

02950904

Report and Financial Statements 2007

1

CONTENTS

	<i>Page</i>
Directors and advisors	2
Chairman's statement	3
Chief executive's review	4
Financial commentary	7
Directors' report	9
Report of the board on remuneration	15
Statement of directors' responsibilities	19
Independent auditors' report	20
Consolidated income statement	22
Consolidated balance sheet	23
Company balance sheet	24
Statements of changes in equity	25
Consolidated cash flow statement	26
Company cash flow statement	27
Notes to the financial statements	28

FRIDAY



A13

AJTEOQM0

22/06/2007

38

COMPANIES HOUSE

Directors and Advisors

2

Directors

I R Mann	Non Executive Chairman
S D Beart	Chief Executive, Deputy Chairman
T W Good	Group Finance Director
D R T Thompson	Non Executive Director
A M Taylor	Non Executive Director

Financial advisors and stockbrokers

Cenkos Securities plc
6 7 8 Tokenhouse Yard
London EC2R 7AS

Registrars

Capita Registrars Limited
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Bankers

Barclays Bank PLC
1 Churchill Place
London E14 5HP

Solicitors

Osborne Clarke
One London Wall
London EC2Y 5EB

Auditors

Deloitte & Touche LLP
Chartered Accountants
1 Woodborough Road
Nottingham NG1 3FG

Secretary and registered office

T W Good
7th Floor
One Crown Square
Church Street East
Woking
Surrey GU21 6HR

Registered Number 2950904

It is a pleasure to report another year of profit growth and successful strategic development for Revenue Assurance Services plc

Our Revenue Assurance Divisions have made excellent progress in the year, benefiting from clearly distinguished market offerings, a well established brand and revitalised management teams. Our clients can now see the benefit of the growing presence of the Revenue Assurance brand which has been reflected in recent contract gains and renewals

During the year, the Group completed the disposal of the legacy Software Division, the last of the assets planned for disposal. The unit was sold for a gross, maximum consideration of £15 million in late 2006, of which £13 million has been received in cash to date. The transaction represented a highly satisfactory conclusion to the transformation of the Group. The resultant balance sheet strength enabled the funding of the recently completed financial restructuring of the Group, including the beneficial, early redemption of amounts payable in respect of deferred consideration on prior acquisitions.

Another year of strong trading and excellent cashflow, coupled with high interest cover has enabled the Board to give consideration to a substantial increase in the annual dividend. The Board is therefore pleased to confirm dividend forecasts given at the time of our year end trading update and is proposing a final dividend of 1.6p per share, giving a total of 2.0p per share for the full year, an increase of some 67 per cent. The final dividend, if approved, will be paid on 24 August 2007. In future years, the Board currently intends to maintain dividend cover at approximately five times normalised earnings per share, in order to preserve sufficient financial capacity for the cash funding of future acquisitions.

We have entered the new year with a good backlog of activity and the important addition of UMS to the Meter Point Services Division. Trading to date and recently announced contract successes give the Board every confidence for the current year.

I R Mann
Chairman

Revenue Assurance Services plc is the largest provider of revenue assurance and debt management Consultancy services to the Utility industry in the UK. We specialise in services to Energy Utilities.

The Group's origins were in the Gas markets following deregulation in 1998. Recent successes, following increased marketing and the extension of our technology, have led to the rapid broadening of our client base and the start of consultancy services for the Electricity markets.

The Group currently operates through three Divisions. Our Consultancy Division works in partnership with our clients, helping Utilities to identify billing process errors and energy imbalance issues. This leads to process improvement and cash recoveries. In addition, we have two further Divisions providing Collections services and Meter Point services with the same focus on the Utilities industry.

Our clients are continually faced with the challenge of delivering timely and accurate billing to their customers, coupled with the simultaneous challenge of collecting outstanding monies and improving data flows, in a market where high customer churn is now a permanent feature.

To help clients, the Group's three Divisions are able to provide an end to end service from the identification of billing and over charging errors, through to cash collection and the confirmation of meter point data. The Group operates almost exclusively in the Industrial and Commercial ("I&C") markets on behalf of clients. Our involvement in the residential, downstream consumer markets is a small part of the Group.

TRADING

Our Revenue Assurance units performed ahead of expectations during the year, reflecting improved management and increased levels of customer activity. On an underlying basis, turnover from continuing activities increased by some 20 per cent. This impressive level of sales growth reflected good levels of utilisation in the Consultancy Division and the completion of a one off project for a major integrated utility. Our revenue growth translated into Adjusted (see note 5) earnings per share of 10.8p on an undiluted basis, or 10.1p per share on a fully diluted basis. Cash flow was excellent during the year.

Towards the end of the year we were pleased to announce the signing of our first contract for Consultancy services in the Electricity market. This was a significant breakthrough for the Group. We estimate the Electricity market is some four times the size of the Gas market, where we already have good market share. We have also released a separate announcement today confirming a significant new Gas contract with Scottish Power. These important developments and continuing momentum within the three divisions, give us confidence that sales growth will be good in the current year.

MARKETS

The approximate value of annual billings in the energy markets is some £21 billion per annum which varies with energy pricing. The I&C element of this market is some £11 billion, generated by over 2.5 million I&C customers. The sheer scale and complexity of the I&C energy markets, coupled with the effects of deregulation and acquisition activity, have created a highly complex billing and management environment for our clients, compounded by increasing levels of churn.

It is the responsibility of Revenue Assurance Services to provide additional resources to our clients in order to manage these challenges to within acceptable tolerances and to recover outstanding monies for our clients where possible.

Energy pricing has risen substantially in the last two years, requiring a further focus on cost cutting and headcount management by our clients. This has increased demand by clients for the outsourcing of complex billing management as well as in instances where the volumes and complexity represent a challenge to the in-house resources of Utilities.

In addition, energy pricing has increased the level of debts outstanding to Utilities, primarily in the residential markets but also at the lower end of the I&C markets. We have therefore seen increased activity in our Collections Division and we would expect this trend to persist since there is no short to medium term likelihood of energy prices reducing.

CONSULTANCY

The Consultancy Division is the Group's largest division currently representing some 60 per cent of the Group's turnover. The Division employs some of the Group's most highly skilled staff, specialising in the identification and resolution of complex billing issues and imbalances.

Our clients' systems and processes are capable of working to a high level of efficiency and speed and consistently deliver 97-98 per cent accuracy over the billing process. However, material imbalances and errors do arise throughout the entire management, billing and metering process. It is the role of the Consultancy Division to help the in-house client teams to identify these errors and where possible generate the appropriate cash recovery.

The projects we undertake vary widely from identifying over charges and under billing to root cause analysis, market data review, ad-hoc projects designed to audit the efficiency of the clients system and upon request, audit and consultancy on behalf of the industry's regulatory bodies. We rely primarily on the exceptional skills of our Consultancy teams but we also deploy our own specialist software, the majority of which was upgraded during the year in order to improve data base functionality and user efficiency.

COLLECTIONS

Revenue Assurance Services operates two debt collection teams based in the Midlands and the South East. The teams focus principally on outstanding sums that have been owed to our clients for more than six months. The market areas served are exclusively in respect of I&C customers. The route to resolution requires intelligent handling of customers' queries as well as accounting skills. Our teams are therefore relatively specialist and we do not yet operate in the more high volume ends of the collections markets in respect of amounts overdue between 30-180 days.

We believe there is considerable growth potential in the Collections area of the market as energy pricing continues to rise. We will therefore continue our search for acquisitions in this area in order to be able to offer greater capacity to our existing customers.

METER POINT SERVICES

The demand for Meter Point Services continues to grow rapidly, consistent with the outsourcing of non core functions by our clients. This Division has now been rationalised into one core unit based in the North West, a move designed to bring the services nearer to the majority of our customers and to increase skills and efficiencies.

The Meter Point Services Division operates in a high volume data environment and uses an agency field force of some 250 professionals. We provide our clients with accurate updates of meter status, credit status and the information on which to base supply decisions.

The increase in market churn continues to make accurate identification of the correct customer and the correct meter details a considerable challenge for our clients. As a result, volumes are growing in this Division and we are now able to service the majority of the major UK utilities under demanding service level agreements. The acquisition of UMS in March 2007 has brought a strong management team who are now leading the Division's growth.

OUTLOOK

We have successfully managed the implementation of a divisional structure, the delivery of a new brand to the market and management change, at the same time as delivering strong profit growth

We have recently renewed a major Gas consultancy contract, successfully entered the Electricity market as well as starting our first project in the water market and the residential Gas market. We now have substantial trials running with a number of Utilities and the first quarter has witnessed encouraging trading and a new contract with Scottish Power.

We also enjoy very modest levels of gearing, enabling us to consider further, earnings enhancing acquisitions. In the light of our improved management capacity and growing contractual momentum we have every reason to be optimistic in respect of performance for the current year.

Simon Beart
Chief Executive

OVERVIEW

In another positive year of change, the financial performance of the Group has been excellent. The Group has continued to grow turnover and profitability in its core services whilst further strengthening the balance sheet as a result of the sale of the Software Division.

Results

This is the first set of results for the Group as a Revenue Assurance Services provider. Accordingly, the year on year comparisons of statutory results are not meaningful as the Group only established its Revenue Assurance Services Division in August 2005.

Revenue for the year ended 31 March 2007 was £14.6 million, on an annualised basis this is a pleasing 20.3 per cent increase on the prior year.

The strong growth in revenue resulted in an operating profit from continuing operations of £5.6 million and an Adjusted earnings per share (see note 5) of 10.8 pence. The profit for the period from continuing operations after tax and financing costs was £3.3 million. The related basic profit per share was 7.7 pence (2006: 1.8 pence).

Balance Sheet

The Group has significantly strengthened its net asset position during the period from £20.0 million to £34.4 million. The £14.4 million improvement reflected the £8.7 million profit on disposal of the Software Division, whilst £4.8 million was generated, after tax, from the operations of the business.

Cash flow and working capital

In October 2006, the Software Division was sold for a gross consideration of £15 million, before expenses, of which a maximum of £2 million is receivable in the current financial year. In addition, cash generated by the operations of the continuing businesses was £7.32 million, representing 108 per cent (2006: 93 per cent) of Adjusted Operating Profit (see note 5). Debtor days at year end were 33 days (2006: 44 days).

The strong cash flows from operations and the disposal proceeds from the Software Division significantly reduced Group net indebtedness. Net debt now represents approximately 1.3 times Adjusted Operating Profits for the year to March 2007.

Deferred consideration for UBM

In March 2007, the Group negotiated a discount for the early redemption of the deferred consideration payable in respect of the acquisition of UBM. As a result, during the year the Group paid a cash amount of £14 million in settlement of all outstanding cash and loan note obligations. Under the terms of the agreement, the vendor is entitled to a further 2.4 million new ordinary shares which will be issued on 30 September 2007.

Acquisition of Utility Management Services (Hull) Limited ("UMS")

On 28 March 2007 we further strengthened our Meter Point Services offering with the acquisition of UMS. The initial, net consideration of £1.3 million was paid in cash. Further contingent consideration of £1.5 million is payable against profit targets over the next two years.

Banking facilities

Following the disposal of the Software Division and the early redemption of the UBM deferred consideration, the Group successfully negotiated a new £8 million long term facility with Barclays Bank PLC at improved rates. In addition, the Group has also secured a four year revolving facility totalling £6 million in order to finance working capital requirements and small, cash acquisitions.

Taxation

The underlying corporation tax for the Group is now 30 per cent which, following the recent Budget announcement, is anticipated to reduce to 28 per cent in the accounting year 2008/09. The Group was required to pay corporation tax on a quarterly basis for the first time during the year which impacted cash flows and as a result cash tax paid was £2.5 million (2006: £nil).

Dividend

The Board is recommending the payment of a final dividend of 1.6p per share, payable to shareholders on the register as at 27 July 2007 with a payment date of 24 August 2007. The payment of the final dividend, together with the interim dividend in February 2007 of 0.4p per share represents a full year dividend of 2.0p per share, an increase of 67 per cent. The annual dividend is covered 5.5 times by Adjusted earnings per share.

