

Dalglen (No 823) Limited

Annual Report

Year ended 31 August 2007

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Contents of the Annual Report

	Page
Company information	1
Report of the directors	2 6
Independent auditors' report to the shareholders of Dalglen (No 823) Limited	7 8
Consolidated profit and loss account	9
Consolidated statement of total recognised gains and losses	10
Note of consolidated historical cost profits and losses	10
Consolidated balance sheet	11
Company balance sheet	12
Consolidated cash flow statement	13
Notes to the financial statements	14 29

Company Information

Directors John Cole (resigned 31 August 2007)
 Ken Hills
 Anthony Bull (resigned 31 August 2007)
 Dean Hartley
 David Ewing
 Sunil Kant Munjal (appointed 31 August 2007)
 Rohit Chanana (appointed 31 August 2007)
 Prabhjot Likhari (appointed 23 November 2007)

Secretary Dean Hartley

Registered office 1 Central Park Avenue
 Central Business Park
 Larbert
 Falkirk
 FK5 4RX

Registered number 231283 (Scotland)

Auditors Grant Thornton UK LLP
 Chartered Accountants
 Centre City Tower
 7 Hill Street
 Birmingham
 B5 4UU

Bankers Bank of Scotland
 New Uberior House
 11 Earl Grey Street
 Edinburgh
 EH3 9BN

Solicitors Harper MacLeod
 Ca'd'oro Building
 45 Gordon Street
 Glasgow
 Lanarkshire
 G1 3PE

Report of the Directors

The directors present their report and the audited financial statements for the year ended 31 August 2007

Business review and principal activities

The principal activities of the group are the provision of outsourced customer contact centre services, through Telecom Service Centres Ltd ("TSC")

On 31 August 2007, the entire share capital of Dalglen was acquired by Hero Management Service (UK) Ltd ("Hero UK") Hero UK is a UK investment vehicle with the ultimate parent undertaking being Hero Management Service Ltd, a business incorporated in India and operating in the contact centre market This is an exciting stage in the development of the group and one that will enable it to focus on the target of being a global BPO provider

The Dalglen group has continued to grow its core market in customer service with the addition of 300 seats in Kilmarnock in the year Having widened the service offering with the introduction of TSC Credit Management, Sigdev and the Telemarketing Centre of Excellence, the focus now turns to growing these business units in the coming year

Whilst the group sets demanding targets, the key performance indicators ("KPI's") below demonstrate that the business has continued to achieve both strong sales and more importantly underlying earnings growth in the year

Gross margins have for the first time in a number of years increased, albeit marginally, which have been primarily driven by the stabilisation of UK prices and efficiencies in the operations The delivery of gross margin on new and existing business and the tight control of overheads have resulted in the improvement in earnings performance There is still work to be done to achieve the levels of returns required by Investors, but good progress has been made towards these targets

The coming year will see the business focus on capitalising on the increased service offering, including the offshore capability that now exists Despite a tough competitive environment, Dalglen continues to forecast double digit sales growth and improvement in underlying earnings

Key performance indicators

Key performance indicator	Target	2007	2006
Annualised sales growth ¹	15.2%	12.7%	16%
EBITDA ²	14.2%	11.7%	8.9%
EBITA ³	11.9%	8.7%	5.2%

¹ – Annualised sales growth = the annual increase in revenue as a percentage of revenue from the prior year

Dalglen aims to increase shareholder value through growth in revenue, linked to profitability Source data is from the audited financial statements

Whilst revenue growth has been behind both target and prior year, the performance is considered to be ahead of market growth rates

Report of the Directors

(continued)

² – EBITDA = Earnings before interest, taxation, depreciation and amortisation as a percentage of Turnover

Dalglen seeks to increase shareholder value and measures performance against this by measuring EBITDA. Source data is from the audited financial statements.

Whilst the group has not achieved its EBITDA targets, substantial improvement on prior years has been achieved through higher gross margins and tight control of overheads, delivering a strong EBITDA performance.

³ – EBITA = Earnings before interest, taxation and amortisation as a percentage of Turnover

Dalglen seeks to increase shareholder value and measures performance against this by measuring EBITA. Source data is from the audited financial statements.

Consistent with EBITDA performance, TSC has fallen marginally behind target, albeit a substantial year on year improvement in this measure has been achieved.

Principal risks and uncertainties facing the Group

The contact centre market has seen pressure from low cost offshore solutions for a number of years now and for specific services it will be difficult to compete with the cost savings that can be achieved from offshore services. The Group feels that the approach to provide quality voice services, together with the widening of service provision, will position the business to achieve the expected growth targets.

In addition, the acquisition by the Hero Group in the year provides the business with a low cost offshore solution that mitigates the impact to the Group of work being transitioned to low cost locations.

Financial instruments

The group's operations expose it to a variety of financial risks including the effects of changes in interest rates on debt, credit risk and liquidity risk.

The group's principal financial instruments comprise sterling cash and bank deposits, bank loans and overdrafts, other loans and obligations under finance leases together with trade debtors and trade creditors that arise directly from its operations.

