

**REVENUE ASSURANCE CONSULTING  
LIMITED**

**Report and Financial Statements**

**30 April 2008**

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# **REVENUE ASSURANCE CONSULTING LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2008**

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# **REVENUE ASSURANCE CONSULTING LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2008**

### **OFFICERS AND PROFESSIONAL ADVISERS**

#### **DIRECTORS**

S D Beart (resigned 12 October 2007)  
T W Good (resigned 12 October 2007)  
W S Rigby (appointed 12 October 2007)  
O J Lightowlers (appointed 12 October 2007, resigned 29 April 2008)

#### **SECRETARY**

T W Good (resigned 12 October 2007)  
L Johnstone (appointed 12 October 2007)

#### **REGISTERED OFFICE**

Wellfield House  
Victoria Road  
Morley  
Leeds  
LS27 7PA

#### **AUDITORS**

Ernst & Young LLP  
1 Bridgewater Place  
Water Lane  
Leeds  
LS11 5QR

#### **SOLICITORS**

Eversheds  
Cloth Hall Court  
Infirmary Street  
Leeds  
LS1 2JB

#### **BANKERS**

HSBC Bank PLC  
Yorkshire Corporate Bank Centre  
4<sup>th</sup> Floor  
City Point  
29 King Street  
Leeds  
LS1 2HL

# **REVENUE ASSURANCE CONSULTING LIMITED**

## **DIRECTORS' REPORT**

The directors present their Annual Report and the audited financial statements for the 13 months ended 30 April 2008. The accounts have been prepared for a period of thirteen months to bring the Company's year end in line with that of Spice plc, who acquired the immediate parent company Revenue Assurance Services Limited during the year. As a result of this the amounts included in the income statement, statement of changes in equity, cash flow statement and related notes are not entirely comparable in that the current period figures are for thirteen months compared to twelve months in the comparative figures.

### **BUSINESS REVIEW AND PRINCIPAL ACTIVITIES**

The principal activity of the Company is the provision of consultancy services to utilities.

As shown in the Company's income statement, the Company's sales have increased by 23 per cent. over the prior period due to the strength in core revenues, growth in customer base and the longer accounting period.

The Company's key measure of effectiveness of its operations is cash generation. The cash generation by operations for the period was £4,096,000 (2007: £9,504,000).

### **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 Company. In particular the Company'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 Company or that the Company currently deems immaterial may also impact the business.

#### **Customers**

Certain customers generate material business levels for the Company. The loss of a key customer could affect profitability.

#### **Personnel**

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

#### **Intellectual Property**

The Company 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 Company's competitive position.

#### **Systems Failures**

The successful operation of the Company's business depends on maintaining the integrity and operation of the Company's computer and communications 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 Company.

# **REVENUE ASSURANCE CONSULTING LIMITED**

## **DIRECTORS' REPORT (CONTINUED)**

### **FINANCIAL INSTRUMENTS**

The Company is exposed to interest rate changes as all cash held at bank is held at floating rates.

### **FUTURE PROSPECTS**

The Directors expect the Company to continue to trade in a similar manner into the future.

### **RESULTS AND DIVIDENDS**

The profit after tax for the period was £6,425,000 (2007: £4,534,000).

The directors paid a dividend of £nil during the year (2007: £7,490,000).

### **DIRECTORS**

The directors who served throughout the period are shown on page 1.

### **AUDITORS**

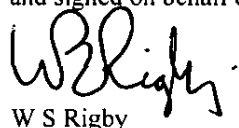
Each of the persons who was a director at the date of approval of this report confirms that:

- 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.

During the period, Deloitte & Touche LLP resigned as auditor and Ernst & Young LLP were appointed to fill a casual vacancy. A resolution to appoint and Ernst & Young LLP as auditors to the Company will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors  
and signed on behalf of the Board



W S Rigby

Director

20 October 2008

## **REVENUE ASSURANCE CONSULTING LIMITED**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The Directors are responsible for preparing the Annual Report and the financial statements. The Directors have elected to prepare financial statements for the Company in accordance with the International Financial Reporting standards (IFRS) as adopted by the European Union and applicable United Kingdom law. Company law requires the Directors to prepare such financial statements in accordance with IFRS as adopted by the European Union and the Companies Act 1985.