William Good

Group Finance Director

Directors' Report

9

The Directors present their report and the Group's audited financial statements for the year ended 31 March 2007

Principal activity, review of the year and future prospects

The Group's principal activity is the supply of outsourced revenue assurance and debt management services. A review of the business activities of the Group and its future prospects are set out in the Chief Executive's Review on page 4 and the Financial Commentary on page 7

Financial results

The results for the period are shown in full in the income statement and the related notes. The financial statements show a consolidated profit of £13.563 million for the year, after taxation, which has been transferred to reserves. The Directors recommend the payment of a final dividend of 1.6 pence per share, making a total of 2.0 pence per share for the year.

Share capital

The Company has been notified that, in accordance with sections 198 to 208 of the Companies Act 1985, the following ordinary shareholders, not being Directors, had an interest of 3 per cent or more in the issued ordinary share capital of the Company (42,679,721 shares) as at 31 March 2007

	Percentage of issued ordinary share capital	Number of 25p ordinary shares
Robin J Alvarez	16.54%	7,058,824
AXA S A	3.80%	1,622,069

Directors and their interests

The Directors at the year-end are as listed on page 2

I R Mann and D R T Thompson offer themselves for re-election at the forthcoming Annual General Meeting. No Director had any beneficial interest in the shares of any of the subsidiary undertakings of the Company at the balance sheet date. At 31 March 2007, the following Directors had the following beneficial and family interests in the shares of the Company

	As at 31 March 2007 25p ordinary shares	As at 31 March 2006 25p ordinary shares
S D Beart	517,648	517,648
T W Good	161,488	161,488
I R Mann	8,300	8,300
D R T Thompson	5,810	5,810
A M Taylor	20,000	20,000

S D Beart has a further non-beneficial interest in 1,500 ordinary shares

The Directors' interests in rights to acquire shares are disclosed in the Report of the Board on Remuneration on page 18

There have been no changes in the Directors' interests between 31 March 2007 and 12 June 2007. None of the Directors had any interest in any contract or arrangement made by the Company during the year other than those disclosed in note 36

EXECUTIVE DIRECTORS

S D Beart ACA (48) – Chief Executive, Deputy Chairman

Simon Beart qualified as a Chartered Accountant with PricewaterhouseCoopers in 1984. In 1992, he co-founded the fully listed international packaging group Britton Group plc which was subsequently acquired by a listed US Corporation, ACX in 1998 for £250 million. He was appointed Deputy Chairman and Group Finance Director in 1999 and Chief Executive Officer in late 2000. Simon is also a Director of The Throgmorton Trust, a fully listed Investment Trust specialising in small and mid cap growth companies.

T W Good ACMA (42) – Group Finance Director

William Good was appointed Group Finance Director in January 2004. Previously he was Group Finance Director of Retail Decisions Plc, a fully listed software and services Group of which he was a founding Director upon its listing in 2000. From 1996 to 2000 he was Group Financial Controller of Card Clear Plc, from which Retail Decisions was demerged.

NON-EXECUTIVE DIRECTORS

I R Mann (65) – Chairman

Rodney Mann worked at Grand Metropolitan between 1965 and 1995 where he held positions as Managing Director of the Norwich Brewery (1982 to 1985), the Ushers Brewery (1985 to 1989) and Entrepreneur and Tenanted Estates (1991 to 1993). Between 1995 and 1998, he was a Non-executive Director of Shepard Neame and he was Non-executive Chairman of Avebury Group.

D R T Thompson (61)

David Thompson was a founder of Druid Systems Limited in 1987, the company that became Druid Group PLC upon its flotation in 1996 and was Managing Director of Druid Group PLC until January 1998. He is Chairman of Touchstone Group plc and has had over 30 years experience in the IT industry having held senior IT positions with Proctor and Gamble and General Electric.

A M Taylor (58)

Alastair Taylor has had a 30 year career in the IT industry including over 20 years with Unisys Corporation. He was a member of the Executive Board of Unisys Corporation with responsibility for its global Financial Services business. Alastair is also Chairman of Focus Solutions Group plc, an AIM listed software and services company, and UniRisX, a private insurance services company. In addition, Alastair is a partner in Provident Partnership, a private services company, a Non Executive Director of Orbiscom Limited, a credit card solutions provider and until recently was a Non Executive Director of Huntswood CTC Limited, as a representative of 3i.

Property, plant and equipment

Details of changes during the period in the tangible assets of the Group are shown in note 16 to the financial statements.

Close company status

In the opinion of the Directors, the Company is not a close company within the provisions of section 414 of the Income and Corporation Taxes Act 1988.

Directors' and officers' liability insurance

The Group has liability insurance for its Directors and officers as permitted by the Companies Act 1985.

Employees

The Group has a policy of keeping all employees fully informed about its plans and progress. It uses regular meetings, formal presentations and electronic communications wherever possible. The Group operates recruitment and selection procedures and further employment opportunities such as training and development based on an objective assessment of an individual's need and ability regardless of factors such as gender, race, ethnic origin and disability. An employee sharesave scheme was established in the year ended 31 March 2000. Employees have subscribed for approximately 60,000 shares.

Disabled employees

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

Environment

The Group does not handle environmentally hazardous materials. It believes that support for the legitimate aims of the communities in which it works and due care of the environment are proper parts of its business process.

Corporate Governance Statement

Details of the Group's approach to corporate governance are given below. The Company, being listed on AIM, is not required to comply with the requirements of the July 2003 FRC Combined Code but is, however, committed to high standards of corporate governance. The Board is accountable to the shareholders for good governance, and this statement sets out how the July 2003 FRC Combined Code of principles and governance are voluntarily applied to the Group.

The Group has been in compliance with the code except that the Group has no internal audit function, but regards the level and detail of controls and senior management involvement in the units as sufficient, considering the size of the Group and its activities.

Board balance, independence and effectiveness

The Board has maintained an appropriate degree of balance by its composition of a greater number of independent Non-executive Directors (I R Mann, D R T Thompson and A M Taylor). The Board meets on a regular basis throughout the year and monitors current trading performance, budgets and forecasts and strategic options for each division of the Group. To enable them to do this, all Directors have full and timely access to all relevant information.

Relations with shareholders

The Executive Directors make regular presentations to existing and potential institutional shareholders as well as financial analysts in order to enhance an understanding of the Group. The Board is conscious of the importance of a regular dialogue with shareholders. The Group also has a website (www.rasplc.com) containing up-to-date information and product news.

Audit committee

The Board has a formally constituted Audit Committee chaired by I R Mann, which has written terms of reference and comprises all the Non-executive Directors. The Finance Director usually attends and the other Executive Directors have the right to attend. The Audit Committee meets at least twice during the year and monitors the effectiveness of the Group's internal controls, accounting policies and financial reporting. It meets

with the external auditors to discuss any matters arising from their audit visits, and to review any reports, which they might produce. The Chairman of the Audit Committee reports to the Board on the progress of the Audit Committee meetings. Aspects of Risk Management are discussed at the Audit Committee.

Remuneration committee

The Board has a formally constituted Remuneration Committee which has written terms of reference. It comprises all the Non-executive Directors and is chaired by I R Mann. The Chief Executive is an ex officio attendee of the committee meetings but is not required to attend at times when his remuneration is being discussed. It meets at least twice a year to consider the terms of employment of the Executive Directors, senior employees, and to approve proposals for the granting of share options to employees of the Group.

Nominations committee

The Board has a formally constituted Nominations Committee which meets to approve nominations of new Directors to the Board. It also considers succession planning and senior management development. It comprises all the Non-executive Directors and is chaired by I R Mann.

Internal control

The Directors acknowledge that they have overall responsibility for the Group's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and even the most effective system can provide only reasonable, and not absolute, assurance with respect to the preparation of financial information and the safeguarding of assets. The Directors have continued to monitor and review the internal controls in operation during the period under review to ensure that they remain effective. Where any significant weaknesses have been identified, new procedures have been put in place to strengthen controls. The Turnbull report provided further guidance as to how the July 2003 FRC Combined Code principle on internal control should be applied in practice. The contents of this report have been carefully considered by the Board and procedures have been established to implement the guidance. There is an ongoing process for identifying, evaluating, managing and reviewing any changes in the significant risks faced by the business. The key procedures that the Board has established and which are designed to provide effective internal control and risk assessment for the Group include:

- a comprehensive and detailed budgeting system with the annual budget approved by the Board
- regular updates issued throughout the year giving the Board an updated forecast
- monthly reviews by the Board of trends in trading circumstances
- capital expenditure and other authority limits
- approval of hiring of all new employees
- regular reporting of legal and accounting developments to the Board
- review and authorisation of all material sales contracts by Board executives

Going concern

In accordance with the July 2003 FRC Combined Code guidance on going concern and financial reporting, the Directors confirm that, after making enquiries, they have a reasonable expectation that the Company and the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

The Chairman's Statement and Financial Commentary present a balanced and understandable assessment of the Company's position and prospects.

Policy on payment of creditors

The Company and Group do not follow any specified code or standard on payment practice, but endeavour to ensure that payments to suppliers are made in accordance with mutually agreed terms of trade. They then adhere to the terms providing it is satisfied that the supplier has provided the goods or service in compliance with the agreed terms and conditions. The Company trade creditors outstanding at 31 March 2007 were £193,386 (2006: £194,910). Creditor days at the year end stood at 29 days (2006: 24 days).

Enhanced Business Review – Principal Risks and uncertainties

The Directors consider the following risks to be the most material or significant for the management of the business. These issues do not purport to be a complete list or explanation of all the risk factors facing the Group. In particular, the Group's performance may be affected by changes in the market and/or economic conditions and changes in legal, regulatory or tax requirement legislation. Additional risks and uncertainties not presently known by the Group or that the Group currently deems immaterial may also impact the business.

Customers

Certain Group customers generate material business levels for the Group with widely varying levels of margin. The loss of one or more key customers could affect profitability.

Personnel

The Group currently depends upon the expertise and continued service of certain key executives. If the Group fails to retain or attract personnel of a sufficient calibre, this could prejudice the achievement of Group's objectives.

Intellectual Property

The Group uses proprietary software tools to analyse data. Whilst substantial efforts are made to ensure security and stability, the loss or theft of such Intellectual Property could affect the Group's competitive position.

Systems Failures

The successful operation of the Group's business depends on maintaining the integrity and operation of the Group's computer and communication systems. These systems incorporate disaster recovery and resilience planning but are vulnerable to damage or interruption from events which are beyond the control of the Group.

Finance

The Group has long term borrowings and is subject to the performance of acquisitions, further cash commitments to vendors. The Group is dependent upon bank facilities in order to meet financial commitments.

Enhanced Business Review – Review of business

The Chief Executive's Review on page 4 and the Financial Commentary on page 7 provide a balanced and comprehensive analysis of the development and performance of the profitability of the Group during the year and the balance sheet position of the Group at the end of that year.

Management of Financial Risks

The Group is exposed primarily to interest rate risk and credit risk. The Group's policy for the management of interest rate risk is set out within note 20 and the policy for management of credit risk is set out in note 19.

Management of Principal Risks and Uncertainties

The Board of Directors reviews the performance of the Group on a monthly basis with written reports made by the Chief Executive and Group Finance Director. The monthly reports specifically, amongst other reports, detail customer activity, personnel changes and bank covenant forecasts, as well as reporting on the actual performance of the Group against budgets.

Research and Development

Research and development activities are the ongoing modifying and developing of software. £100,000 was spent during the year to 31 March 2007 (2006: £2,416,000), and has been written off as incurred.

Donations

The Group made donations of £10,002 (2006: £4,300) during the year for charitable purposes. The Group made no donations for political purposes (2006: £nil).

Annual General Meeting

The Annual General Meeting will be held on 30 July 2007 at 10.00 a.m. at the offices of Osborne Clarke, One London Wall, London EC2Y 5EB.

Auditors

Each of the persons who was a director at the date of approval of this report confirms that

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Deloitte & Touche LLP has expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

By order of the Board



T W Good
Secretary

12 June 2007

UNAUDITED INFORMATION

As stated in the Corporate Governance Statement on page 11, the Company is not required to comply with the requirements of the July 2003 FRC Combined Code. This report on remuneration is made voluntarily.

Remuneration committee

The Company has established a Remuneration Committee which is constituted in accordance with the recommendations of the July 2003 FRC Combined Code. The members of the Committee are A M Taylor, D R T Thompson and I R Mann who are all Non-executive Directors and the Committee is chaired by I R Mann.