The main risks arising from the group's financial instruments can be analysed as follows:

Credit risk

The group's principal financial assets are bank balances, cash, and trade debtors.

The group's credit risk is primarily attributable to its trade debtors. Credit risk is managed by monitoring the aggregate amount and duration of exposure to any one customer. The highest concentration of credit risk is linked to the credit ratings of customers.

The amounts presented in the balance sheet are net of allowances for doubtful debts, estimated by the group's management based on prior experience and their assessment of the current economic environment.

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

Report of the Directors

(continued)

Liquidity risk

The group's policy has been to ensure continuity of funding through acquiring an element of the group's fixed assets under finance leases, and arranging funding for operations via an overdraft facility where limits have been established based on the growth requirements of the business

Cash flow interest rate risk

Interest bearing assets comprise cash and bank deposits, all of which earn interest at a rate linked to LIBOR

The interest rate on the bank overdraft and other borrowings is at market rate. Certain borrowings have been set at fixed rates to dilute the impact of changes in interest rates. Bank interest payments are set at 3 6 month forward rates, minimising the short term impact of increases in interest rates

The directors monitor the overall level of borrowings and interest costs to limit any adverse effects on the financial performance of the company

Environment

The group's policy with regard to the environment is to ensure that we understand and effectively manage the actual and potential environmental impact of our activities. Our operations are conducted such that we comply with all legal requirements relating to the environment in all areas where we carry out our business. During the period covered by this report the company has not incurred any fines or penalties or been investigated for any breach of environmental regulations

Dividends

The directors do not propose a dividend for the year (2006 £Nil)

Directors

The present directors of the company are set out on page 1

The directors serving at the end of the year had the following interests in the share capital of the company at the year end and previous year end (or date of appointment if later), are as follows

	As at 31 August 2007		As at 31 August 2006	
	Preference Shares No.	A Preferred Ordinary No	Preference Shares No	A Preferred Ordinary No.
John Cole (resigned 31 August 2007)			425,000	2,747,447
Ken Hills			1,050,000	11,774,773
Dean Hartley			425,000	2,747,447
David Ewing				3,924,924
Anthony Bull (resigned 31 August 2007)				
Sunil Munjal (appointed 31 August 2007)				
Rohit Chanana (appointed 31 August 2007)				
Prabhjot Likhan (appointed 23 November 2007)				

Report of the Directors

(continued)

Employees

The Board pursues policies designed to encourage employees to identify with the group and use their knowledge and skills actively towards its success. Management is encouraged to make employees aware of the financial and economic factors affecting the company's performance.

Full consideration is given to employment applications from disabled persons who have the necessary aptitudes and abilities. Where an employee becomes disabled whilst employed, arrangements are made wherever practicable to maintain employment. The group seeks to develop the skills of disabled persons by providing appropriate training, taking into account their particular needs.

Group's policy on payment of creditors

The group's policy for the year to 31 August 2008 for all suppliers, is to fix terms of payment when agreeing the terms of each business transaction, to ensure that the supplier is aware of those terms, and to abide by the agreed terms of payment. As the Company is a holding Company it has no trade creditors and accordingly no disclosure can be made of the year end creditor days.

Statement of directors' responsibilities for the financial statements

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable United Kingdom accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

At the date of making this report each of the company's directors, as set out on page 1, confirm the following:

- so far as each director is aware, there is no relevant information needed by the company's auditors in connection with preparing their report of which the company's auditors are unaware, and
- each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information.

Report of the Directors

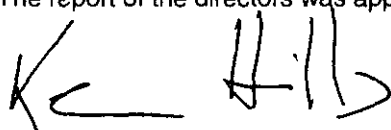
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Auditors

RSM Robson Rhodes LLP ("Robson Rhodes") merged its audit practice with that of Grant Thornton UK LLP ("Grant Thornton") with effect from 2 July 2007, with the successor firm being Grant Thornton. Robson Rhodes resigned as auditors on 1 July 2007, creating a casual vacancy which the directors have filled by appointing Grant Thornton. A resolution to reappoint Grant Thornton as auditors of the company will be proposed at the forthcoming Annual General Meeting.

Approval

The report of the directors was approved by the Board on 5 December 2007 and signed on its behalf by

A handwritten signature in black ink, appearing to read 'Ken Hills', written over a horizontal line.

Ken Hills
Director

Report of the Independent Auditor to the Members of Dalglen (no 823) Limited

We have audited the group and parent company financial statements (the "financial statements") of Dalglen (No 823) Limited for the year ended 31 August 2007 which comprise the principal accounting policies, the group profit and loss account, the group and company balance sheets, the group cash flow statement, the group statement of total recognised gains and losses and notes 1 to 25. 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements 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 in our opinion 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 other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. 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 group's and company's circumstances, consistently applied and adequately disclosed.