International Accounting Standard 1 requires that financial statements present fairly for each financial period 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:

- Select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- 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; and
- State that the Company has complied with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985, 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 which complies with the requirements of the Companies Act 1985.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF REVENUE ASSURANCE CONSULTING LIMITED**

We have audited the financial statements of Revenue Assurance Consulting Limited for the period ended 30 April 2008 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Statement of Changes in Equity and the related notes 1 to 27. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

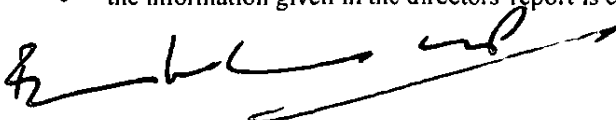
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 30 April 2008 and of its profit for the period then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.



Ernst & Young LLP

Registered auditor

Leeds

 October 2008

# REVENUE ASSURANCE CONSULTING LIMITED

## INCOME STATEMENT

Period ended 30 April 2008

	Notes	13 months ended 30 April 2008 £'000s	12 months ended 31 March 2007 £'000s
Revenue	4	15,743	12,778
Operating expenses		(7,304)	(6,747)
Operating profit	6	8,439	6,031
Investment revenues	8	11	59
Exceptional Item	9	(1,088)	-
Profit on ordinary activities before taxation		7,362	6,090
Taxation	10	(937)	(1,556)
Profit for the period attributable to equity holders of the Parent	21	6,425	4,534

All results derive from continuing operations.



# REVENUE ASSURANCE CONSULTING LIMITED

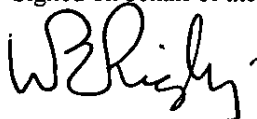
## BALANCE SHEET

30 April 2008

	Notes	30 April 2008 £'000s	31 March 2007 £'000s
<b>Non current assets</b>			
Property, plant and equipment	12	115	115
Investments	13	1,601	1,601
Deferred tax asset	16	39	48
		<u>1,755</u>	<u>1,764</u>
<b>Current assets</b>			
Trade and other receivables	15	4,392	1,469
Cash and cash equivalents		5,225	1,661
		<u>9,617</u>	<u>3,130</u>
<b>Total assets</b>		<u>11,372</u>	<u>4,894</u>
<b>Current liabilities</b>			
Trade and other payables	17	(2,402)	(3,880)
Current tax liabilities		(1,062)	(619)
Provisions	18	(150)	(150)
		<u>(3,614)</u>	<u>(4,649)</u>
<b>Net current assets/(liabilities)</b>		<u>6,003</u>	<u>(1,519)</u>
<b>Net assets</b>		<u>7,758</u>	<u>245</u>
<b>Equity</b>			
Share capital	20	-	-
Retained earnings	21	7,758	245
<b>Equity attributable to equity holders of the parent</b>		<u>7,758</u>	<u>245</u>

These financial statements were approved by the Board of Directors and authorised for issue on 20 October 2008.

Signed on behalf of the Board of Directors



W S Rigby

Director

## REVENUE ASSURANCE CONSULTING LIMITED

### STATEMENT OF CHANGES IN EQUITY

Period ended 30 April 2008

	Share capital £'000s	Retained earnings £'000s	Total £'000s
<b>Balance at 31 March 2006</b>	-	3,482	3,482
Profit attributable to ordinary shareholders	-	4,534	4,534
Capital contribution arising on transfer of trade	-	(281)	(281)
Dividends paid	-	(7,490)	(7,490)
<b>Balance at 31 March 2007</b>	-	245	245
Profit attributable to ordinary shareholders	-	6,425	6,425
Share-based payment	-	1,088	1,088
<b>Balance at 30 April 2008</b>	-	7,758	7,758

