Registered No 2950904

Revenue Assurance Services Limited

Report and Financial Statements

30 April 2010

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COMPANIES HOUSE

Registered No 2950904

Directors

W S Rigby (resigned 8th February 2010)
C Lee (appointed 22nd April 2010)

Secretary

J Morton

Auditors

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

Bankers

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

Solicitors

Eversheds LLP
1 Bridgewater Place
Water Lane
Leeds
LS11 5QR

Registered Office

Wellfield House
Victoria Road
Morley
Leeds
LS27 7PA

Directors' report

The directors present their report and financial statements for the year ended 30 April 2010

The company has not prepared consolidated accounts as permitted by Section 400 of the Companies Act 2006, 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

Results and dividends

The loss after tax for the year was £1,399,000 (2009 – £5,180,000)

The directors did not pay a dividend during the year (2009 - £nil)

Business review and principal activities

The principal activity of the company is that of a holding company and the company does not trade in its own right

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 to the company or that the company currently deems immaterial may also impact the business

The key risks affecting the company are considered to relate to interest rates and the profitability of its subsidiaries The subsidiaries of Revenue Assurance Services Limited are subject to a number of risks, including the safeguard of intellectual property, the risk of system failures, the retention of key personnel and of material customers

Financial instruments

The company is exposed through its operations to certain financial risks These are discussed in detail in note 13 to the financial statements

Directors

The directors who served during the period are shown on page 1

Directors' liabilities

The company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006 Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report

Directors' report

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 2006

A resolution to re-appoint 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



C Lee
Director

1 July 2010

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual 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 financial statements for the company in accordance with the International Financial Reporting standards (IFRS) as adopted by the European Union The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, the directors are 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 company'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 adequate 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 2006, 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 2006

Independent auditors' report

to the members of Revenue Assurance Services Limited

We have audited the financial statements of Revenue Assurance Services Limited for the year ended 30 April 2010 which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and the related notes 1 to 19 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 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

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 April 2010 and of its loss for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Independent auditors' report

to the members of Revenue Assurance Services Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Ernst & Young LLP

Elizabeth Barber (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, statutory auditors
Leeds

1 July 2010

Income statement

for the year ended 30 April 2010

	Notes	*2010 £000*	*2009 £000*
Revenue		-	-
Operating income		833	-
Operating Profit	4	833	-
Finance costs	6	(3,081)	(4,782)
Loss on ordinary activities before taxation		(2,248)	(4,782)
Taxation	7	849	(398)
Loss for the year attributable to equity holders of the parent	16	(1,399)	(5,180)

All items dealt with in arriving at the operating loss above relate to continuing activities

The company has not prepared a separate Statement of Comprehensive Income as there are no other recognised gains or losses other than those included in the results above

Balance sheet

at 30 April 2010

	Notes	*2010 £000*	*2009 £000*
Non current assets			
Investments	8	49,272	49,977
Deferred tax assets	12	11	14
		49,283	49,991
Current assets			
Trade and other receivables	9	-	2
Current tax asset		-	47
		-	49
Total assets		49,283	50,040
Current liabilities			
Trade and other payables	10	(16)	(460)
Financial liabilities	11	(11,676)	(9,944)
Current tax liabilities		(664)	-
		(12,356)	(10,404)
Net current liabilities		(12,356)	(10,355)
Non current liabilities			
Financial liabilities	11	(11,442)	(12,752)
Total liabilities		(23,798)	(23,156)
Net assets		25,485	26,884
Equity			
Share capital	14	12,491	12,491
Share premium	15	3,173	3,173
Retained earnings	16	9,821	11,220
Equity attributable to equity holders of the parent		25,485	26,884

These financial statements were approved by the Board of Directors and authorised for issue on 1 July 2010

Signed on behalf of the Board of Directors

C Lee
Director

Statement of changes in equity

for the year ended 30 April 2010

	Share capital £000	*Share premium £000*	*Shares to be issued £000*	*Retained earnings £000*	*Total £000*
Balance at 30 April 2008	12,491	3,173	-	16,400	32,064
Loss attributable to ordinary shareholders	-	-	-	(5,180)	(5,180)
Balance at 1 May 2009	12,491	3,173	-	11,220	26,884
Loss attributable to ordinary shareholders	-	-	-	(1,399)	(1,399)
Balance at 30 April 2010	12,491	3,173	-	9,821	25,485

Cash flow statement

for the year ended 30 April 2010

	Notes	*2010* £000	*2009* £000
Net cash outflow from operating activities	17	(2,588)	(4,843)
Investing activities			
Interest received		-	-
Net cash from investing activities		-	-
Financing activities			
Deferred consideration paid		-	(700)
Net cash used in financing activities		-	(700)
Net decrease in cash and cash equivalents		(2,588)	(5,543)
Cash and cash equivalents at the beginning of the year		(8,434)	(2,891)
Cash and cash equivalents at the end of the year		(11,022)	(8,434)