None of the Committee has any personal financial interest (other than as shareholders), conflicts of interests arising from cross-directorships or day-to-day involvement in running the business. The Committee makes recommendations to the Board. No Director plays a part in any discussion about his own remuneration.

Remuneration policy

Executive remuneration packages are prudently designed to attract, motivate and retain Directors of the high calibre needed to maintain the Group's position as a market leader and to reward them for enhancing value to the shareholders. The performance measurement of the Executive Directors and key members of senior management and the determination of their annual remuneration package are undertaken by the Committee. The remuneration of the Non-executive Directors is determined by the Board within limits set out in the Articles of Association.

There are four main elements of the remuneration package for Executive Directors and senior management:

- Basic annual salary (including Directors' fees) and benefits,
- Annual cash bonus payments,
- Share based payments, and
- Pension arrangements.

The Company's policy is that a significant proportion of the remuneration of the Executive Directors should be performance related. Executive Directors are entitled to accept appointments outside the Company provided that the Chairman's permission is sought.

Basic salary

An Executive Director's basic salary is determined by the Committee prior to the beginning of each year and when an individual changes position or responsibility. In deciding appropriate levels, the Committee considers the Group as a whole and takes account of comparable remuneration levels and policies. Basic salaries are reviewed annually. Executive Director's contracts of service which include details of remuneration will be available for inspection at the Annual General Meeting.

In addition to basic salary, the Executive Directors receive certain benefits, principally a car allowance and private healthcare allowance. They do not receive fees in respect of their positions as Directors.

Pension arrangements

The Company contributes payments as a percentage of the Executive Director's basic salary to a pension scheme of his choice. Other than basic salary, no element of remuneration is pensionable.

Long Term Incentive Plan

The Group operates four types of share based incentive scheme, an approved share option scheme, an unapproved share option scheme, a sharesave scheme and a Long Term Incentive Plan (LTIP). The number of shares under option in the share option schemes is 260,000. The maximum number of shares potentially for issue under the terms of the LTIP is 3.38 million.

At the acquisition of UBM, shareholders approved an increase in the maximum potential entitlement of shares under the LTIP to a limit of no more than 12.5 per cent of the ordinary share capital, such amount does not take into account options or rights granted before March 1999. The Committee has currently designated a maximum of 3.38 million nil cost options over new ordinary shares to be issued under the scheme. The exercise of these options is subject to detailed performance criteria including share price growth. Awards under the scheme are contingent and may only be confirmed after the satisfaction of the relevant performance criteria.

Directors' share options

S D Beart holds warrants over 1,000,000 ordinary shares at exercise prices between 95 pence and 120 pence. These warrants are all exercisable. He also has a performance related entitlement to 1,000,000 nil cost ordinary shares under the LTIP, with a potential further 50 per cent uplift under this scheme against share price performance.

T W Good holds unapproved share options over 150,000 ordinary shares at an exercise price of 95 pence. These share options are all exercisable. He also has a performance related entitlement to 600,000 nil cost ordinary shares under the LTIP, with a potential further 50 per cent uplift under this scheme against share price performance.

Directors' service contracts

Each Executive Director's service agreement is terminable by either him or the Company on no more than 12 months written notice. In the event of a change of control of the Group, the Executive Directors are contractually entitled to an immediate payment of liquidated damages, without mitigation, of an amount equivalent to up to two years salary, benefits and estimated bonuses.

The Non-executive Directors have contracts which run for two-year terms, commencing from their date of appointment and are open to annual extension subject to the mutual agreement of the Non-executive Director and the Company.

The details of the Directors' contracts are summarised in the table below.

<u>Executive Directors</u>	<u>Date of contract</u>
S D Beart	27 January 1999
T W Good	12 December 2003
<u>Non-executive Directors:</u>	
D R T Thompson	30 March 1999
I R Mann	24 March 1999
A M Taylor	1 December 2005

Non-executive Directors

The Non-executive Directors have specific terms of engagement and their remuneration is determined by the Board as a whole. Non-executives are paid a fee for their services and are not eligible to join the Company's pension scheme.

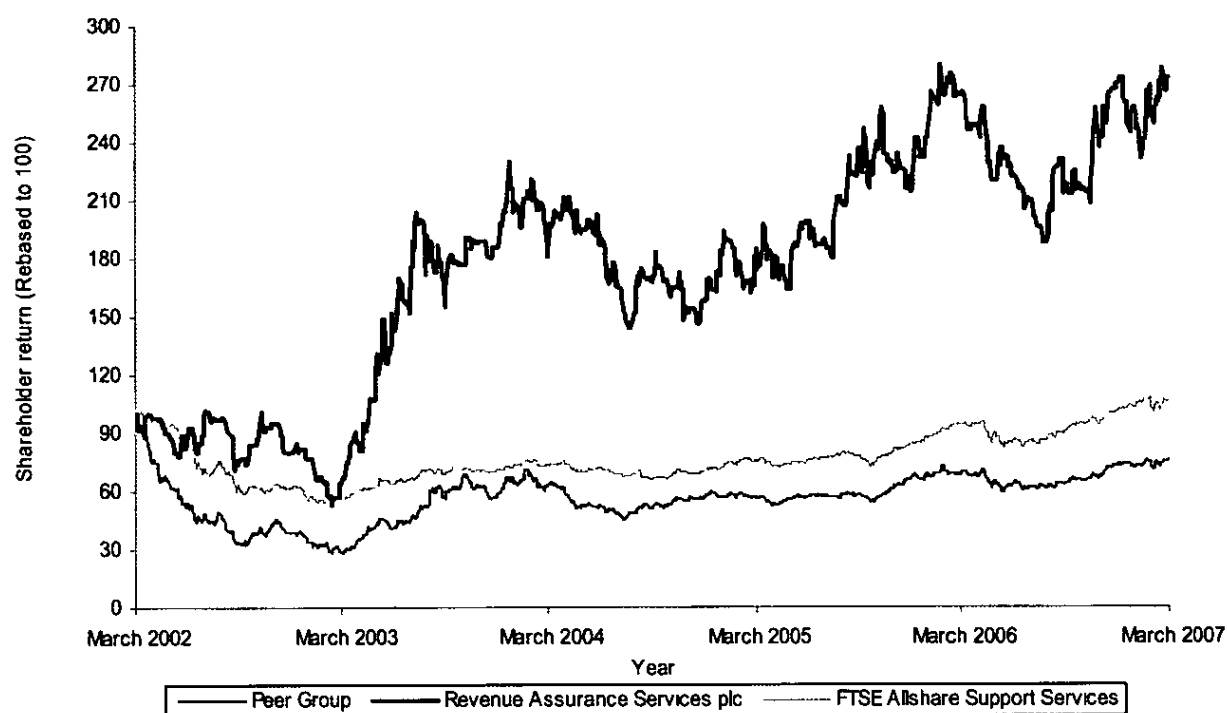
Performance graph

The graph below shows the Company's performance, measured by total shareholder return, compared with the performance of a peer group and by reference to the FTSE Allshare Support Services also measured by total shareholder return for each of the years since flotation in January 1999. The FTSE Allshare Support Services has been selected as, in the opinion of the Directors, it represents the most appropriate equity market index against which the Company should be tracked.

The peer group was chosen to provide a benchmark against other listed companies in the same or comparable sectors. In addition to Revenue Assurance Services plc, the peer group comprises:

- Billing Services
- Connaught
- Intec
- LogicaCMG
- London Scottish
- May Gurney
- Mears
- Serco
- Spice
- Xansa

Graph to show comparison of Revenue Assurance Services plc with Peer Group and the FTSE Allshare Support Services



The mid-market price of the ordinary shares of Revenue Assurance Services plc at 31 March 2007 was 124.0 pence and the range during the year was 85.0 pence to 126.5 pence.

Report of the Board on Remuneration (continued)

18

AUDITED INFORMATION

Directors' emoluments

	Basic Salary £'000s	Benefits £'000s	Pension £'000s	Bonus £'000s	Fees £'000s	31 March 2007 Total £'000s	31 March 2006 Total £'000s
S D Beart	216	10	32	183	—	441	371
T W Good	152	4	17	96	—	269	237
I R Mann	—	—	—	—	45	45	45
D R T Thompson	—	—	—	—	26	26	26
A M Taylor	—	—	—	—	25	25	8
	<u>368</u>	<u>14</u>	<u>49</u>	<u>279</u>	<u>96</u>	<u>806</u>	<u>687</u>

Benefits provided relate to the provision of health care and insurance benefits

There was no exercise of options under the LTIP or directors share option scheme

Directors' pension entitlements

The Executive Directors are members of individual money purchase schemes. No contributions were made by the Group in respect of Non-executive Directors. The contributions made by the Company in respect of money purchase schemes for each of the other Executive Directors were as follows

	Total 2007 £'000s	Total 2006 £'000s
S D Beart	32	27
T W Good	17	20
	<u>49</u>	<u>47</u>

Approved and signed on behalf of the Board

I R Mann
Chairman, Remuneration Committee
12 June 2007

Statement of Directors' Responsibilities

19

The Directors are responsible for preparing the Annual Report and the financial statements. The Directors have elected to prepare financial statements for the Group in accordance with International Financial Reporting standards (IFRS) and have also elected to prepare financial statements for the company in accordance with IFRS. Company law requires the Directors to prepare such financial statements in accordance with IFRS, the Companies Act 1985 and Article 4 of the IAS Regulation.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the company'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. 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, 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 requirements of the Companies Act 1985.

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

Independent Auditors' Report

to the shareholders of Revenue Assurance Services plc

20

We have audited the group and parent company financial statements (the "financial statements") of Revenue Assurance Services plc for the year ended 31 March 2007 which comprise the consolidated income statement, the group and parent company balance sheets, the group and parent company cash flow statements, the group and parent company statements of change in shareholders' equity and the related notes 1 to 36. These financial statements have been prepared under the accounting policies set out therein. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report, the directors' remuneration report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted for use in the European Union 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 described as having been audited in accordance with relevant United Kingdom 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, in accordance with the relevant financial reporting framework, and whether the financial statements and the part of the directors' remuneration report described as having been audited have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We report to you whether in our opinion the information given in the directors' report is consistent with the financial statements. We also 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 the directors' report and the other information contained in the annual report including the unaudited part of the directors' remuneration report and we consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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 described as having been 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 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 described as having been 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 described as having been audited.

Independent Auditors' Report (continued)

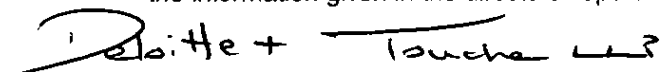
21

to the shareholders of Revenue Assurance Services plc

Opinion

In our opinion

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted for use in the European Union, of the state of the group's affairs as at 31 March 2007 and of its profit for the year then ended,
- the individual company financial statements give a true and fair view, in accordance with IFRSs as adopted for use in the European Union as applied in accordance with the requirements of the Companies Act 1985, of the state of the individual company's affairs as at 31 March 2007, and
- the financial statements and the part of the directors' remuneration report described as having been audited have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation, and
- the information given in the directors' report is consistent with the financial statements



Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

Nottingham

UK

12 June 2007

Consolidated Income Statement

22

For the year ended 31 March 2007

	Notes	Year ended 31 March 2007 £'000s	Year ended 31 March 2006 £'000s
Continuing operations			
Revenue	4	14,578	7,561
Operating profit	6	5,611	2,521
Investment revenues	8	260	120
Finance costs	9	(1,256)	(1,244)
Profit on ordinary activities before taxation		4,615	1,397
Taxation	10	(1,357)	(741)
Profit for the period from continuing operations		3,258	656
Profit for the period from discontinued operations	11	10,305	1,128
Profit for the year attributable to equity shareholders of the parent		13,563	1,784
Earnings per share			
		2007 pence	2006 pence
Basic profit per share		32.1p	5 0p
Basic profit per share – continuing operations		7.7p	1 8p
Basic profit per share – discontinued operations		24.4p	3 2p
Basic profit per share – adjusted*		10.8p	5 6p
Diluted profit per share		30.2p	4 7p
Diluted profit per share – continuing operations		7.3p	1 7p
Diluted profit per share – discontinued operations		22.9p	3 0p
Diluted profit per share – adjusted*		10.1p	5 3p

* Adjusted for acquisition related expenditure, associated deferred taxation and amortisation of share based payments, see note 5 for definitions