# REVENUE ASSURANCE CONSULTING LIMITED

## CASH FLOW STATEMENT

Period ended 30 April 2008

	Note	13 months ended 30 April 2008 £'000s	12 months ended 31 March 2007 £'000s
Net cash from operating activities	22	3,611	4,343
Investing activities			
Interest received		11	59
Purchases of property, plant and equipment		(58)	(33)
Cash acquired from subsidiary undertaking		-	41
Net cash (used in)/from investing activities		(47)	67
Financing activities			
Dividends paid to parent undertaking		-	(7,490)
Net cash used in financing activities		-	(7,490)
Net increase/(decrease) in cash and cash equivalents		3,564	(3,080)
Cash and cash equivalents at beginning of period		1,661	4,741
Cash and cash equivalents at end of period		5,225	1,661

# **REVENUE ASSURANCE CONSULTING LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**Period ended 30 April 2008**

### **1. AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE WITH IFRSs**

The financial statements of Revenue Assurance Consulting Limited for the period ended 30 April 2008 were authorised for issue by the board of directors on 20 October 2008 and the balance sheet was signed on the board's behalf by W S Rigby. Revenue Assurance Consulting Limited is a limited company incorporated and domiciled in England and Wales.

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union as they apply to the financial statements of the Company for the period ended 30 April 2008.

The principal accounting policies adopted by the Company are set out in note 2.

### **2. SIGNIFICANT ACCOUNTING POLICIES**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) adopted for use in the European Union.

#### **Accounting convention**

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

#### **Group accounts**

Group accounts have not been prepared as the Company is exempt under Section 228 of the Companies Act 1985, as the Company itself is included in the consolidated financial statements of Spice plc. Consequently the Company's financial statements present information about it as an individual undertaking and not about its group.

#### **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 is recognised in the profit and loss account at the point that the services have been 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 through 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.

#### **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.

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.

#### **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.

## REVENUE ASSURANCE CONSULTING LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

Period ended 30 April 2008

#### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### **Borrowing costs (continued)**

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.

##### **Retirement benefit costs**

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

##### **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 Company'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.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates and interests in joint ventures, except where the Company 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 income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date. 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 Company intends to settle its current tax assets and liabilities on a net basis.

##### **Property, plant and equipment**

Property, plant and equipment 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 hardware	25 per cent.
Fixtures and fittings	15 per cent.
Office equipment	20 per cent

## **REVENUE ASSURANCE CONSULTING LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Period ended 30 April 2008**

#### **2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **Property, plant and equipment (continued)**

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 the income statement.

##### **Investments**

Investments in subsidiaries are stated at cost less any provision for impairment.

##### **Impairment**

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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. In determining fair value less costs to sell, an appropriate valuation model is used, these calculations corroborated by valuation multiples, or other available fair value indicators. Impairment losses on continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

##### **Provisions**

Provisions are recognised when the Company has a present obligation as a result of a past event, and it is probable that the Company 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.

# REVENUE ASSURANCE CONSULTING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

Period ended 30 April 2008

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Share-based payments

The immediate parent issues share options to certain employees which are measured at fair value, calculated using the Black Scholes model, and are recognised as an expense in the income statement with a corresponding increase in 'Retained earnings'. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the immediate parent (market conditions).

The fair values of these payments are measured at the dates of grant and are recognised over the period during which employees become unconditionally entitled to the awards. At each balance sheet date, the immediate parent revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to retained earnings.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

#### Exceptional items

The company presents as exceptional items on the face of the income statement, those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the period, so as to facilitate comparison with prior periods and to assess better trends in financial performance.