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

Report of the Independent Auditor to the Members of Dalglen (no 823) Limited

(continued)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 August 2007 and of the group's profit for the year 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

Grant Thornton UK LLP

GRANT THORNTON UK LLP
REGISTERED AUDITOR
CHARTERED ACCOUNTANTS
BIRMINGHAM
19 December 2007

Consolidated Profit and Loss Account

for the year ended 31 August 2007

	Note	Year ended 31 August 2007 £'000	Year ended 31 August 2006 £'000
Turnover: continuing operations	2	56,693	50,289
Cost of sales		(38,702)	(34,761)
Gross profit		<u>17,991</u>	<u>15,528</u>
Administrative expenses		(14,044)	(13,380)
Exceptional administrative expenses	3		(230)
Total administrative expenses		(14,044)	(13,610)
Other operating income		240	215
Operating profit: continuing operations	2,3	<u>4,187</u>	<u>2,133</u>
Interest receivable and similar income	4	143	156
Interest payable and similar charges	5	(1,980)	(2,225)
Profit on ordinary activities before taxation		<u>2,350</u>	<u>64</u>
Tax on profit on ordinary activities	8	(1,048)	(84)
Profit/(loss) for the financial year	19	<u><u>1,302</u></u>	<u><u>(20)</u></u>

Consolidated Statement of Total Recognised Gains and Losses

for the year ended 31 August 2007

	Year ended 31 August 2007 £'000	Year ended 31 August 2006 £'000
Profit/(loss) for the financial year	1,302	(20)
Depreciation of revalued buildings	8	1
Unrealised surplus on revaluation of property	296	
	<hr/>	<hr/>
Total recognised gains/(losses)	1,606	(19)
	<hr/>	<hr/>

Note of Consolidated Historical Cost Profits and Losses

for the year ended 31 August 2007

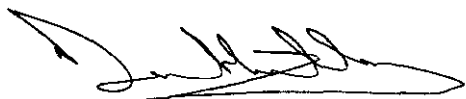
	Year ended 31 August 2007 £'000	Year ended 31 August 2006 £'000
Reported profit on ordinary activities before taxation	2,350	64
Depreciation of revalued buildings	8	1
	<hr/>	<hr/>
Historical cost profit on ordinary activities before taxation	2,358	65
	<hr/>	<hr/>
Historical cost profit/(loss) for the year after taxation	1,310	(19)
	<hr/>	<hr/>

Consolidated Balance Sheet

at 31 August 2007

	Note	31 August 2007 £'000	31 August 2006 £'000
Fixed assets			
Intangible assets	9	11,383	12,116
Tangible assets	10	5,557	4,841
		<hr/>	<hr/>
		16,940	16,957
		<hr/>	<hr/>
Current assets			
Debtors: Amounts falling due within one year	12	9,580	8,180
Cash at bank and in hand		3,552	3,440
		<hr/>	<hr/>
Creditors: Amounts falling due within one year	14	13,132 (7,050)	11,620 (9,087)
		<hr/>	<hr/>
Net current assets		6,082	2,533
		<hr/>	<hr/>
Total assets less current liabilities		23,022	19,490
Creditors: Amounts falling due after more than one year	15	(18,182)	(16,248)
		<hr/>	<hr/>
Net assets		4,840	3,242
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	18	11,228	11,228
Share premium	19	515	515
Revaluation reserve	19	351	63
Profit and loss account	19	(7,265)	(8,575)
Appropriation reserve	19	11	11
		<hr/>	<hr/>
Equity shareholders' funds	20	4,840	3,242
		<hr/>	<hr/>

The financial statements were approved by the Board on 5 December 2007 and signed on its behalf by



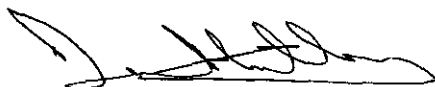
Dean Hartley
Director

Company Balance Sheet

at 31 August 2007

	Note	31 August 2007 £'000	31 August 2006 £'000
Fixed assets			
Investments	11	19,642	19,642
		<hr/>	<hr/>
Current assets			
Debtors falling due after one year	13	632	3,864
		<hr/>	<hr/>
		632	3,864
Creditors Amounts falling due within one year	14	(125)	(3,476)
		<hr/>	<hr/>
Net current assets		507	388
		<hr/>	<hr/>
Total assets less current liabilities		20,149	20,030
Creditors Amounts falling due after more than one year	15	(18,193)	(16,248)
		<hr/>	<hr/>
Net assets		1,956	3,782
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	18	11,228	11,228
Share premium	19	515	515
Profit and loss account	19	(9,798)	(7,972)
Appropriation reserve	19	11	11
		<hr/>	<hr/>
Equity shareholders' funds	20	1,956	3,782
		<hr/>	<hr/>

The financial statements were approved by the Board on 5 December 2007 and signed on its behalf by