The full calculations for EPS, including the calculation of Adjusted EPS before acquisition related expenditure, associated deferred taxation and amortisation of share based payments, are disclosed under note 13

Consolidated Balance Sheet

23

As at 31 March 2007

	Notes	As at 31 March 2007 £'000s	As at 31 March 2006 £'000s
Non current assets			
Goodwill	14	43,426	45,378
Other intangible assets	15	6,067	6,189
Property, plant and equipment	16	115	380
Deferred tax assets	21	48	182
		<u>49,656</u>	<u>52,129</u>
Current assets			
Inventories	18	—	19
Trade and other receivables	19	2,103	6,513
Cash and cash equivalents		848	2,867
		<u>2,951</u>	<u>9,399</u>
Total assets		<u>52,607</u>	<u>61,528</u>
Current liabilities			
Trade and other payables	22	(4,530)	(6,283)
Deferred consideration	23	—	(7,500)
Deferred income		—	(5,633)
Current tax liabilities		(752)	(1,689)
Bank overdrafts and loans	20	(2,000)	(1,375)
Provisions	24	(150)	(244)
		<u>(7,432)</u>	<u>(22,724)</u>
Net current liabilities		<u>(4,481)</u>	<u>(13,325)</u>
Non current liabilities			
Bank loans	20	(7,600)	(10,375)
Deferred consideration	23	(1,366)	(6,584)
Deferred tax liabilities	21	(1,805)	(1,856)
		<u>(10,771)</u>	<u>(18,815)</u>
Total liabilities		<u>(18,203)</u>	<u>(41,539)</u>
Net assets		<u>34,404</u>	<u>19,989</u>
Equity			
Share capital	25	10,670	10,376
Shares to be issued	27	2,819	2,396
Share premium account	26	769	17,956
Retained earnings	28	20,146	(10,739)
Total equity		<u>34,404</u>	<u>19,989</u>



T W Good

Group Finance Director

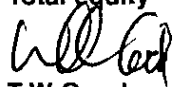
12 June 2007

Company Balance Sheet

As at 31 March 2007

24

	Notes	As at 31 March 2007 £'000s	As at 31 March 2006 £'000s
Non current assets			
Investments	17	50,619	66,186
		<u>50,619</u>	<u>66,186</u>
Current assets			
Trade and other receivables	19	33	1,138
Cash and cash equivalents		—	—
		<u>33</u>	<u>1,138</u>
Total assets		<u>50,652</u>	<u>67,324</u>
Current liabilities			
Trade and other payables	22	(2,137)	(1,261)
Deferred consideration	23	—	(7,500)
Current tax liabilities		(81)	(81)
Bank overdrafts and loans	20	(3,134)	(3,983)
		<u>(5,352)</u>	<u>(12,825)</u>
Net current liabilities		<u>(5,319)</u>	<u>(11,687)</u>
Non current liabilities			
Bank loans	20	(7,600)	(10,375)
Deferred consideration	23	(1,366)	(6,584)
		<u>(8,966)</u>	<u>(16,959)</u>
Total liabilities		<u>(14,318)</u>	<u>(29,784)</u>
Net assets		<u>36,334</u>	<u>37,540</u>
Equity			
Share capital	25	10,670	10,376
Shares to be issued	27	2,819	2,396
Share premium account	26	769	17,956
Retained earnings	28	22,076	6,812
Total equity		<u>36,334</u>	<u>37,540</u>



T W Good
Group Finance Director
12 June 2007

Statements of Changes in Equity

25

For the year ended 31 March 2007

Group

	Share capital £'000s	Share premium £'000s	Shares to be issued £'000s	Distributable reserves £'000s	Total £'000s
Balance at 31 March 2006	10,376	17,956	2,396	(10,739)	19,989
Profit attributable to ordinary shareholders	—	—	—	13,563	13,563
Dividends paid	—	—	—	(571)	(571)
Shares issued	294	706	(1,000)	—	—
Shares to be issued	—	—	1,423	—	1,423
Cancellation of share premium	—	(17,893)	—	17,893	—
Balance at 31 March 2007	10,670	769	2,819	20,146	34,404

Company

	Share capital £'000s	Share premium £'000s	Shares to be issued £'000s	Distributable reserves £'000s	Total £'000s
Balance at 31 March 2006	10,376	17,956	2,396	6,812	37,540
Loss attributable to ordinary shareholders	—	—	—	(10,070)	(10,070)
Dividends received	—	—	—	7,441	7,441
Shares issued	294	706	(1,000)	—	—
Shares to be issued	—	—	1,423	—	1,423
Cancellation of share premium	—	(17,893)	—	17,893	—
Balance at 31 March 2007	10,670	769	2,819	22,076	36,334

Consolidated Cash Flow Statement

26

For the year ended 31 March 2007

	Notes	Year ended 31 March 2007 £'000s	Year ended 31 March 2006 £'000s
Net cash flow from trading activities	31	5,368	4,640
Cash outflows relating to restructuring and property		—	(916)
Net cash from operating activities		5,368	3,724
Investing activities			
Interest received		235	122
Disposal of subsidiary	29	10,590	—
Cash proceeds on disposal of property, plant and equipment		—	26
Cash paid to acquire property, plant and equipment		(66)	(255)
Acquisition of subsidiaries	30	(15,425)	(25,713)
Net cash used in investing activities		(4,666)	(25,820)
Financing activities			
Dividends paid		(571)	(344)
Repayments of borrowings		(11,750)	(3,100)
Repayments of obligations under finance leases		—	(9)
Redemption of preference share capital		—	(300)
Redemption of share options		—	(200)
Proceeds on issue of shares		—	6,745
New bank loans raised		9,600	14,850
Net cash (used in)/from financing activities		(2,721)	17,642
Net decrease in cash in the year		(2,019)	(4,454)
Cash and cash equivalents at the start of the year		2,867	7,321
Cash and cash equivalents at the end of the year		848	2,867

Company Cash Flow Statement

For the year ended 31 March 2007

27

	Notes	Year ended 31 March 2007 £'000s	Year ended 31 March 2006 £'000s
Net cash flow from trading activities	31	510	2,812
Cash outflows relating to restructuring and property		—	(163)
Net cash from operating activities		510	2,649
Investing activities			
Interest received		176	105
Dividends received		8,012	436
Disposal of subsidiary	29	11,199	—
Acquisition of subsidiaries	30	(15,702)	(27,133)
Net cash from/(used in) investing activities		3,685	(26,592)
Financing activities			
Dividends paid		(571)	(344)
Repayments of borrowings		(11,750)	(3,100)
Redemption of preference share capital		—	(300)
Redemption of share options		—	(200)
Proceeds on issue of shares		—	6,745
New bank loans raised		9,600	14,850
Net cash (used in)/from financing activities		(2,721)	17,651
Net increase/(decrease) in cash in the year		1,474	(6,292)
Cash and cash equivalents at the start of the year		(2,608)	3,684
Cash and cash equivalents at the end of the year		(1,134)	(2,608)

Notes to the Financial Statements

28

For the year ended 31 March 2007

1 General information

Revenue Assurance Services plc is a company 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 note 5 and in the Directors' Report on pages 9 to 14.

These financial statements are prepared in pounds sterling as the Group operates solely in the United Kingdom.

At the date of the authorisation of these financial statements, the following International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs) and Interpretations were in issue but not yet effective:

IFRS 7	<i>Financial instruments Disclosures</i> , and the related amendment to IAS1 on capital disclosures
IFRS 8	<i>Operating Segments</i>
IAS 23	<i>Borrowing Costs</i>
IFRIC 8	<i>Scope of IFRS 2</i>
IFRIC 9	<i>Reassessment of Embedded Derivatives</i>
IFRIC 10	<i>Interim Financial Reporting and Impairment</i>
IFRIC 11	<i>IFRS 2 – Group and Treasury Share Transactions</i>
IFRIC 12	<i>Service Concession Arrangements</i>

The Directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the financial statements for the Group and Company except for additional disclosures on financial instruments and operating segments.

2. Significant accounting policies

(1) Basis of accounting

The financial statements have been prepared in accordance with applicable International Financial Reporting Standards. The particular accounting policies adopted are described below.

The financial statements have also been prepared in accordance with IFRS adopted for use in the European Union and comply with Article 4 of the EU IAS Regulation.

The Group elected not to apply IAS 32 "Financial Instruments: Disclosure and Presentation" or IAS 39 "Financial Instruments: Recognition and Measurement" to the comparative information presented and this has therefore not been restated from UK GAAP. There would be no adjustment to the comparatives as a result of compliance. The standards have been applied by the Group from 1 April 2005.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

(2) Basis of consolidation

The consolidated financial statements incorporate the financial statements of Revenue Assurance Services plc and entities controlled by Revenue Assurance Services plc (its subsidiaries) drawn up to 31 March each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of the subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

2. Significant accounting policies (continued)

(2) Basis of consolidation (continued)

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group

All intra-group transactions, balances, income and expenses are eliminated on consolidation

(3) Business Combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate fair values, at the date of exchange, of assets given, and liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date, except for non current assets (or disposal groups) that are classified as held for resale in accordance with IFRS 5 Non Current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell. Deferred consideration is discounted to reflect the present value of the future expenditure with the discount amortised to the income statement over the period of deferment.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

(4) Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying value of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date and will no longer be amortised. Goodwill written off to reserves under UK GAAP prior to 1998 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

Goodwill arising on immaterial acquisitions is written off as incurred.

2. Significant accounting policies (continued)

(5) Other intangible assets

Other intangible assets arising on acquisitions are recognised at their fair value at the date of acquisition. Each asset is assessed on acquisition and amortisation is charged so as to write off the cost of the assets over their estimated useful economic lives, using the straight line method, on the following bases:

Customer relationships	1 – 10 years
Proprietary software	1 – 10 years
Databases	1 – 10 years

(6) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes. Revenue from systems sales is recognised upon delivery to and acceptance by a customer, when there are no significant vendor obligations remaining and the collection of the resulting receivable is considered probable. In instances where a significant vendor obligation exists, revenue recognition is delayed until the obligation has been satisfied. Service revenues comprise revenues for maintenance, transaction processing and professional services. Maintenance and support contracts are recognised evenly over the period of the contract. Electronic data interchange and remote processing services are recognised monthly as the work is performed. Professional services, such as implementation, training and consultancy, are recognised when the services are performed.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate at that exactly discounts estimated future cash receipts thorough the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

(7) Leasing

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

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see below).

Rentals payable under operating lease are charged to income on a straight line basis over the term of the relevant lease.

Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight line basis over the lease term.

2. Significant accounting policies (continued)

(8) Foreign currencies

Assets and liabilities denominated in foreign currencies are converted at the rates of exchange ruling at the balance sheet date or at rates specified in related forward contracts. Transactions in foreign currencies are converted at the rate ruling at the date of each transaction or at rates specified in related forward contracts. Exchange differences are included in operating profit where they related to trading transactions and are taken directly to reserves where they related to overseas investments.

(9) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the costs of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the profit or loss in the period in which they are incurred.

(10) Operating profit

Operating profit is stated after charging restructuring costs but before investment income and finance costs.

(11) Retirement benefit costs

Payments to defined benefit contribution retirement benefit schemes are charged as an expense as they fall due. Payments made to state managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

(12) Taxation

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

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items of income or expense that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying value of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Notes to the Financial Statements (continued)

32

For the year ended 31 March 2007

2. Significant accounting policies (continued)

(12) Taxation (continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates and interests in joint ventures, except 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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis

(13) Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes are stated in the balance sheet at their historic cost, less any subsequent depreciation and subsequent accumulated impairment losses

Fixtures and fittings are stated at cost less accumulated depreciation and any recognised impairment loss

Depreciation is charged so as to write off the cost or valuation of assets over their useful estimated lives, using the straight line method, on the following bases

Computer equipment and software	2 to 3 years
Motor vehicles	4 years
Fixtures, fittings and office equipment	1 to 3 years
Leasehold premises	over the length of the lease
Leasehold improvements	over the expected useful life

Assets held under finance lease 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 in income

(14) Internally generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred

An internally generated intangible asset arising from the Group's Sapphire development is recognised if and only if all of the following conditions are met

- An asset is created that can be identified (such as software and new processes)
- It is probable that the asset created will generate future economic benefits, and
- The development cost of the asset can be reliably measured

2. Significant accounting policies (continued)

(14) Internally generated intangible assets – research and development expenditure (continued)

Internally generated intangible assets are amortised on a straight line basis over their useful lives. Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

(15) Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from the other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of the asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(16) Inventories

Raw materials and consumables for immediate resale are stated at the lower of cost and net realisable value. Cost comprises 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 first in first out method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Engineering maintenance stocks are amortised immediately.