#### Financial assets

Financial assets are recognised when the Company becomes party to the contracts that give rise to them and are classified as financial assets at fair value through profit or loss; loans and receivables; held-to maturity investments; or as available-for-sale financial assets, as appropriate. The Company determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end. When financial assets are recognised initially, they are measured at fair value, being the transaction price plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. The Company considers whether a contract contains an embedded derivative when the entity first becomes a party to it. The embedded derivatives are separated from the host contract if it is not measured at fair value through profit or loss and when the economic characteristics and risks are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

All regular way purchases and sales of financial assets are recognised on the trade date, being the date that the Group commits to purchase or sell the asset. Regular way transactions require delivery of assets within the timeframe generally established by regulation or convention in the market place. The subsequent measurement of financial assets depends on their classification, as follows:

## REVENUE ASSURANCE CONSULTING LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

Period ended 30 April 2008

#### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### Financial assets (continued)

###### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, do not qualify as trading assets and have not been designated as either fair value through profit and loss or available-for-sale. Such assets are carried at amortised cost using the effective interest method if the time value of money is significant. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

At 30 April 2008 (and 31 March 2007), the Company did not have any financial assets at fair value through profit or loss, held to maturity investments, or available-for-sale financial assets.

##### Impairment of financial assets

The Company assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

###### *Assets carried at amortised cost*

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced, through the use of an allowance account. The amount of the loss shall be recognised in administration costs.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as irrecoverable.

###### *Assets carried at cost*

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

##### Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Provision is made when there is objective evidence that the Company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.



## REVENUE ASSURANCE CONSULTING LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

Period ended 30 April 2008

#### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less. For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

##### Interest bearing loans and borrowings

Obligations for loans and borrowings are recognised when the Company becomes party to the related contracts and are measured initially at the fair value of consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance revenue and finance cost.

##### Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

At the year end, the Company had no financial liabilities designated as at fair value through profit or loss (2007: Nil).

##### New standards and interpretations not applied

IASB and IFRIC have issued the following standards and interpretations with an effective date after the date of these financial statements:

International Accounting Standards (IAS / IFRSs)		Effective date*
IFRS 2	Amendment to IFRS 2 – Vesting Conditions and Cancellations	1 January 2009
IFRS 3	Business Combinations (revised January 2008)	1 July 2009
IFRS 8	Operating Segments	1 January 2009
IAS 32/IAS 1	Presentation of Financial Statements (revised September 2007)	1 January 2009
IAS 23	Borrowing Costs (revised March 2007)	1 January 2009
IAS 1/IAS 27	First time adoption of IFRS and Consolidated & Separate Financial Statements (revised January 2008)	1 July 2009
International Financial Reporting Interpretations Committee (IFRIC)		
IFRIC 12	Service Concession Arrangements	1 January 2008
IFRIC 13	Customer Loyalty Programmes	1 July 2008
IFRIC 14	IAS 19 – The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2008

## REVENUE ASSURANCE CONSULTING LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

Period ended 30 April 2008

#### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### New standards and interpretations not applied (continued)

IAS 23 has been revised to require capitalisation of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. In accordance with the transitional provisions in the Standard, the Company will adopt this as a prospective change. Accordingly, borrowing costs will be capitalised on qualifying assets with a commencement date of 1 January 2009. No changes will be made for borrowing costs incurred prior to this date that have been expensed.

Whilst the revised IAS 1 will have no impact on the measurement of the Company's results or net assets it is likely to result in certain changes in the presentation of the Company's financial statements from 2009 onwards.

IFRS 8 requires disclosure based on information presented to the board. Whilst this is not expected to change the business segments about which information is given, the secondary segment information will be replaced by company-wide analysis of revenues and non-current assets by major geographic area. We do not expect to have customers that individually account for more than 10% of total revenues.

#### 3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Company's accounting policies, which are described in note 2, management have not made any significant judgements nor are there any key sources of estimation uncertainty that effect on the amounts recognised in the financial statements.

#### 4. REVENUE

An analysis of the Company's revenue was as follows:

	<b>13 months ended 30 April 2008 £'000s</b>	<b>12 months ended 31 March 2007 £'000s</b>
Consultancy services	<b>15,743</b>	12,778
Investment revenue	<b>11</b>	59
Total	<b>15,754</b>	12,837

#### 5. SEGMENTAL ANALYSIS

##### Business segments

The Company has one business segment being Consultancy Services and as such the revenue, result, assets and liabilities presented in the income statement and balance sheet relate solely to this business segment.

