2006 £
Due within one year:		
Trade debtors	**224,316**	214,850
Amounts owed by group undertakings	**503,409**	1,135,286
Other debtors	**265,742**	–
Prepayments & accrued income	**47,499**	81,203
	1,040,966	1,431,339

Debtors due after more than one year comprise deferred tax, made up as follows:

	31st May 2007 £	31st May 2006 £
Depreciation in excess of capital allowances	**25,715**	42,676
Other timing differences	**25,882**	21,463
	51,597	64,139

The deferred tax assets will be recovered against future trading profits.

8. OTHER CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	31st May 2007 £	31st May 2006 £
Amounts owed to group undertakings	**4,057,308**	2,398,076
Other creditors	**114,398**	51,348
Corporation tax	**104,531**	8,142
Other tax and social security	**258,997**	251,601
Accruals and deferred income	**632,797**	518,397
Finance lease liabilities	**29,290**	–
	5,197,321	3,227,564

9. CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	31st May 2007 £	31st May 2006 £
Finance lease liabilities	**34,171**	–

The finance lease liability is payable by equal monthly instalments with the final payment in July 2009.

10. PROVISIONS FOR LIABILITIES

	Subsidiary liabilities £	Onerous lease £	Total £
At 1st June 2006	–	188,274	188,274
Increase in provision	1,033,126	–	1,033,126
Utilisation of provision	–	(2,103)	(2,103)
At 31st May 2007	1,033,126	186,171	1,219,297

The onerous lease provision represents management best estimate of the Group's likely net loss in relation to its lease in respect of premises at Scrutton Street, London EC2, which are not used for operational purposes. The lease expires in December 2008. The subsidiary liabilities represent the bank borrowings of Trace Payroll Services Limited, a wholly owned subsidiary of the Company, which are fully guaranteed by the Company (see note 15).

11. SHARE CAPITAL

	31st May 2007 £	31st May 2006 £
Authorised: 20,000,000 ordinary shares of 5p each	**1,000,000**	1,000,000
Called up, allotted and fully paid: 15,188,661 ordinary shares of 5p each	**759,433**	759,433

12. REVALUATION RESERVE

	£
At 1st June 2006	1,872,935
Revaluation increase on land and buildings	560,625
At 31st May 2007	2,433,560

13. PROFIT AND LOSS ACCOUNT

	£
At 1st June 2006	3,284,346
Loss for the year	(1,370,136)
Dividends paid during the year	(133,237)
Credit to equity for share based payments	10,591
At 31st May 2007	1,791,564

14. OWN SHARES

	ESOP shares £	Treasury shares £	Total £
Balance at 1st June 2006 and 31st May 2007	257,862	878,198	1,136,060

The Company operated an ESOP trust which owned 229,327 shares of 5p each in the Company throughout the year. These were acquired at a cost of £257,862. The market value of these shares as at 31st May 2007 was £347,430 (2006 - £222,447).

During the year ended 31st May 2006, the company acquired 939,846 shares of 5p each for a total consideration of £878,198 and these shares were held as treasury shares. The market value of these shares as at 31st May 2007 was £1,423,867 (2006 - £911,651).

Since the year end, as a result of the acquisition of the Company by Tulip, all of the ESOP shares have been sold and the loan due from the ESOP to the Company has been repaid in full. The gain on the disposal has been applied by the Company to the payment to Group employees of a bonus under the Group annual bonus scheme. In addition, the Company has cancelled all Treasury shares.

15. CONTINGENT LIABILITIES

Each trading company in the Group has entered into a composite cross guarantee in relation to every other company in the Group, such guarantee being in favour of the Group's bankers. At 31st May 2007, the Company had a bank overdraft of £797,246 (2006 - £1,606,133) that was covered by the composite cross guarantee . This overdraft was secured by fixed and floating charges over all of the Company's current and future assets. The Company has recognised a provision for a contingent liability under this cross guarantee at 31st May 2007 of £1,033,126 (2006 - £nil). There was a further unprovided contingent liability under the cross guarantee at 31st May 2007 of £nil (2006 - £418,215).

16. FINANCIAL COMMITMENTS

At 31st May 2007, the Company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings	
	31st May 2007 £	31st May 2006 £
Operating leases which expire:		
- in two to five years	**260,000**	260,000
- in more than five years	**80,500**	80,500
	340,500	340,500

17. PENSION ARRANGEMENTS

The Company operates a defined contribution retirement scheme for all qualifying employees. The scheme is in the form of a group personal pension plan and the assets are held separately from the Company in funds under the control of independent trustees. The total cost charged to income in respect of contributions to the plan at rates specified in the rules of the plan was £33,244 (2006 - £22,046).

18. POST BALANCE SHEET EVENTS

Subsequent to the year end and following a successful bid for the Company's entire issued share capital, Trace was acquired by Tulip Holdings Limited ("Tulip"). Tulip is a newly formed company which was set up with the intention of acquiring Trace. Tulip has one shareholder, Richard Wolfe, the CEO of Trace. Further details on the future direction of the group are given in the CEO's Report.

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