(17) Trade receivables

Trade receivables are recognised and measured at their original invoiced amount less provision for any uncollectible amounts. An estimate for doubtful debts is made when the collection of the full amount is no longer probable. Bad debts are written off to the income statement when they are identified.

2 Significant accounting policies (continued)

(18) Cash and cash equivalents

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 insignificant risk of changes in value

(19) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material

(20) Share-based payments

The Group has applied the requirements of IFRS 2 "Share-based Payments". In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that had not vested at 1 April 2004.

The Group issues equity-settled and cash settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of grant. The fair value determined at the grant date of equity-settled share-based payments is expensed on a straight line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Fair value is measured using the Black-Scholes model.

3. Critical accounting judgements and key sources of estimation uncertainty

Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, which are described in note 2, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those dealing with estimations, which are dealt with below).

Recognition of intangible assets on acquisition

Other intangible assets arising on acquisitions are recognised at their fair value at the date of acquisition under the Group accounting policy. In making its judgement of the appropriate fair value to be assigned, management has considered the number of customers, the contractual relationship and an estimated cost of developing the know-how, processes and proprietary software.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash generating units and a suitable discount rate in order to calculate the present value. The carrying amount of goodwill at the Group's balance sheet date was £43.4 million (2006: £45.4 million) after an impairment loss of £nil (2006: £nil). Details of the impairment review are provided in note 14.

Notes to the Financial Statements (continued)

35

For the year ended 31 March 2007

3. Critical accounting judgements and key sources of estimation uncertainty (continued)

Amortisation of intangible assets

Amortisation is charged so as to write off the cost of other intangible assets over their estimated useful economic lives. In determining the relevant useful economic lives management have given consideration to the length of time over which the assets will continue to contribute to the business.

Valuation of deferred consideration

Deferred consideration arising on acquisitions is recognised in the financial statements to the extent that management consider it probable that payment will be due. This determination requires an estimation of the future performance of the acquired entities.

4. Revenue

An analysis of the Group's revenue is as follows

	2007 £'000s	2006 £'000s
Continuing operations		
Provision of revenue assurance services	14,578	7,561
Investment income	260	120
	14,838	7,681
Discontinued operations – provision of services	7,872	20,079
Total	22,710	27,760

5. Segmental Analysis

Business segments

Following the disposal of the Software and Services Division the Group has only one principal activity being the provision of revenue assurance services.

Discontinued operations

Discontinued operations relate to the Software and Services Division which was sold on 13 October 2006. The principal activity of the Division was the sale of software products and related services. In the period to 13 October 2006 the Division recorded an operating profit and profit before tax of £1,449,000. The retained profit for the period was £1,589,000 after a tax credit of £140,000.

Notes to the Financial Statements (continued)

36

For the year ended 31 March 2007

5. Segmental Analysis (continued) 31 March 2007

	Continuing Revenue Assurance £'000s	Accounting Eliminations £'000s	Software Services £'000s	Discontinued Operations £'000s	Consolidated £'000s
REVENUE					
External sales	14,578	—	7,872	(7,872)	14,578
Inter-segmental sales	—	—	122	(122)	—
Total revenue	<u>14,578</u>	<u>—</u>	<u>7,994</u>	<u>(7,994)</u>	<u>14,578</u>
SEGMENT RESULT					
Operating profit/(loss)	<u>5,611</u>	<u>—</u>	<u>1,449</u>	<u>(1,449)</u>	<u>5,611</u>
Investment revenues – bank interest					260
Finance costs – interest on bank loans and overdrafts					(509)
Finance costs – interest due on loan notes					(285)
Finance costs – acquisition related fees					(46)
Finance costs – amortisation of discount applied to deferred consideration					(416)
Profit before tax					<u>4,615</u>
Tax					(1,357)
Profit for the period from discontinued operations					<u>10,305</u>
Profit after tax					<u>13,563</u>
OTHER INFORMATION					
Capital expenditure	33	—	33	(33)	33
Goodwill	2,767	—	—	—	2,767
Other intangible assets	<u>600</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>600</u>
Depreciation and amortisation	<u>772</u>	<u>—</u>	<u>34</u>	<u>(34)</u>	<u>772</u>
BALANCE SHEET					
ASSETS					
Segment assets	<u>53,685</u>	<u>(1,126)</u>	<u>—</u>	<u>—</u>	<u>52,559</u>
Unallocated corporate assets					48
Consolidated total assets					<u>52,607</u>
LIABILITIES					
Segment liabilities	<u>(15,646)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(15,646)</u>
Unallocated corporate liabilities					(2,557)
Consolidated total liabilities					<u>(18,203)</u>

Notes to the Financial Statements (continued)

37

For the year ended 31 March 2007

5 Segmental Analysis (continued) 31 March 2006

	Continuing Revenue Assurance £'000s	Accounting Eliminations £'000s	Software Services £'000s	Discontinued Operations £'000s	Consolidated £'000s
REVENUE					
External sales	7,561	—	20,079	(20,079)	7,561
Inter-segmental sales	—	—	774	(774)	—
Total revenue	<u>7,561</u>	<u>—</u>	<u>20,853</u>	<u>(20,853)</u>	<u>7,561</u>
SEGMENT RESULT					
Operating profit	<u>1,831</u>	<u>690</u>	<u>1,085</u>	<u>(1,085)</u>	<u>2,521</u>
Investment revenues – bank interest					120
Finance costs – interest on bank loans and overdrafts					(435)
Finance costs – acquisition related fees					(315)
Finance costs – amortisation of discount applied to deferred consideration					(494)
Profit before tax					1,397
Tax					(741)
Profit for the period from discontinued operations					1,128
Profit after tax and discontinued operations					<u>1,784</u>
OTHER INFORMATION					
Capital expenditure	8	—	247	(247)	8
Goodwill	40,699	—	—	—	40,699
Other intangible assets	<u>6,600</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>6,600</u>
Depreciation and amortisation	<u>443</u>	<u>—</u>	<u>991</u>	<u>(991)</u>	<u>443</u>
BALANCE SHEET					
ASSETS					
Segment assets	<u>51,224</u>	<u>—</u>	<u>10,122</u>	<u>—</u>	<u>61,346</u>
Unallocated corporate assets					199
Consolidated total assets					<u>61,545</u>
LIABILITIES					
Segment liabilities	<u>(29,947)</u>	<u>1,145</u>	<u>(9,192)</u>	<u>—</u>	<u>(37,994)</u>
Unallocated corporate liabilities					(3,562)
Consolidated total liabilities					<u>(41,556)</u>

Notes to the Financial Statements (continued)

38

For the year ended 31 March 2007

5. Segmental Analysis (continued)

Geographical segments

The Group's operations and assets were all located in the UK for the periods reflected in these financial statements

All sales and expenditure to acquire assets took place in the UK for the periods reflected in these financial statements

Acquisition related expenditure

Acquisition related expenditure relates to the amortisation applied to other intangible assets, banking fees incurred upon acquisition of other businesses and amortisation of discounts applied to deferred consideration

Adjusted operating profit

	2007 £'000s	2006 £'000s
Operating profit	5,611	2,521
Amortisation of other intangible assets	722	411
Amortisation of share based payments	423	258
Adjusted operating profit	<u>6,756</u>	<u>3,190</u>

Notes to the Financial Statements (continued)

39

For the year ended 31 March 2007

6. Operating profit

Operating profit has been arrived at after charging

	2007 £'000s	2006 £'000s
Research and development costs	100	2,416
Depreciation of property, plant and equipment	86	156
Amortisation of other intangible fixed assets	722	1,278
Cost of inventories recognised as an expense	—	1,593
Staff costs (see note 7)	8,601	13,383

The analysis of auditors' remuneration is as follows

	2007 £'000s	2006 £'000s
Fees payable to the company's auditors for the audit of the company's annual accounts	17	50
Fees payable to the company's auditors and their associates for other services to the group		
— The audit of the company's subsidiaries pursuant to legislation	23	45
<i>Total audit fees</i>	<u>40</u>	<u>95</u>
	2007 £'000s	2006 £'000s
— Other services pursuant to legislation	5	—
— Tax services	144	14
— Other services	—	424
<i>Total non-audit fees</i>	<u>149</u>	<u>438</u>

Fees payable to Deloitte & Touche LLP and their associates for non-audit services to the company are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis

Notes to the Financial Statements (continued)

40

For the year ended 31 March 2007

7. Staff costs

The average monthly number of employees (including Executive Directors) was

	Group		Company	
	2007 Number	2006 Number	2007 Number	2006 Number
Software and Services	82	227	—	—
Revenue Assurance	80	37	—	—
Group	9	7	9	7
	<u>171</u>	<u>271</u>	<u>9</u>	<u>7</u>

Their aggregate remuneration comprised

	Group		Company	
	2007 £'000s	2006 £'000s	2007 £'000s	2006 £'000s
Wages and salaries	7,577	11,784	1,046	1,025
Social security costs	823	1,288	131	137
Other pension costs	201	311	88	82
	<u>8,601</u>	<u>13,383</u>	<u>1,265</u>	<u>1,244</u>

The remuneration of the Directors has been disclosed within the Report of the Board on Remuneration on page 18

8. Investment revenue

	2007 £'000s	2006 £'000s
Interest on bank deposits	<u>260</u>	<u>120</u>

9. Finance costs

	2007 £'000s	2006 £'000s
Interest on bank overdrafts and loans	509	435
Interest on loan notes	285	—
Acquisition related transaction fees	46	315
Amortisation of discount applied to deferred consideration	416	494
	<u>1,256</u>	<u>1,244</u>

10. Tax

	Continuing operations		Discontinued operations		Total	
	2007 £'000s	2006 £'000s	2007 £'000s	2006 £'000s	2007 £'000s	2006 £'000s
Current tax	1,653	875	(140)	(10)	1,513	865
Deferred tax	(296)	(134)	—	(33)	(296)	(167)
	<u>1,357</u>	<u>741</u>	<u>(140)</u>	<u>(43)</u>	<u>1,217</u>	<u>698</u>

Notes to the Financial Statements (continued)

41

For the year ended 31 March 2007

10 Tax (continued)

Corporation tax is calculated at 30 per cent (2006 30 per cent) of the estimated assessable profit for the year. The future tax charge is expected to reduce to 28 per cent following the recent Budget announcement, which is expected to be substantively enacted.

Of the charge to current tax, approximately £140,000 credit (2006 £nil) related to profits arising in the Software and Services Division, which was sold during 2007. We expect that no tax charge or credit will arise on the disposal of the relevant subsidiary.