All revenue is generated from external customers.

##### Geographical segments

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

All sales were made to and all expenditure to acquire segment assets was incurred in locations in the UK for the periods reflected in these financial statements.

# REVENUE ASSURANCE CONSULTING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) Period ended 30 April 2008

### 6. OPERATING PROFIT

Operating profit for the period has been arrived at after charging:

	13 months ended 30 April 2008 £'000s	12 months ended 31 March 2007 £'000s
Depreciation of property, plant and equipment	58	51
Staff costs (see note 7)	4,529	2,707

The analysis of auditors' remuneration is as follows:

	13 months ended 30 April 2008 £'000s	12 months ended 31 March 2007 £'000s
Fees payable to the company's auditors for the audit of the company's annual accounts	21	15
<i>Total audit fees</i>	21	15

There was no other fee payable to the Company's auditors.

### 7. STAFF COSTS

The average monthly number of employees (including executive directors) was:

	13 months ended 30 April 2008 Number	12 months ended 31 March 2007 Number
Revenue Assurance	77	64

Their aggregate remuneration comprised:

	13 months ended 30 April 2008 £'000s	12 months ended 31 March 2007 £'000s
Wages and salaries	4,051	2,438
Social security costs	428	268
Other pension costs	50	1
	4,529	2,707

## REVENUE ASSURANCE CONSULTING LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

Period ended 30 April 2008

#### 7. STAFF COSTS (CONTINUED)

The Director received no emoluments from the Company. W S Rigby is a Director of the ultimate parent undertaking, Spice plc, and his emoluments are disclosed in the annual report of the ultimate parent Company. There are no pension benefits accruing to the Director under either defined benefit or defined contribution pension arrangements operated by the Company.

#### 8. INVESTMENT REVENUES

	<b>13 months ended 30 April 2008 £'000s</b>	<b>12 months ended 31 March 2007 £'000s</b>
Interest on bank deposits	<b>11</b>	<b>59</b>

#### 9. EXCEPTIONAL ITEM

	<b>13 months ended 30 April 2008 £'000s</b>	<b>12 months ended 31 March 2007 £'000s</b>
Amortisation of share-based payments	<b>(1,088)</b>	<b>-</b>

The change of control following the acquisition of the immediate parent by Spice plc on 12 October 2007 triggered the accelerated vesting of the Long Term Incentive Plan and additional bonus shares offered to certain employees.

# REVENUE ASSURANCE CONSULTING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

Period ended 30 April 2008

### 10. TAX ON PROFIT ON ORDINARY ACTIVITIES

	13 months ended 30 April 2008 £'000s	12 months ended 31 March 2007 £'000s
Current tax	928	1,609
Deferred tax	9	(53)
	<u>937</u>	<u>1,556</u>

During the year, the corporation tax rate for the period reduced from 30% to 28%. Corporation tax is calculated at 29.84 per cent. (2007: 30 per cent.) of the estimated assessable profit for the period.

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

	13 months ended 30 April 2008 £'000s	12 months ended 31 March 2007 £'000s
Profit before tax	7,362	6,090
Tax at the UK corporation tax rate of 29.84% (2007 – 30%)	2,197	1,827
Tax effects of:		
Expenses not deductible for tax purposes	19	29
Differences between tax and accounting treatment on share based payments	(1,294)	(210)
Rate difference of deferred tax	3	-
Other	12	(90)
	<u>937</u>	<u>1,556</u>

### 11. DIVIDENDS

	13 months ended 30 April 2008 £'000s	12 months ended 31 March 2007 £'000s
Amounts recognised as distributions to equity holders in the period:		
Interim dividend for the period ended 30 April 2008 of £nil (2007: £74,900) per share	-	7,490
	<u>-</u>	<u>7,490</u>