Dean Hartley
Director

Consolidated Cash Flow Statement

for the year ended 31 August 2007

	Note	Year ended 31 August 2007 £'000	Year ended 31 August 2006 £'000
Net cash inflow from operating activities	23	6,641	4,565
Returns on investment and servicing of finance			
Interest received		143	156
Interest paid		(3,324)	(1,371)
FRS4 finance costs		(1,004)	
Interest element of finance lease payments			(8)
		(4,185)	(1,223)
Taxation paid			
UK corporation tax		(564)	
Capital expenditure and financial investment			
Payments for tangible fixed assets		(2,025)	(1,239)
Acquisitions and disposals			
Purchase of trade and assets			(398)
Cash flow before financing		(133)	1,705
Financing			
New bank loans		18,318	
Repayment of borrowings		(18,255)	(12,904)
Capital element of finance lease payments		(22)	(170)
Issue of shares			11,143
Loan from parent undertaking		868	
		909	(1,931)
Increase/(decrease) in cash	24	776	(226)

Notes to the Financial Statements

for the year ended 31 August 2007

1 ACCOUNTING POLICIES

Basis of accounting

The financial statements are prepared in accordance with applicable accounting standards under the historical cost convention as modified by the revaluation of certain land and buildings. As permitted by section 230 of the Companies Act 1985, the profit and loss account of the parent company has not been presented.

Basis of consolidation

The group accounts consolidate the accounts of the company and all its subsidiary undertakings at 31 August using acquisition accounting. The results of subsidiary undertakings acquired or disposed of during a financial period are included from, or up to, the effective date of acquisition or disposal.

Turnover

Turnover consists of the invoiced value (excluding VAT) for goods and services supplied in the period.

Investments

Investments in subsidiaries and participating interests are stated at cost less provision for impairment where necessary to reduce book value to recoverable amount. Other investments are stated at cost less any provision for permanent diminution in value. Cost is purchase price including acquisition expenses, but excluding any payment for accrued interest or fixed dividend entitlement.

Goodwill

Positive goodwill is the excess of the cost of an acquired entity over the aggregate of the fair values of that entity's identifiable assets and liabilities. Positive goodwill relating to acquisitions is shown in the balance sheet as an asset and is amortised evenly over its estimated useful economic life of 20 years. In addition to systematic amortisation, the book value is written down to recoverable amount when any impairment is identified.

Tangible fixed assets and depreciation

Depreciation is provided evenly on the cost (or valuation where appropriate) of tangible fixed assets, to write them down to their estimated residual values over their expected useful lives. Where there is evidence of impairment, fixed assets are written down to recoverable amount. Any such write down would be charged to the operating result unless it was a reversal of a past revaluation surplus in which case it would be taken to the consolidated statement of total recognised gains and losses. No depreciation is provided on freehold land. The principal annual rates used for other assets are

Leasehold improvements	Over the term of the lease
Buildings	2% on valuation
Motor vehicles	33% on cost
Fixtures, fittings and equipment	20% 33% on cost
Computer equipment	25% 33% on cost

Leased assets

Assets held under finance leases are included in the balance sheet and depreciated in accordance with the company's normal accounting policies. The present value of future rentals is shown as a liability. The interest element of rental obligations is charged to the profit and loss account over the period of the lease in proportion to the balance of capital repayments outstanding.

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the terms of the leases.

Notes to the Financial Statements

for the year ended 31 August 2007

1 ACCOUNTING POLICIES (continued)

Pensions

The group operates defined contribution pension schemes. The assets of the schemes are invested and managed independently of the finances of the group. The pension cost charge represents contributions payable in the year.

Government grants

Grants in respect of fixed assets are credited to the profit and loss account in equal annual instalments over the useful lives of the assets concerned.

Other grants are credited to the profit and loss account in the same period as the expenditure to which they contribute.

Finance costs

Financing costs are accounted for in accordance with FRS 4 'Capital Instruments' and are written off over the life of the financing to which they relate. The balance at the end of the period is set against the outstanding liability.

Deferred taxation

Deferred tax is provided, except as noted below, on timing differences that have arisen but not reversed by the balance sheet date, where the timing differences result in an obligation to pay more tax, or a right to pay less tax, in the future. Timing differences arise because of differences between the treatment of certain items for accounting and taxation purposes.

In accordance with FRS 19 deferred tax is not provided on timing differences arising from

- a) revaluation gains on land and buildings, unless there is a binding agreement to sell them at the balance sheet date, and
- b) gains on the sale of non-monetary assets, where on the basis of all available evidence it is more likely than not that the taxable gain will be rolled over into replacement assets.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Deferred tax is measured at the tax rates that are expected to apply in the periods when the timing differences are expected to reverse, based on tax rates and law enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

Where law or accounting standards require gains and losses to be recognised in the statement of total recognised gains and losses, the related taxation is also taken directly to the statement of total recognised gains and losses in due course.