The total charge for the year can be reconciled to the profit per the income statement as follows:

	2007 £'000s	2006 £'000s
Profit before tax		
Continuing operations	4,615	1,397
Discontinued operations	1,449	1,085
	<u>6,064</u>	<u>2,482</u>
Tax at the UK corporation tax rate of 30% (2006 30%)	1,819	745
Tax effect of expenses that are not deductible in determining taxable profit	47	204
Profits taxed at lower rate	(7)	
Capital allowances in excess of depreciation	7	(60)
Movement in short term timing differences	222	464
Tax effect of utilisation of tax losses not previously recognised	(435)	(539)
Unrelieved tax losses carried forward	—	82
Adjustment in respect of previous periods	(140)	(10)
Expenses relieved in previous period	—	(21)
Current corporation tax charge for the period	1,513	865
Temporary timing differences	(296)	(167)
	<u>1,217</u>	<u>698</u>

11. Discontinued Operations

On 13 October 2006, the Group announced the sale of the Software and Services Division. The disposal was completed on the same date. The results of the discontinued operations which have been included in the consolidated income statement were as follows:

	31 March 2007 £'000s	31 March 2006 £'000s
Revenue	7,872	20,079
Expenses	(6,423)	(18,994)
Profit before tax	1,449	1,085
Attributable tax credit	140	43
Profit on disposal of discontinued operations	1,589	1,128
Attributable tax expense	—	—
Net profit attributable to discontinued operations	<u>1,589</u>	<u>1,128</u>

Notes to the Financial Statements (continued)

42

For the year ended 31 March 2007

A profit of £8,716,000 arose on the disposal of the Software and Services Division, being the proceeds of disposal less the carrying amount of the subsidiary's net assets and attributable goodwill

The effect of discontinued operations on segment results is disclosed in note 5

We expect that no tax charge or credit will arise on the disposal

12 Dividends

	2007 £'000s	2006 £'000s
Amounts recognised as distributions to equity holders in the period		
Final dividend for the year ended 31 March 2006 of 0.9375p (2005 0.85p) per share	400	235
Interim dividend for the year ended 31 March 2007 of 0.4p (2006 0.2625p) per share	171	109
	<u>571</u>	<u>344</u>
Proposed final dividend for the year ended 31 March 2007 of 1.6p (2006 0.9375p) per share	683	389

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements

No income tax charge or credit has arisen in the Group in respect of these dividends

13 Earnings per share

From continuing and discontinued operations

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

Earnings	2007 £'000s	2006 £'000s
Earnings for the purpose of basic earnings per share being net profit attributable to equity holders of the parent	13,563	1,784
Add back		
Amortisation of share based payments	423	258
Amortisation of other intangible assets	722	411
Acquisition related deferred taxation	(296)	(124)
Amortisation of discount applied to deferred consideration	416	494
Acquisition related finance costs	46	315
Profit for the period from discontinued operations	(10,305)	(1,128)
Earnings for the purpose of adjusted earnings per share	<u>4,569</u>	<u>2,010</u>
Number of shares	2007 Number	2006 Number
Weighted average number of ordinary shares for the purposes of basic earnings per share	42,189,525	35,697,010
Effect of dilutive potential ordinary shares		
Share options, warrants and contingent shares	<u>2,671,589</u>	<u>2,385,277</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>44,861,114</u>	<u>38,082,287</u>

Notes to the Financial Statements (continued)

43

For the year ended 31 March 2007

13. Earnings per share (continued)

From continuing operations	2007 £'000s	2006 £'000s
Net profit attributable to equity holder of the parent	13,563	1,784
Adjustments to exclude profit for the period from discontinued operations	(10,305)	(1,128)
Earnings from continuing operations for the purpose of basic earnings per share excluding discontinued operations	3,258	656
Earnings from continuing operations for the purpose of diluted earnings per share excluding discontinued operations	3,258	656

The denominators used are the same as those detailed above for both basic and diluted earnings per share from continuing and discontinued operations

From discontinued operations	2007 pence	2006 pence
Basic	24.4p	3 2p
Diluted	22 9p	3 0p

14. Goodwill

	Goodwill £'000s
Cost	
As at 1 April 2005	4,679
Acquisition of subsidiaries	40,699
As at 1 April 2006	45,378
Acquisition of subsidiaries	2,789
Disposal of subsidiaries	(4,741)
As at 31 March 2007	43,426
Accumulated impairment losses	
As at 1 April 2005, 1 April 2006 and 31 March 2007	—
Net book value	
At 31 March 2007	43,426
At 31 March 2006	45,378

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill has been allocated as follows

	2007 £'000s	2006 £'000s
Software Services	—	4,679
Revenue Assurance	43,426	40,699
	43,426	45,378

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired

Notes to the Financial Statements (continued)

44

For the year ended 31 March 2007

14. Goodwill (continued)

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount and growth rates during the period. The directors estimate discount rates using pre-tax rates that reflect current market assessment of the time value of money. The growth rates are based on the estimated growth forecasts for each CGU and are referenced to the underlying budget growth for the following period. In this financial period growth rates used ranged from 3.0 per cent to 12.0 per cent. The Group prepares cash flow forecasts derived from the most recent financial budgets and extrapolates these forecasts for five years based on the estimated growth rate applicable to the CGU.

This extrapolated five year cash flow together with an estimated terminal sales value of the CGU is then discounted at 1 per cent over base rate to its present value. This value is subsequently compared to the carrying value of the CGU.

No impairment of any CGU is required in 2007.

The Company had no goodwill at 31 March 2007 (2006: £nil).

15. Other intangible assets Group

	Customer relationships, databases and proprietary software £'000s
Cost	
As at 1 April 2005	1,800
Acquired on acquisition of subsidiaries	6,600
As at 1 April 2006	8,400
Acquired on acquisition of subsidiaries	600
Disposals	(1,800)
As at 31 March 2007	7,200
Amortisation	
As at 1 April 2005	933
Charge for the period	1,278
As at 1 April 2006	2,211
Charge for the period	722
Disposals	(1,800)
As at 31 March 2007	1,133
Carrying amount	
At 31 March 2007	6,067
At 31 March 2006	6,189

The amortisation period for customer relationships, databases and proprietary software is between 1 and 10 years.

The Group tests annually for impairment as detailed in note 14. No impairment is required in 2007.

The Company had no other intangible assets at 31 March 2007 (2006: £nil).

Notes to the Financial Statements (continued)

45

For the year ended 31 March 2007

16 Property, plant and equipment Group

	Leasehold Premises and Improvements £'000s	Fixtures, Fittings and Equipment £'000s	Motor Vehicles £'000s	Total £'000s
Cost				
As at 1 April 2005	53	970	53	1,076
Acquisition of subsidiaries	—	273	—	273
Additions	135	89	31	255
Disposals	—	(191)	(59)	(250)
As at 1 April 2006	188	1,141	25	1,354
Disposal of subsidiaries	(67)	(725)	(25)	(817)
Additions	18	48	—	66
Disposals	(139)	(150)	—	(289)
As at 31 March 2007	—	314	—	314
Accumulated depreciation				
As at 1 April 2005	43	853	39	935
Acquisition of subsidiaries	—	113	—	113
Charge for the period	8	138	10	156
Disposals	—	(191)	(39)	(230)
As at 1 April 2006	51	913	10	974
Disposal of subsidiaries	(18)	(639)	(12)	(669)
Charge for the period	8	76	2	86
Disposals	(41)	(151)	—	(192)
As at 31 March 2007	—	199	—	199
Carrying amount				
At 31 March 2007	—	115	—	115
At 31 March 2006	137	228	15	380

The Company had no tangible assets at 31 March 2007 (2006 £nil)

Notes to the Financial Statements (continued)

46

For the year ended 31 March 2007

17. Investments in subsidiaries

Fair value	Company	
	2007 £'000s	2006 £'000s
At start of the period	66,186	14,313
Adjustments in respect of deferred consideration for prior acquisitions	(543)	—
Acquisition of subsidiaries (see note 30)	4,180	46,982
On disposal of subsidiaries (see note 29)	(19,204)	—
Additional shares in existing subsidiaries	—	11,121
Impairment of investments	—	(6,230)
At end of the period	50,619	66,186

The Group's principal trading subsidiaries, which have been consolidated, are

Name	Country of Incorporation	Share class held	% held
Revenue Assurance Consulting Limited (formerly UBM Limited)	England & Wales	Ordinary	100
Powerdebt Limited	England & Wales	Ordinary	100
Utility Management Services (Hull) Limited	England & Wales	Ordinary	100

18. Inventories

	Group	
	2007 £'000s	2006 £'000s
Finished goods	—	19

19. Other financial assets

Trade and other receivables

	Group		Company	
	2007 £'000s	2006 £'000s	2007 £'000s	2006 £'000s
Trade receivables	1,583	4,728	—	—
Prepayments	108	1,561	33	140
Monies held on behalf of clients	412	224	—	—
Amounts owed by Group undertakings	—	—	—	998
	2,103	6,513	33	1,138

The average credit period taken on sales of goods is 33 days. The Group reserves the right to charge interest on receivables outside of their interest terms. An allowance has been made for the estimated irrecoverable amounts from the sale of goods and services of £86,000 (2006 £321,000). This allowance has been determined by reference to past default experience.

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

Notes to the Financial Statements (continued)

47

For the year ended 31 March 2007

19. Other financial assets (continued)

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets 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.

The credit risk on liquid funds and derivative financial instruments 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. Bank overdrafts and loans

	Group		Company	
	2007 £'000s	2006 £'000s	2007 £'000s	2006 £'000s
Bank overdrafts	—	—	1,134	2,608
Bank loans	9,600	11,750	9,600	11,750
	<u>9,600</u>	<u>11,750</u>	<u>10,734</u>	<u>14,358</u>

The borrowings are repayable as follows:

On demand or within one year	2,000	1,375	3,134	3,983
In the second year	2,000	2,625	2,000	2,625
In the third to fifth years inclusive	5,600	7,750	5,600	7,750
After five years	—	—	—	—
	<u>9,600</u>	<u>11,750</u>	<u>10,734</u>	<u>14,358</u>

Less: Amount due for settlement within 12 months (shown under current liabilities)

	<u>(2,000)</u>	<u>(1,375)</u>	<u>(3,134)</u>	<u>(3,983)</u>
Amount due for settlement after 12 months	<u>7,600</u>	<u>10,375</u>	<u>7,600</u>	<u>10,375</u>

The weighted average interest rates paid were as follows:

	Group		Company	
	2007 %	2006 %	2007 %	2006 %
Bank overdrafts	nil	nil	nil	nil
Bank loans	6.26	6.13	6.26	6.13

Notes to the Financial Statements (continued)

48

For the year ended 31 March 2007

20 Bank overdrafts and loans (continued)

The directors estimate the fair value of the Group's borrowings as follows

	Group		Company	
	2007 £'000s	2006 £'000s	2007 £'000s	2006 £'000s
Bank overdrafts	—	—	1,134	2,608
Bank loans	9,600	11,750	9,600	11,750

The other principal features of the Group's borrowings are as follows

- (i) A banking agreement is in place allowing the offset of the various Group bank accounts. As a result of this and the net positive balances throughout the year no overdraft interest was due.
- (ii) The Group had a term loan facility of £8,000,000 at the year end (2006 £11,750,000). The loan was taken out on 21 March 2007. Repayments will commence on 30 June 2007 and will continue until 31 March 2011. The loan is secured by a charge over certain of the Group's assets. The loan carries interest at 1.25 per cent above LIBOR plus margin.
- (iii) The Group had an acquisition related facility of £1,600,000 at the year end (2006 £nil). The loan was taken out on 28 March 2007 and is to be repaid on 28 June 2007. The loan is secured by a charge over certain of the Group's assets. The loan carries interest at 1.25 per cent above LIBOR plus margin.
- (iv) The Group banking facilities are secured by a fixed and floating charge over the assets of the Group.

At 31 March 2007, the Group had available £4.4 million (2006 £3 million) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

On 23 May 2007, the Group established an Interest Rate Swap Protection agreement with Barclays Bank PLC covering £6 million of the loan facilities for 5 years at a variable interest rate with a maximum LIBOR exposure of 6.50 per cent.

It is the Group's Policy to review its exposure to adverse interest rate movements on a regular basis and, if appropriate, to take certain steps to minimise the risk from excessive changes by entering appropriate hedging agreements. Currently the Group has limited its financial risks by hedging 57 per cent of its potential interest rate exposure at a maximum of 6.50 per cent LIBOR.

Analysis of net debt

	At 31 March 2006 £'000s	Cash Flow £'000s	At 31 March 2007 £'000s
Cash in hand and at bank	2,867	(2,019)	848
Debt due within 1 year	(1,375)	(625)	(2,000)
Debt due after 1 year	(10,375)	2,775	(7,600)
Total (debt)/cash	(8,883)	131	(8,752)

Notes to the Financial Statements (continued)

49

For the year ended 31 March 2007

21. Deferred Tax Assets/(Liabilities)

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

Group	Other timing issues £'000s	Accelerated tax depreciation £'000s	Deferred tax on other intangible assets £'000s	Share based payment £'000s	Tax losses £'000s	Total £'000s
At 1 April 2005	31	252	(239)	—	119	163
Credit/(charge) to income	17	(94)	363	—	(119)	167
Acquisition of subsidiary	—	(24)	(1,980)	—	—	(2,004)
At 1 April 2006	48	134	(1,856)	—	—	(1,674)
Credit/(charge) to income	54	7	234	—	—	295
Acquisition of subsidiary	—	(3)	(180)	—	—	(183)
Disposal of subsidiary	(45)	(150)	—	—	—	(195)
At 31 March 2007	<u>57</u>	<u>(12)</u>	<u>(1,802)</u>	<u>—</u>	<u>—</u>	<u>(1,757)</u>

Company	Accelerated tax depreciation £'000s	Deferred tax on other intangible assets £'000s	Share based payment £'000s	Tax losses £'000s	Total £'000s
At 1 April 2005, 1 April 2006 and 31 March 2007	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

At the balance sheet date the Group has unused tax losses of £1,812,000 (2006 £4,511,000) available for offset against future profits. A deferred tax asset has been recognised in respect of £nil (2006 £nil) such losses. No deferred tax asset has been recognised in respect of the remaining £1,812,000 (2006 £4,511,000) due to the unpredictability of future offset against profits. All losses may be carried forward indefinitely.