# REVENUE ASSURANCE CONSULTING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

Period ended 30 April 2008

### 12. PROPERTY, PLANT AND EQUIPMENT

	Fixtures Fittings & Equipment £'000s
<b>Cost</b>	
As at 1 April 2006	281
Additions	33
Transferred from subsidiary undertaking	28
As at 1 April 2007	342
Additions	58
As at 30 April 2008	400
<b>Accumulated depreciation</b>	
As at 1 April 2006	148
Charge for the year	51
Transferred from subsidiary undertaking	28
As at 1 April 2007	227
Charge for the period	58
As at 30 April 2008	285
<b>Carrying amount</b>	
At 30 April 2008	115
At 31 March 2007	115
At 31 March 2006	133

### 13. INVESTMENTS IN SUBSIDIARIES

	2008 £'000s	2007 £'000s
<b>Cost</b>		
At start of the period	1,601	-
Acquisition of subsidiaries	-	1,601
At end of the period	1,601	1,601

The Company's principal subsidiary is:

Name	Country of Incorporation	Share class held	% held	Activity
Powerdebt Limited	England & Wales	Ordinary	100	Dormant

# REVENUE ASSURANCE CONSULTING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

Period ended 30 April 2008

### 14. ACQUISITION OF SUBSIDIARY

On 31 March 2007, the Company acquired the entire share capital of Powerdebt Limited, a company under common control and immediately hived up the trade, assets and liabilities of the business. The consideration of £1,601,000 in relation to the acquisition of share capital was satisfied through the intercompany account. The transfer of the trade, assets and liabilities was accounted for at book value with the excess consideration recorded as an adjustment to equity.

	Book value £'000s
Property, plant and equipment	54
Deferred tax asset	66
Trade and other receivables	1,198
Cash and cash equivalents	348
Trade and other payables	(980)
Current tax liabilities	(396)
Net assets	19
Capital contribution (see note 21)	281
Total consideration, satisfied through intercompany account	300

### 15. TRADE AND OTHER RECEIVABLES

	2008 £'000s	2007 £'000s
Trade receivables	1,499	1,004
Less: provision for impairment	-	-
Trade receivables – net	1,499	1,004
Monies held on behalf of clients	365	394
Prepayments and other debtors	508	71
Amounts due from group companies	2,020	-
	4,392	1,469

The average credit period taken for trade receivables is 35 days (2007: 33 days). Trade receivables that are between 1 and 12 months past due are not considered impaired. As of 30 April 2008, trade receivables of £158,000 were past due but not impaired (2007: £145,000). These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2008 £'000s	2007 £'000s
Current	1,341	859
One to three months	158	123
Four to six months	-	22
Six to twelve months	-	-
	1,499	1,004

# REVENUE ASSURANCE CONSULTING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

Period ended 30 April 2008

### 16. DEFERRED TAX (LIABILITY)/ASSET

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

	Accelerated tax depreciation £'000s	Short term timing differences £'000s	Total £'000s
Balance at 1 April 2006	-	(17)	(17)
Credit to the income statement	-	53	53
Transferred from subsidiary undertaking	-	12	12
Balance at 1 April 2007	-	48	48
Charge to the income statement	(3)	(6)	(9)
Balance at 30 April 2008	(3)	42	39

There are no timing differences for which deferred tax has not been provided.

### 17. TRADE AND OTHER PAYABLES

	2008 £'000s	2007 £'000s
Trade creditors	107	61
Monies held on behalf of clients	365	394
Amounts owing to ultimate parent undertaking	-	1,601
Amounts owing to subsidiary undertaking	-	300
Other taxation and social security costs	355	438
Accruals and other creditors	1,575	1,086
	<b>2,402</b>	<b>3,880</b>

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 30 days (2007: 30 days). The directors consider that the carrying amount of trade payables approximates to their fair value.



## REVENUE ASSURANCE CONSULTING LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

Period ended 30 April 2008

#### 18. PROVISIONS

	Other £'000s	Total £'000s
At 1 April 2006	100	100
Additional Provision	50	50
At 1 April 2007	150	150
At 30 April 2008	150	150
Included in current liabilities		150
Included in non current liabilities		-
		150

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 Company. Therefore the provision may be used at any time up to the end of the lease.