Notes to the Financial Statements

for the year ended 31 August 2007

2. ANALYSES OF TURNOVER, OPERATING PROFIT AND NET ASSETS

Analyses by class of business of turnover, operating profit and net assets are stated below

Class of business	Turnover		Operating profit		Net assets	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Continuing operations						
Contact centre services	55,115	49,300	5,104	2,960	11,729	7,491
Application development	906	779	156	37	183	27
Debt collection	672	210	(262)	(224)	26	(221)
Other			(811)	(640)	(7,098)	(4,055)
	<u>56,693</u>	<u>50,289</u>	<u>4,187</u>	<u>2,133</u>	<u>4,840</u>	<u>3,242</u>

3 OPERATING PROFIT

Operating profit is arrived at after charging/(crediting)

	Year ended 31 August 2007 £'000	Year ended 31 August 2006 £'000
Other operating leases		2
Rent of properties	1,182	1,692
Depreciation – owned assets	1,567	1,457
Depreciation – assets on hire purchase contracts and finance leases	166	197
Amortisation of goodwill	733	501
Amortisation of government grants	(101)	(121)
Auditors' remuneration audit	37	35
non audit	50	35
	<u></u>	<u></u>

The operating profit for the year includes exceptional administrative expenses of £Nil (2006 £230,000) which can be summarised as follows

	Year ended 31 August 2007 £'000	Year ended 31 August 2006 £'000
Health scheme closure		230
	<u></u>	<u>230</u>

Notes to the Financial Statements

for the year ended 31 August 2007

4. INTEREST RECEIVABLE

	Year ended 31 August 2007 £'000	Year ended 31 August 2006 £'000
Bank interest	143	156
	<u>143</u>	<u>156</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 31 August 2007 £'000	Year ended 31 August 2006 £'000
Bank interest	1,305	1,547
Loan note interest	670	670
Hire purchase and finance leases	5	8
	<u>1,980</u>	<u>2,225</u>

6. EMPLOYEES

Average monthly number of employees employed by the group, including directors

	Year ended 31 August 2007 No.	Year ended 31 August 2006 No.
Call centre operatives	3,004	2,680
Administration	94	112
	<u>3,098</u>	<u>2,792</u>

Staff costs, including directors

	Year ended 31 August 2007 £'000	Year ended 31 August 2006 £'000
Wages and salaries	39,134	34,198
Social security costs	3,129	2,680
Other pension costs	231	258
	<u>42,494</u>	<u>37,136</u>

Notes to the Financial Statements

for the year ended 31 August 2007

7. DIRECTORS EMOLUMENTS

	Year ended 31 August 2007 £'000	Year ended 31 August 2006 £'000
Emoluments	492	511
Contributions to money purchase schemes	38	37
	<hr/>	<hr/>
	530	548
	<hr/>	<hr/>

The number of directors to whom retirement benefits were accruing was as follows

	Year ended 31 August 2007 No.	Year ended 31 August 2006 No.
Money purchase schemes	3	3
	<hr/>	<hr/>

Information regarding the highest paid director is as follows

	Year ended 31 August 2007 £'000	Year ended 31 August 2006 £'000
Emoluments	179	179
Contributions to money purchase pension scheme	17	17
	<hr/>	<hr/>

Notes to the Financial Statements

for the year ended 31 August 2007

8. TAXATION

Taxation charge for the period

The taxation charge for the period is analysed below

	Year ended 31 August 2007 £'000	Year ended 31 August 2006 £'000
United Kingdom Corporation Tax		
Current tax on income for the period	1,053	218
Adjustment in respect of prior period	(8)	
	<hr/>	<hr/>
Current tax	1,045	218
	<hr/>	<hr/>
Deferred tax		
Net origination of timing differences	41	(11)
Adjustment in respect of prior period	(38)	(123)
	<hr/>	<hr/>
Tax on profit on ordinary activities	<hr/> 1,048 <hr/>	<hr/> 84 <hr/>

Current tax reconciliation

The effective rate of current tax differs from the standard rate of corporation tax in the UK. A reconciliation is shown below

	Year ended 31 August 2007 £'000	Year ended 31 August 2006 £'000
Profit on ordinary activities before taxation	2,347	64
	<hr/>	<hr/>
Theoretical tax charge at UK corporation tax rate 30% (2006 30%)	705	19
Effects of		
expenditure that is not tax deductible	269	233
accelerated capital allowances	(9)	(10)
other short term timing differences	49	(24)
rate change	39	
adjustment in respect of prior period	(8)	
	<hr/>	<hr/>
Actual current taxation charge	<hr/> 1,045 <hr/>	<hr/> 218 <hr/>

Notes to the Financial Statements

for the year ended 31 August 2007

9 INTANGIBLE ASSETS

	Goodwill £'000
Cost	
At 1 September 2006 and 31 August 2007	14,685
	<hr/>
Amortisation	
At 1 September 2006	(2,569)
Charged in the period	(733)
	<hr/>
At 31 August 2007	(3,302)
	<hr/>
Net book value	
At 31 August 2007	11,383
	<hr/> <hr/>
At 31 August 2006	12,116
	<hr/> <hr/>

Acquisition of Subsidiary Undertaking

On 5 February 2003, the company acquired 100% of the issued share capital of Telecom Service Centres Limited for Consideration of £21,422,000. The book value of assets and liabilities was £5,277,000 resulting in Goodwill of £16,145,000. There were no differences between the book value and fair value of assets and liabilities acquired.