22. Other financial liabilities Trade and other payables

	Group		Company	
	2007 £'000s	2006 £'000s	2007 £'000s	2006 £'000s
Trade creditors and accruals	3,258	4,620	1,874	1,088
Monies held on behalf of clients	412	224	—	—
Amounts owed to Group undertakings	—	—	—	128
Other taxes and social security	860	1,439	263	45
	<u>4,530</u>	<u>6,283</u>	<u>2,137</u>	<u>1,261</u>

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 20 days. The directors consider that the carrying amount of trade payables approximates to their fair value.

Notes to the Financial Statements (continued)

50

For the year ended 31 March 2007

23 Deferred consideration Group and Company

	Deferred Consideration £'000s
At 1 April 2006	14,084
Paid (see note 30)	(13,957)
Reduction in amount due	(543)
Arising on acquisition of subsidiaries (see note 30)	1,366
Amortisation of discount applied	416
At 31 March 2007	<u>1,366</u>
Included in current liabilities	—
Included in non current liabilities	<u>1,366</u>
	<u>1,366</u>

24 Provisions Group

	Restructuring provision £'000s	Other £'000s	Total £'000s
At 1 April 2006	144	100	244
Additional provision in year	—	50	50
Utilisation of provision	(89)	—	(89)
On disposal of subsidiary	(55)	—	(55)
At 31 March 2007	<u>—</u>	<u>150</u>	<u>150</u>
Included in current liabilities			150
Included in non current liabilities			—
			<u>150</u>

Other provisions relate to the provision for covering the likely costs of vacating existing premises. The current lease expires in 2014, however there are a number of break clauses which can be exercised by the Group. Therefore the provision may be used at any time between one year and the end of the lease.

The Company had no provisions at 1 April 2006 or 31 March 2007.

Notes to the Financial Statements (continued)

51

For the year ended 31 March 2007

25 Called up share capital

	Ordinary shares of 25p each £'000s
Authorised	
As at 1 April 2006	25,004
Reduction in authorised share capital (see note 26)	(4)
As at 31 March 2007	<u>25,000</u>

	Ordinary shares of 25p each Number '000s	Nominal value of Ordinary shares of 25p each £'000s
Issued and fully paid		
As at 1 April 2006	41,503	10,376
Issued in period	<u>1,176</u>	<u>294</u>
As at 31 March 2007	<u>42,679</u>	<u>10,670</u>

During the period, 1,176,470 new ordinary shares were issued to the vendor of Revenue Assurance Consulting Limited (formerly UBM Limited). A further 2,352,941 new ordinary shares will be issued on 30 September 2007.

26. Share Premium

	Share premium £'000s
As at 1 April 2006	17,956
Premium arising on issue of ordinary equity shares	706
Cancellation of share premium	<u>(17,893)</u>
As at 31 March 2007	<u>769</u>

An EGM on 19 April 2006 confirmed a special resolution to cancel £17,892,641 of the Company's share premium account against a special reserve account and reduce the share capital by £4,200. The special reserve account became distributable to shareholders once certain short term liabilities had been paid. The special resolutions were confirmed by the High Court on 17 May 2006.

Notes to the Financial Statements (continued)

52

For the year ended 31 March 2007

27. Shares to be issued – ordinary equity shares

	Shares to be issued £'000s
As at 1 April 2006	2,396
Charge in period	423
Contingent Equity Consideration	1,064
Released in period	(1,064)
As at 31 March 2007	<u>2,819</u>

Shares to be issued comprise contingent consideration in respect of acquisitions and the accrued value of share based payments

Shares with a fair value of £1,064,000 were issued to the vendor of Revenue Assurance Consulting Limited (formerly UBM Limited) during the period

28. Retained earnings

	Group Retained earnings £'000s	Company Retained earnings £'000s
As at 1 April 2005	(12,179)	10,506
Dividends paid	(344)	(344)
Net profit/(loss) for the year	<u>1,784</u>	<u>(3,350)</u>
As at 1 April 2006	(10,739)	6,812
Dividends (paid)/received	(571)	7,441
Net profit/(loss) for the year	13,563	(10,070)
Cancellation of share premium	<u>17,893</u>	<u>17,893</u>
As at 31 March 2007	<u>20,146</u>	<u>22,076</u>

In accordance with the exemptions allowed under section 230 of the Companies Act 1985 the Company has not presented its own income statement. The loss after tax for the period attributable to Revenue Assurance Services plc dealt with in the accounts of the Company is £1,142,000 (2006 loss £3,350,000)

Notes to the Financial Statements (continued)

53

For the year ended 31 March 2007

29. Disposal of subsidiary

On 13 October 2006 the Group disposed of its interest in the Software and Services Division

The net assets of the Software and Services Division at the date of disposal and at 31 March 2006 were as follows

	13 October 2006 £'000s	31 March 2006 £'000s
Goodwill	5,077	5,055
Property, plant and equipment	148	247
Inventories	3	19
Deferred tax assets	195	196
Trade and other receivables	3,154	4,450
Cash and cash equivalents	609	351
Trade and other payables	(2,368)	(4,071)
Current tax liability	—	(140)
Deferred income	(4,843)	(5,633)
Provisions	(55)	(144)
Attributable goodwill	(360)	—
Net assets	1,560	330
Gain on disposal	8,716	
Total consideration	<u>10,276</u>	
Satisfied by		
Initial consideration for the business	13,002	
Less fees and associated disposal expenses	<u>(2,726)</u>	
	<u>10,276</u>	
Net cash inflow arising on disposal		
Initial cash consideration	13,002	
Cash paid relating to associated disposal expenses	<u>(1,803)</u>	
	11,199	
Cash and cash equivalents disposed of	<u>(609)</u>	
	<u>10,590</u>	

The impact of the Software and Services Division on the Group's results in the current and prior periods is disclosed in note 11

Further consideration receivable

Under the terms of the sale and purchase agreement, further consideration of up to £2.0 million is receivable in cash upon reaching certain turnover and client retention targets in the twelve months to August 2007 and as such, no asset has been recognised in respect of this in these financial statements

Notes to the Financial Statements (continued)

54

For the year ended 31 March 2007

30. Acquisition of subsidiary

On 28 March 2007, Revenue Assurance Services plc acquired the entire share capital of Utility Management Services (Hull) Limited and has accounted for this by using the purchase method of accounting under IFRS 3

The fair value of assets recognised on acquisition totalled £450,000 including cash balances of £321,000. The goodwill arising on acquisition of £2,311,000 is attributable to the expected future growth and future profitability.

Contingent cash consideration of £1,366,000 has been accrued and is payable over the next two years if certain operating profit targets are achieved.

The directors do not consider this acquisition to be of a material nature.

The year end of Utility Management Services (Hull) Limited coincides with that of the Group. If the acquisition of Utility Management Services (Hull) Limited had been completed on the first day of the financial year, Group revenues for the period would have been £17,916,000 and the Group profit attributable to equity holders would have been £13,696,000. Due to the proximity of the acquisition to the year end there was no contribution to Group revenue and profit before tax arising from the acquisition.

Following the reduction during the year of the amount due for deferred consideration provided for at the date of acquisition of Revenue Assurance Consulting Limited (formerly UBM Limited), payments of £13.957 million were made to the vendor. This reduction has resulted in a revision of both the cost of investment and goodwill.

Notes to the Financial Statements (continued)

55

For the year ended 31 March 2007

31. Notes to cash flow statement

	Group		Company	
	2007 £'000s	2006 £'000s	2007 £'000s	2006 £'000s
Operating profit from continuing operations	5,611	2,521	(87)	(2,645)
Operating profit from discontinued operations	1,449	1,085	—	—
	7,060	3,606	(87)	(2,645)
Adjustments for				
Depreciation of property, plant and equipment	86	156	—	—
Amortisation of intangible assets	722	1,278	—	—
Impairment of goodwill	—	—	—	6,230
Amortisation of share-based payments	423	258	423	258
Gain on disposal of property, plant and equipment	97	(6)	—	—
Decrease in provisions	(89)	(494)	—	—
Operating cash flows before movements in working capital	8,299	4,798	336	3,843
Decrease in inventories	16	51	—	—
Decrease/(increase) in receivables	2,479	934	420	(124)
Increase in inter-company balances	—	—	(2,343)	(5,178)
Decrease in payables	(2,002)	(1,780)	(31)	(110)
Cash generated by operations	8,792	4,003	(1,618)	(1,569)
Income taxes (paid)/recovered	(2,498)	10	—	—
Interest paid	(926)	(289)	(926)	(289)
Management charges received	—	—	3,054	4,507
Net cash from operating activities	5,368	3,724	510	2,649
Add back cash outflow in respect of restructuring and other exceptional items	—	916	—	163
Net cash from trading operations	5,368	4,640	510	2,812

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less

During the period to 31 March 2007, the Software and Services Division contributed £313,000 (year to 31 March 2006 £1,286,000) to the Group's net operating cash flows, paid £55,000 (31 March 2006 paid £221,000) in respect of investing activities and paid £nil (31 March 2006 £9,000) in respect of financing activities

Included in the cash flow statement above is a payment of management charges by the Software and Services Division of £102,000 for the period to 31 March 2007 (year to 31 March 2006 £690,000)

32. Contingent liabilities

At 31 March 2007 the Group had no contingent liabilities or material contracted capital expenditure (31 March 2006 £nil)

Notes to the Financial Statements (continued)

56

For the year ended 31 March 2007

33 Operating lease arrangements

At 31 March 2007 there were the following total commitments under non-cancellable operating leases

	2007 £'000s	2006 £'000s
Minimum lease payments under operating leases recognised in income for the year	371	517

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows

	2007 £'000s	2006 £'000s
Within one year	—	17
In the second to fifth years inclusive	80	186
After five years	455	295
	535	498

Operating lease payments represent rentals payable by the Group for certain of its office properties, office equipment and motor vehicles

34 Share-based payments

Group and Company

Equity-settled share option scheme

The Company has a share option scheme for all employees of the Group. Options are exercisable at a price equal to the average quoted market price of the Company's shares on the date of grant. The vesting period is three years against continued employment. If the options remain unexercised after a period of ten years from the date of grant, the options expire. Options are forfeited if the employee leaves the Group.

Share options

Options to acquire ordinary shares in Revenue Assurance Services plc outstanding as at 31 March 2007 were

Date of grant	Number of 25p Ordinary shares	Exercise price	Exercise period
10 Jul 2001	1,000	44 5p	10 Jul 2004 to 10 Jul 2011
29 Aug 2001	1,500	120p	29 Aug 2004 to 29 Aug 2011
29 Jul 2002	65,000	46p	29 Jul 2005 to 29 Jul 2012
16 Jul 2003	40,000	75p	16 Jul 2006 to 16 Jul 2013
30 Jul 2003	2,500	75p	30 Jul 2006 to 30 Jul 2013
20 Jan 2004	150,000	95p	20 Jan 2007 to 20 Jan 2014
Total	260,000		

Notes to the Financial Statements (continued)

57

For the year ended 31 March 2007

34. Share-based payments (continued)

Details of the share options under the equity settled share option scheme outstanding during the year are as follows

	2007		2006	
	Number of share options	Weighted average exercise price £	Number of share options	Weighted average exercise price £
Outstanding at the beginning of the period	371,000	0.93	975,200	1.03
Forfeited during the period	(86,000)	1.39	(537,500)	1.18
Exercised during the period	(25,000)	0.75	(66,700)	0.37
Outstanding at end of the period	260,000	0.79	371,000	0.93
Exercisable at the end of the period	260,000		153,500	

The weighted average share price at the date of exercise for share options exercised during the period was 102 pence. The options outstanding at 31 March 2007 had a weighted average exercise price of 79 pence, and a weighted average remaining contractual life of 52 months.