#### 19. FINANCIAL INSTRUMENTS

The Company has various financial assets such as trade and other receivables, cash and short-term deposits, which arise directly from its operations. The Company's principal financial liabilities comprise loans from group companies, bank overdrafts and trade and other payables. The main purpose of these financial liabilities is to raise finance for the group's operations. The Company also has amounts due to and from fellow group companies.

The main risk arising from the Company's financial instruments is interest rate risk. There are no significant liquidity, foreign currency or credit risks.

##### Interest rate risk

Amounts owed to the Spice plc group companies and fellow subsidiaries are non-interest bearing and therefore are not subject to interest rate risk.

The other financial assets and financial liabilities of the Company are non-interest bearing and therefore are not subject to interest rate risk.

Prior to the acquisition of the immediate parent Company by Spice plc it was the Company'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.

Subsequent to acquisition of the immediate parent Company by Spice plc, the interest rate risk is managed by Spice plc.

##### Sensitivity to possible change in interest rates

At 30 April 2008 the Company did not have any borrowings and thus any reasonably possible change in the interest rates will not have a significant impact on the Company's profitability.

##### Foreign currency risk

The Company has no significant foreign currency risk as very few transactions are carried out in currency other than Sterling.

##### Credit risk

The Company's principal financial assets are bank balances and cash, trade and other receivables and investments. The Company's credit risk is primarily attributable to its trade receivables.

## REVENUE ASSURANCE CONSULTING LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

Period ended 30 April 2008

#### 19. FINANCIAL INSTRUMENTS (CONTINUED)

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

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

The maximum credit risk exposure relating to financial assets is represented by carrying value as at the balance sheet date.

##### Liquidity risks

Subsequent to acquisition of the immediate parent Company by Spice plc, the treasury department in Spice plc manages the liquidity risk in the group and they monitor the cash flow position of the Company to prevent shortage of funds to meet liabilities when they fall due.

The maturity profile of the financial liabilities of the company as at 30 April 2008 and as at 31 March 2007 based on contractual undiscounted payments is as follows:

##### Company

<i>Period ended 30 April 2008</i>	On Demand £'000	Less than 3 months £'000	3-12 months £'000	1 to 5 years £'000	>5 years £'000	Total £'000
Monies owed to clients	365	-	-	-	-	365
Trade and other payables	-	2,037	-	150	-	2,187

<i>Year ended 31 March 2007</i>	On Demand £'000	Less than 3 months £'000	3-12 months £'000	1 to 5 years £'000	>5 years £'000	Total £'000
Amounts due to group companies	-	-	1,901	-	-	1,901
Monies owed to clients	394	-	-	-	-	394
Trade and other payables	-	1,585	-	150	-	1,735

##### Capital management

The Company's primary capital management objective is to maintain a strong credit rating and healthy capital ratios.

The Revenue Assurance Services Group monitors capital on a consolidated basis using return on capital employed (ROCE), which is operating profit divided by net assets.

##### Fair values

There is no material difference between the carrying value and the fair value of the financial instruments.

# REVENUE ASSURANCE CONSULTING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

Period ended 30 April 2008

### 20. SHARE CAPITAL

	2008 £	2007 £
Authorised 100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted, called up and fully paid 100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

The Company has one class of ordinary shares which carry no right to fixed income.

### 21. RETAINED EARNINGS

	£'000s
At 1 April 2006	3,482
Dividends paid	(7,490)
Capital contribution arising on transfer of trade (see note 14)	(281)
Net profit for the year	<u>4,534</u>
At 1 April 2007	245
Net profit for the year	6,425
Share-based payment charge	<u>1,088</u>
At 30 April 2008	<u>7,758</u>

### 22. NOTES TO THE CASH FLOW STATEMENT

	13 months ended 30 April 2008 £'000s	12 months ended 31 March 2007 £'000s
Operating profit	8,439	6,031
Adjustments for:		
Depreciation on property, plant and equipment	58	51
Increase in provisions	-	50
Operating cash flows before movements in working capital	<u>8,497</u>	<u>6,132</u>
(Increase)/decrease in receivables	(903)	1,593
Decrease/(increase) in inter-company balances	(3,921)	2,182
Increase/(decrease) in payables	<u>423</u>	<u>(403)</u>
Cash generated from operations	4,096	9,504
Income taxes paid	(485)	(2,326)
Management charges paid	-	(2,835)
Net cash from operating activities	<u>3,611</u>	<u>4,343</u>