In January 2006, Dalglen settled a warranty claim against certain of the previous shareholders. This resulted in the cancellation of £1,780,000 in amounts due under Vendor loan note obligations. The result of this has been to reduce the consideration paid by £1,780,000, reducing the associated cost of goodwill to £14,365,000.

On 1 May 2006, TSC Credit Management Limited ("TCSCM") acquired the trade, assets and liabilities of Outsourced Credit Management Limited for a Consideration of £398,000 including acquisition costs. The book value of the assets and liabilities was £78,000 resulting in goodwill of £320,000. There were no differences between the book value and fair value of assets acquired.

Notes to the Financial Statements

for the year ended 31 August 2007

10 TANGIBLE ASSETS – Group

	Leasehold improve- ments £'000	Land & Buildings £'000	Furniture, fittings & equipment £'000	Computer equipment £'000	Motor Vehicles £'000	Total £'000
Cost or valuation						
At 1 September 2006	1,002	1,681	6,038	7,257		15,978
Additions	48		1,067	1,025	13	2,153
Revaluation		194				194
At 31 August 2007	1,050	1,875	7,105	8,282	13	18,325
Depreciation						
At 1 September 2006	458	68	4,906	5,705		11,137
Charge for year	105	34	713	881		1,733
Revaluation		(102)				(102)
At 31 August 2007	563		5,619	6,586		12,768
Net book value						
At 31 August 2007	487	1,875	1,486	1,696	13	5,557
At 31 August 2006	544	1,613	1,132	1,552		4,841

The net book value of the tangible fixed assets includes £38,936 (2006 £205,000) in respect of assets held under finance leases. Depreciation charged in the year on those assets amounted to £166,244 (2006 £197,000).

Valuation of fixed assets

Land and buildings were revalued in 2007 at a valuation of £1,875,000, with the historical cost being £1,665,000. No other assets have been revalued.

Independent external valuers, GVA Grimley, revalued all properties as at 31 August 2007, on the basis of Existing Use Value in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors. Existing Use Value includes notionally directly attributable acquisition costs.

If the assets had not been revalued they would have been included in the balance sheet at the following amounts:

	31 August 2007 £'000	31 August 2006 £'000
Historical cost	1,665	1,665
Aggregate depreciation	154	121

Notes to the Financial Statements

for the year ended 31 August 2007

11 INVESTMENTS

Company	Investment in subsidiary undertakings £'000
Cost and net book value	
At 1 September 2006 and 31 August 2007	19,642

The shares in group undertakings comprise investments in the following principal subsidiary undertakings at 31 August 2007

Principal trading subsidiary	Interest in ordinary shares and voting rights	Country of incorporation	Principal activity
Telecom Service Centres Limited	100%	Great Britain	Contact Centre
Sigdev Limited *	100%	Great Britain	Software development
TSC Credit Management Limited *	100%	Great Britain	Debt collection

* Held indirectly through Telecom Service Centres Limited

12 DEBTORS. AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	31 August 2007	31 August 2006	31 August 2007	31 August 2006
	£'000	£'000	£'000	£'000
Trade debtors	7,553	6,675		
Prepayments and accrued income	1,363	902		
Other debtors	123	59		
Deferred tax asset (note 17)	541	544		
	<u>9,580</u>	<u>8,180</u>		

13. DEBTORS. AMOUNTS FALLING DUE AFTER ONE YEAR

	Group		Company	
	31 August 2007	31 August 2006	31 August 2007	31 August 2006
	£'000	£'000	£'000	£'000
Amounts due from subsidiary undertakings			632	3,864

Notes to the Financial Statements

for the year ended 31 August 2007

14. CREDITORS, AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	31 August 2007 £'000	31 August 2006 £'000	31 August 2007 £'000	31 August 2006 £'000
Borrowings (note 16)	125	2,670	125	1,984
Trade creditors	1,477	805		
Other taxes and social security	2,308	2,070		
Accruals and deferred income	2,438	3,324		1,492
Corporation tax	702	218		
	<u>7,050</u>	<u>9,087</u>	<u>125</u>	<u>3,476</u>

15. CREDITORS, AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	31 August 2007 £'000	31 August 2006 £'000	31 August 2007 £'000	31 August 2006 £'000
Borrowings (note 16)	<u>18,182</u>	<u>16,248</u>	<u>18,193</u>	<u>16,248</u>