The inputs into the Black-Scholes model to value the share options were as follows:

	2007	2006
Weighted average share price	£0.93	£0.91
Weighted average exercise price	£0.91	£0.86
Expected volatility	0.68	0.68
Expected life	5 years	5 years
Risk free rate	4%	4%
Expected dividends	1%	1%

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

Other than the cost of amortisation, the Group did not recognise any expenses (2006: £nil) in relation to equity settled share option scheme transactions.

Long Term Incentive Plan ("LTIP")

The Company has a Long Term Incentive Plan for senior employees of the Group. Options granted under the LTIP are exercisable at nil cost. The performance period is three years with vesting over a subsequent two years. If the options remain unexercised after a period of five years from the date of grant, the options expire. LTIP options are normally forfeited if the employee leaves the Group before the options vest.

Notes to the Financial Statements (continued)

58

For the year ended 31 March 2007

34. Share-based payments (continued)

Details of the LTIP options outstanding during the year are as follows

	2007		2006	
	Number of share options	Weighted average exercise price £	Number of share options	Weighted average exercise price £
Outstanding at the beginning of the period	2,200,000	—	575,003	—
Granted during the period	80,000	—	2,200,000	—
Cancelled during the period	—	—	(575,003)	—
Outstanding at end of the period	2,280,000	—	2,200,000	—
Exercisable at the end of the period	nil		nil	

The options outstanding at 31 March 2007 had a weighted average exercise price of nil pence, and a weighted average remaining contractual life of 78 months. The options were granted on 9 September 2005. The aggregate of the estimated fair values of the options granted on those dates is £1,623,555.

The inputs into the Black-Scholes model to value the LTIP options were as follows

	2007	2006
Weighted average share price	£0.94	£0.94
Weighted average exercise price	£nil	£nil
Expected volatility	0.63	0.63
Expected life	5 years	5 years
Risk free rate	4%	4%
Expected dividends	1%	1%

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

Other than the cost of amortisation, the Group did not recognise any expenses (2006: £nil) in relation to equity settled share option scheme transactions.

35. Retirement benefit schemes

Defined contribution schemes

The Group operates a defined contribution retirement benefit scheme for all qualifying employees. The assets of the scheme are held separately from those of the Group in funds under the control of trustees.

The total cost charged to income of £201,000 (2006: £311,000) represents contributions payable to these schemes by the Group at rates specified in the rules of the plans. As at 31 March 2007, contributions of £1,160 (2006: £50,602) due in respect of the current reporting period had not been paid over to the schemes.

36. Related party transactions

Transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. There were no trading transactions between the Company and its subsidiaries.

Notes to the Financial Statements (continued)

59

For the year ended 31 March 2007

Remuneration of key management personnel

The remuneration of the directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS24 Related Party Disclosures. Further information about the remuneration of individual directors is provided in the audited part of the Directors' Remuneration Report on page 18.

	2007 £'000s	2006 £'000s
Short-term employee benefits	757	640
Post-employment benefits	49	47
Termination benefits	—	—
	<u>806</u>	<u>687</u>

Notice of Annual General Meeting

60

Notice is hereby given that the Annual General Meeting of Revenue Assurance Services plc (the "Company") will be held at the offices of Osborne Clarke, One London Wall, London EC2Y 5EB on 30 July 2007 at 10 00 a.m. for the following purposes

- 1 To receive and adopt the report of the Directors and the audited accounts of the Company for the financial year ended 31 March 2007
- 2 To approve the Directors' remuneration report for the financial year ended 31 March 2007
- 3 To re-elect I R Mann as a Director who retires by rotation and offers himself for re-election in accordance with the Company's articles of association
- 4 To re-elect D R T Thompson as a Director who retires by rotation and offers himself for re-election in accordance with the Company's articles of association
- 5 To declare a final dividend of 1 6p per ordinary share for the financial year ended on 31 March 2007 payable on 24 August 2007 to the shareholders of the Company whose names are entered on the register of members at the close of business on 27 July 2007
- 6 To re-appoint Messrs Deloitte & Touche LLP as auditors to hold office until the conclusion of the next Annual General Meeting
- 7 To authorise the Directors to fix the remuneration of the auditors

As special business to consider and, if thought fit, pass the following resolutions of which number 8 will be proposed as an ordinary resolution and numbers 9 and 10 as special resolutions

Ordinary resolution

- 8 That the Directors be and are generally and unconditionally authorised in accordance with section 80 of the Companies Act 1985, as amended ("the Act") to exercise all the powers of the Company to allot relevant securities (as defined in section 80(2) of the Act) provided that
 - (a) this authority shall be in substitution for any equivalent authority which may have been given to the Directors prior to the date of the passing of this resolution,
 - (b) this authority shall be limited to the allotment of relevant securities up to an aggregate nominal value equal to £3,800,000, representing approximately thirty six per cent of the nominal value of the issued share capital of the Company as shown in the audited accounts of the group for the financial year ended 31 March 2007,
 - (c) unless previously revoked, varied or extended, this authority shall expire at the earlier of the date which is fifteen months from the date of the passing of this resolution and the conclusion of the next annual general meeting of the Company except that the Company may at any time before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such an offer or agreement as if this authority had not expired, and
 - (d) in relation to the grant of any right to subscribe for, or convert any security into, shares in the Company, the reference in this resolution to the maximum amount of relevant securities that may be allotted is to the maximum amount of shares which may be allotted pursuant to such right

Special resolutions

- 9 That, in accordance with the Company's articles of association, the Company be and is hereby generally and unconditionally authorised for the purposes of section 166 of the Act to make one or more market purchases (within the meaning of section 163(3) of the Act) on a recognised investment exchange (as defined by section 163(4) of the Act) of ordinary shares of 25 pence each in the capital of the Company ("Ordinary Shares") and to hold such shares as treasury shares (as defined in section 162A(3) of the Act ("treasury shares")) provided that
- (a) this authority shall be limited to the purchase of Ordinary Shares up to a maximum aggregate nominal value equal to £1,067,000, representing ten per cent of the Company's ordinary share capital,
 - (b) the minimum price which may be paid for such Ordinary Shares is 25 pence per share (exclusive of expenses),
 - (c) the maximum price (exclusive of expenses) which may be paid for an Ordinary Share shall not be more than five per cent above the average of the mid-market values for an Ordinary Share on the relevant recognised investment exchange on which the Ordinary Shares are traded for the five dealing days immediately preceding the date on which the Ordinary Share is purchased,
 - (d) unless previously revoked, varied or extended, the authority hereby conferred shall expire at the earlier of the date which is fifteen months from the date of the passing of this resolution and the conclusion of the next annual general meeting of the Company, and
 - (e) the Company may make a contract or contracts to purchase Ordinary Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of Ordinary Shares in pursuance of any such contract or contracts
- 10 That the Directors be and are empowered pursuant to section 95(1) of the Act to allot equity securities (as defined in section 94(2) of the Act) for cash pursuant to the authority conferred by resolution 9 above and/or to make sales of shares where such sales constitute an allotment of equity securities by virtue of section 94(3A) of the Act as if section 89(1) of the Act did not apply to any such allotment provided that
- (a) the power conferred by this resolution shall be limited to
 - (i) the allotment of equity securities in connection with an invitation or offer of equity securities to holders of Ordinary Shares (excluding the Company where it holds shares as treasury shares) in proportion to their respective holdings of such shares or in accordance with the rights attached to such shares but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or the requirements of any regulatory body or any stock exchange in, any territory, and
 - (ii) the allotment, otherwise than pursuant to sub-paragraph(a)(i) above, of equity securities up to an aggregate nominal value equal to £1,067,000, representing approximately ten per cent of the nominal value of the issued ordinary share capital of the Company for the financial year ended 31 March 2007,

Notice of Annual General Meeting (continued)

62

- (b) unless previously revoked, varied or extended, this power shall expire on the earlier of the conclusion of the next Annual General Meeting of the Company and the date falling fifteen months after the date of the passing of this resolution except that the Company may before the expiry of this power make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if this power had not expired, and
- (c) in this resolution the nominal amount of any securities should be taken to be, in the case of a right to subscribe for or convert any securities into shares of the Company, the nominal amount of the shares which may be allotted pursuant to such right

BY ORDER OF THE BOARD

T W Good
Secretary

12 June 2007

One Crown Square
Church Street East
Woking
Surrey
GU21 6HR

Notes

- 1 Any member of the Company who is entitled to attend and vote at the annual general meeting may appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company. In the case of a company, the proxy must be executed under its common seal or under the hand of an officer or attorney duly authorised in writing. To be effective a form of proxy, (enclosed with this notice) and the authority (if any) under which it is signed or a notarially certified or office copy of such authority must be received at the office of the Company's Registrars, Proxy Processing Department, Telford Road, Bicester, OX26 4LD at least forty-eight hours before the time fixed for the annual general meeting. Appointment of a proxy will not preclude a member from attending the annual general meeting and voting in person should that member subsequently so decide.
- 2 Copies of the Directors' service contracts and the register of the Directors' interests in the share capital of the Company will be available for inspection at the registered office of the Company during normal business hours on a weekday (Saturdays and public holidays excluded) from the date of this notice until the date of the annual general meeting and also at the place of the meeting for 15 minutes prior to and until the close of the annual general meeting.
- 3 The Company pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those Shareholders registered in the register of members of the Company at the close of business on 26 July 2007 shall be entitled to attend or vote at the aforesaid annual general meeting in respect of the number of shares registered in their name at that time. Any changes to the register of members after such time shall be disregarded in determining the rights of any person to attend or vote at the annual general meeting.
- 4 In the case of joint holders, the signature of only one of the joint holders is required on the form of proxy, but the vote of the senior (by order in the register of members) who tenders a vote will be accepted to the exclusion of the others.

Explanatory notes to the notice of meeting

Resolution 8 – Authority to allot shares

Resolution 8 grants the Directors authority to allot shares in the capital of the Company and other relevant securities up to an aggregate nominal value of £3,800,000, representing approximately thirty-six per cent of the nominal value of the issued ordinary share capital of the Company as shown in the latest audited accounts of the group. The Directors do not have any present intention of exercising this authority but they consider it desirable that the specified amount of authorised but unissued share capital is available for issue so that they can more readily take advantage of possible opportunities. Unless revoked, varied or extended, this authority will expire at the end of fifteen months from the date of passing of the resolution or at the conclusion of the next AGM of the Company, whichever is earlier.

Resolution 9 – Authority to make market purchases

Resolution 9 authorises the Company to make market purchases on a recognised investment exchange of its issued Ordinary Shares up to an aggregate nominal amount of £1,067,000, representing approximately ten per cent of the nominal value of the issued ordinary share capital of the Company as shown in the latest audited accounts of the group, and to hold such shares as treasury shares. The London Stock Exchange plc is a recognised investment exchange within the meaning of section 163(4) of the Act. The minimum price which may be paid for an Ordinary Share is 25 pence per share and the maximum price is five per cent above the average of the market values for an Ordinary Share for the five dealing days preceding the date on which the Ordinary Share is purchased. The Directors consider that it is desirable that the Company is able to make market purchases of its own shares in order to increase future earnings per share or where this will be in the best interests of the Shareholders generally. Unless revoked, varied or extended this authority will expire at the end of fifteen months from the date of passing of the resolution or at the conclusion of the next AGM of the Company whichever is the earlier.

Resolution 10 – Disapplication of pre-emption rights

Resolution 10 empowers the Directors to allot equity securities in the capital of the Company (such as Ordinary Shares) for cash and make sales of treasury shares other than in accordance with the statutory pre-emption rights of the Ordinary Shareholders (which require a company to offer all allotments of equity securities for cash and all sales of treasury shares first to existing Ordinary Shareholders in proportion to their holdings) in connection with rights issues and otherwise up to a maximum nominal value of £1,067,000, representing approximately ten per cent of the nominal value of the issued share capital of the Company as shown in the latest audited accounts of the group. This authority will expire at the conclusion of the next AGM or fifteen months after the passing of the resolution, whichever is the earlier.