# REVENUE ASSURANCE CONSULTING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

Period ended 30 April 2008

### 23. OPERATING LEASE ARRANGEMENTS

	2008 £'000s	2007 £'000s
Minimum lease payments under operating leases recognised in income for the year	178	80

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

	Land and buildings	
	2008 £'000s	2007 £'000s
Within one year	80	-
Within 2 to 5 years	193	455
After 5 years	-	-
	273	455

Operating lease payments represent rentals payable by the Company for certain of its office properties. Leases are negotiated for an average term of 10 years and rentals are fixed for an average of 3 years.

### 24. SHARE BASED PAYMENTS

#### Long Term Incentive Plan ("LTIP")

The immediate parent company had a Long Term Incentive Plan for senior employees of the company. Options granted under the LTIP were exercisable at nil cost. The change of control following the acquisition by Spice plc on 12 October 2007 triggered the exercising of the options.

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

	2008		2007	
	Number of share options	Weighted average exercise price £'000	Number of share options	Weighted average exercise price £'000
Outstanding at the beginning of the period	680,000	-	600,000	-
Granted during the period	545,000	-	80,000	-
Exercised during the period	(1,225,000)	-	-	-
Outstanding at the end of the period	-	-	680,000	-
Exercisable at the end of the period	-	-	400,000	-

# REVENUE ASSURANCE CONSULTING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

Period ended 30 April 2008

### 24. SHARE BASED PAYMENTS (CONTINUED)

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

	2008	2007
Weighted average share price	£2.02	£0.94
Weighted average exercise price	-	-
Expected volatility	0.63	0.63
Expected life	0.1 years	5 years
Risk free rate	4%	4%
Expected dividends	1%	1%

Expected volatility was determined by calculating the historical volatility of the immediate parent'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.

The company expensed £1,088,000 (2007: £nil) in relation to equity-settled share option scheme transactions.

### 25. RETIREMENT BENEFIT SCHEMES

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

The total cost charged to the income statement of £50,496 (2007: £1,000) represents contributions payable to these schemes by the Company at rates specified in the rules of the plans. As at 30 April 2008, contributions of £1,818 (2007: £1,147) had not been paid over to the schemes.

### 26. RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties:

*Purchases of goods and services*

	2008 £'000s	2007 £'000s
Short-term employee benefits	-	100
The parent company – management services	583	-
Other subsidiary undertakings of Spice plc – management support	233	-
Other subsidiary undertakings – operational support (UMS)	619	-
	<b>1,435</b>	<b>100</b>

Services are bought on normal commercial terms and conditions. Management services are bought from the immediate parent on a cost-plus basis, allowing a margin ranging from 15% to 30%.

## REVENUE ASSURANCE CONSULTING LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

Period ended 30 April 2008

#### 26. RELATED PARTY TRANSACTIONS

*Period end balances*

	2008 £'000s	2007 £'000s
Ultimate parent company	2,020	(1,601)
Fellow subsidiaries	-	(300)
	<u>2,020</u>	<u>(1,901)</u>

#### 27. ULTIMATE PARENT AND CONTROLLING PARTY

The Company's immediate parent undertaking is Revenue Assurance Services Limited, a Company registered in England and Wales.

Revenue Assurance Consulting Limited, Powerdebt Limited and Utility Management Services (Hull) Limited are all 100% owned subsidiaries of Revenue Assurance Services Limited. All of these fellow subsidiaries are registered in England and Wales and consolidated within the financial statements for Revenue Assurance Services Limited.

The ultimate parent Company and controlling party is Spice plc, a Company registered in England and Wales. Copies of the accounts for Spice plc can be obtained from the Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.