Notes to the Financial Statements

for the year ended 31 August 2007

16 **BORROWINGS**

	Group		Company	
	31 August 2007 £'000	31 August 2006 £'000	31 August 2007 £'000	31 August 2006 £'000
Due within one year				
Bank overdraft		664		
Bank loans		1,984		1,984
Obligations under finance leases and hire purchase contracts		22		
Directors' loan notes	125		125	
	<hr/> 125	<hr/> 2,670	<hr/> 125	<hr/> 1,984
Due after more than one year				
Bank loans	17,314	11,951	17,314	11,951
Vendor loan notes		1,047		1,047
Investor loan notes		3,126		3,126
Directors' loan notes		124		124
Amounts owed to immediate parent undertaking	868		879	
	<hr/> 18,182	<hr/> 16,248	<hr/> 18,193	<hr/> 16,248
Repayable				
Due within 1 year	125	2,670	125	1,984
Between one and two years	1,733	2,604	1,733	2,604
Between two and five years	7,800	10,394	7,811	10,394
After five years	8,649	3,250	8,649	3,250
	<hr/> 18,307	<hr/> 18,918	<hr/> 18,318	<hr/> 18,232

Security given on liabilities

ICICI Bank has provided bank loans which are secured by a floating charge over all the assets of the company and its subsidiaries and standard securities over Bute House, Rothesay and Caledonia House, Dunoon. The Company's holding Company, Hero Management Services (UK) Limited, has also given certain guarantees to ICICI Bank and these are disclosed in the financial statements of that Company.

Deal costs

£1,004,000 of finance costs were capitalised in accordance with FRS4 during the year ended 31 August 2007. These costs are being amortised over the term specified by the accounting policy. As at 31 August 2007 the unamortised costs were £1,004,000 (2006: £149,000) which has been netted off against the outstanding balance of borrowings.

Loans*Directors' loans*

The Directors' loan notes were fully repaid on 20 September 2007.

£16.5m of the bank loans are repayable in nine equal half yearly instalments starting on 31 August 2009. This loan attracts interest at a rate of 2.25% above LIBOR.

Notes to the Financial Statements

for the year ended 31 August 2007

16 BORROWINGS (continued)

Loans falling due after 5 years

Bank loans

The bank loans falling due after 5 years are repayable in one instalment on the 31 August 2014

The bank loans due after 5 years attract interest at a rate of 2.75% above LIBOR

17. DEFERRED TAXATION

	Group Deferred tax £'000	Company Deferred tax £'000
Balance at 1 September 2006	(544)	
Movement during period	3	
	<hr/>	<hr/>
Balance at 31 August 2007	(541)	
	<hr/>	<hr/>

Deferred taxation comprises

Group	Recognised		Unrecognised	
	31 August 2007 £'000	31 August 2006 £'000	31 August 2007 £'000	31 August 2006 £'000
Accelerated capital allowances	(475)	(448)		
Short term timing differences	(66)	(96)		
Losses			(817)	(899)
	<hr/>	<hr/>	<hr/>	<hr/>
	(541)	(544)	(817)	(899)
	<hr/>	<hr/>	<hr/>	<hr/>
Company	Recognised		Unrecognised	
	31 August 2007 £'000	31 August 2006 £'000	31 August 2007 £'000	31 August 2006 £'000
Losses			817	899
	<hr/>	<hr/>	<hr/>	<hr/>

The deferred tax asset arising on losses within Dalglen has not been recognised on the grounds that there is uncertainty as to future profits being available in Dalglen against which these losses could be utilised

Notes to the Financial Statements

for the year ended 31 August 2007

18. SHARE CAPITAL

	31 August 2007 £'000	31 August 2006 £'000
Authorised		
15,012,000 Preference Shares of £1 each	15,012	15,012
104,250,000 A Preferred Ordinary Shares of £0 0001 each	10	10
600,000 Preferred ordinary shares of £0 01 each	6	6
180,000 A Ordinary shares of £0 1 each	18	18
54,000 B Ordinary shares of £0 01 each	1	1
148,000 C Ordinary shares of £0 1 each	15	15
18,000 D Ordinary shares £0 01 each		
	<hr/>	<hr/>
	15,062	15,062
	<hr/>	<hr/>
Allotted and fully paid		
11,195,350 Preference Shares of £1 each	11,195	11,195
77,745,489 A Preferred Ordinary Shares of £0 0001 each	8	8
600,000 Preferred ordinary shares of £0 01 each	6	6
180,000 A Ordinary shares of £0 1 each	18	18
36,000 B Ordinary shares of £0 01 each	1	1
18,000 D Ordinary shares of £0 01 each		
	<hr/>	<hr/>
	11,228	11,228
	<hr/>	<hr/>

There are no non equity shares in issue

Rights Of Shares

Income

First, the preferred ordinary shares generate a fixed cumulative cash dividend (fixed dividend) of six per cent of the issue price per annum. Next, subject to payment of the fixed dividend, the preferred ordinary shares generate a cumulative cash dividend of ten per cent of the adjusted net profit for a financial year. No other distribution of profits may be made until the investor loan notes have been repaid.

Return of Capital

First preference shares to the value of the subscription price, then to the holders of preferred ordinary shares to the value of the subscription price. Next, to holders of ordinary shares to the value of subscription price. The balance distributed between holders of Preferred ordinary shares and Ordinary shares is *pari passu* as if the same constituted one class of shares.

Voting

The preference shares are non voting. All other shares are voting. All other shares rank equally in respect of voting. There are certain conditions within the Articles of Association, which if broken entitle the owners of Preferred ordinary shares to exercise three votes per share instead of one.

Notes to the Financial Statements

for the year ended 31 August 2007

19 RESERVES

Group	Appropriation reserve £'000	Share premium £'000	Revaluation reserve £'000	Profit and loss account £'000
At 1 September 2006	11	515	63	(8,575)
Profit for the year				1,302
Depreciation of revalued assets			(8)	8
Revaluation			296	
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 August 2007	11	515	351	(7,265)
	<hr/>	<hr/>	<hr/>	<hr/>

Company	Appropriation reserve £'000	Share premium £'000	Profit and loss account £'000
At 1 September 2006	11	515	(7,972)
Loss for the year			(1,826)
	<hr/>	<hr/>	<hr/>
At 31 August 2007	11	515	(9,798)
	<hr/>	<hr/>	<hr/>

20. SHAREHOLDERS' FUNDS

	Group		Company	
	31 August 2007 £'000	31 August 2006 £'000	31 August 2007 £'000	31 August 2006 £'000
Profit / (Loss) for the financial year	1,302	(20)	(1,826)	(1,833)
Issue of new shares		11,203		11,203
Issue costs on rights issue		(60)		(60)
Revaluation	296			
	<hr/>	<hr/>	<hr/>	<hr/>
Increase/(decrease) in equity shareholders' funds	1,598	11,123	(1,826)	9,310
Opening surplus/(deficit) to equity shareholders' funds	3,242	(7,881)	3,782	(5,528)
	<hr/>	<hr/>	<hr/>	<hr/>
Closing equity shareholders' funds	4,840	3,242	1,956	3,782
	<hr/>	<hr/>	<hr/>	<hr/>

Notes to the Financial Statements

for the year ended 31 August 2007

21 FINANCIAL COMMITMENTS

Operating lease commitments

	Group		Company	
	31 August 2007 £'000	31 August 2006 £'000	31 August 2007 £'000	31 August 2006 £'000
Land and buildings, leases expiring				
within one year				
one to five years	442	324		
beyond five years	681	810		
	<hr/>	<hr/>	<hr/>	<hr/>
	1,123	1,134		
	<hr/>	<hr/>	<hr/>	<hr/>

Capital commitments

	31 August 2007 £'000	31 August 2006 £'000	31 August 2007 £'000	31 August 2006 £'000
Expenditure authorised, not contracted for				
	<hr/>	<hr/>	<hr/>	<hr/>

22 PARENT UNDERTAKING

The immediate parent company is Hero Management Services (UK) Limited. On 31 August 2007, the company was acquired by Hero Management Services (UK) Limited, whose ultimate parent undertaking is Hero Management Services Limited, a company registered in India.

23. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Year ended 31 August 2007 £'000	Year ended 31 August 2006 £'000
Operating profit	4,187	2,133
Depreciation and amortisation	2,466	2,155
(Increase)/decrease in debtors	(1,400)	1,272
Increase/(decrease) in creditors	1,489	(874)
Government grants released to income	(101)	(121)
	<hr/>	<hr/>
Net cash inflow from operating activities	6,641	4,565
	<hr/>	<hr/>

Notes to the Financial Statements

for the year ended 31 August 2007

24. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	Year ended 31 August 2007 £'000	Year ended 31 August 2006 £'000
Increase/(decrease) in cash	776	(226)
Cash (inflow)/outflow from (increase)/decrease in debt	(909)	13,074
	<hr/>	<hr/>
(Increase)/decrease in net debt from cash flows	(133)	12,848
Other movements	856	(993)
	<hr/>	<hr/>
Decrease in net debt	723	11,855
	<hr/>	<hr/>
Net debt at 31 August 2006	(15,478)	(27,333)
	<hr/>	<hr/>
Net debt at 31 August 2007	(14,755)	(15,478)
	<hr/>	<hr/>

25. ANALYSIS OF NET DEBT

	1 September 2006 £'000	Cash flow £'000	Other movements £'000	31 August 2007 £'000
Cash at bank and in hand	3,440	112		3,552
Bank overdraft	(664)	664		
	<hr/>	<hr/>	<hr/>	<hr/>
Net cash	2,776	776		3,552
	<hr/>	<hr/>	<hr/>	<hr/>
Bank loans	(13,935)	(4,252)	873	(17,314)
Vendor loan notes	(1,047)	1,063	(16)	
Investor loan notes	(3,126)	3,126		
Finance leases	(22)	22		
Amounts owed to immediate parent undertaking		(868)		(868)
Other	(124)		(1)	(125)
	<hr/>	<hr/>	<hr/>	<hr/>
Borrowings	(18,254)	(909)	856	(18,307)
	<hr/>	<hr/>	<hr/>	<hr/>
Net debt	(15,478)	(133)	856	(14,755)
	<hr/>	<hr/>	<hr/>	<hr/>