Cash and cash equivalents comprise the bank overdraft as disclosed in note 11

Notes to the financial statements

at 30 April 2010

1. Authorisation of financial statements and statement of compliance with IFRSs

The financial statements of Revenue Assurance Services Limited for the year ended 30 April 2010 were authorised for issue by the board of directors on 1 July 2010 and the balance sheet was signed on the board's behalf by C Lee Revenue Assurance Services 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 and as applied in accordance with the financial statements of the company for the year ended 30 April 2010

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 under the historical cost convention except for certain derivatives which have been measured at fair value The principal accounting policies adopted are set out below

Group accounts

Group accounts have not been prepared as the company is exempt under Section 400 of the Companies Act 2006, 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

Notes to the financial statements

at 30 April 2010

2. Significant accounting policies (continued)

Borrowing costs

Borrowing costs are recognised in the income statement in the period in which they are incurred

Retirement benefit costs

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

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 period 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 periods 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, except where the where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences 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

Investments

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

Notes to the financial statements

at 30 April 2010

2. Significant accounting policies (continued)

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

Notes to the financial statements

at 30 April 2010

2. Significant accounting policies (continued)

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 period-end When financial assets are recognised initially, they are measured at fair value

All regular way purchases and sales of financial assets are recognised on the trade date, being the date that the company 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

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

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 financed 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

Notes to the financial statements

at 30 April 2010

2. Significant accounting policies (continued)

Impairment of financial assets (continued)

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

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

Derivative financial instruments

The company uses derivative financial instruments such as interest rate swaps to hedge its risks associated with interest rate fluctuations Such derivative financial instruments are stated at fair value The fair value of interest rate swap contracts is determined by reference to market values for similar instruments The company has not adopted hedge accounting for its derivative financial instruments Any gains or losses arising from changes in the fair value of derivatives are taken to the income statement

Notes to the financial statements

at 30 April 2010

2. Significant accounting policies (continued)

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 - Group cash-settled share based payments transactions	1 January 2010
IFRS 3	Business Combinations (revised January 2008)	1 July 2009
IFRS 5	Amendment to IFRS 5 – Non-current assets held for sale and discontinued activities	1 January 2010
IAS 1	Amendment to ISA 1 - Presentation of financial statements	1 January 2010
IAS 27	Consolidated and Separate Financial Statements (revised January 2008)	1 July 2009
IAS 38	Amendment to IAS 38 – Intangible Assets	1 July 2009
IAS 39	Amendment to IAS 39 – Financial Instruments Recognition and Measurement on Eligible Hedged Items	1 July 2009
International Financial Reporting Interpretations Committee (IFRIC)		
IFRIC 16	Hedges of a net investment in a foreign operation	1 July 2009
IFRIC 17	Distribution of non cash assets to owners	1 July 2009
IFRIC 18	Transfer of assets from customers	1 July 2009

The directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the company's financial statements, other than additional disclosures, in the period of initial application

Notes to the financial statements

at 30 April 2010

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 that effect on the amounts recognised in the financial statements

4. Operating profit

Operating profit for the year has been arrived at after crediting

	2010	*2009*
	£000	*£000*
Staff costs	148	-

The analysis of auditors' remuneration is as follows

	2010	*2009*
	£000	*£000*
Fees payable to the company's auditors for the audit of the company's annual accounts	-	8
Total audit fees	-	8

The audit fee payable to the company's auditors is paid by its subsidiary Revenue Assurance Consulting Limited

5. Staff costs

W S Rigby and C Lee received no remuneration from Revenue Assurance Services Limited and their emoluments are disclosed in the ultimate parent company

6. Finance costs

	2010	*2009*
	£000	*£000*
Interest - other	164	-
Interest payable to other group companies	3,012	4,731
Unwinding of discount applied to deferred consideration	(95)	51
	3,081	4,782

Notes to the financial statements

at 30 April 2010

7. Tax on loss on ordinary activities

	2010	*2009*
	£000	*£000*
Current tax credit	632	1,342
Adjustment in respect of prior year	220	(1,670)
Deferred tax charge	(3)	(70)
	849	(398)

Corporation tax is calculated at 28% (2009 – 28%) of the estimated assessable loss for the year

The total credit for the year can be reconciled to the loss per the income statement as follows

	2010	*2009*
	£000	*£000*
Loss before tax	(2,248)	(4,782)
Tax at the UK corporation tax rate of 28% (2009 – 28%)	629	1,339
Tax effects of		
Expenses not deductible for tax purposes	-	(67)
Adjustment in respect of prior year	220	(1,670)
	849	(398)

Notes to the financial statements

at 30 April 2010

8. Investments in subsidiaries

	2010	*2009*
	£000	*£000*
Cost		
At start of the year	49,977	49,977
Adjustments in respect of deferred consideration for prior acquisitions	(705)	-
At end of the year	49,272	49,977

The company's principal trading subsidiaries are

Name	*Country of incorporation*	*Share class held*	*% held*	*Principal activity*
Revenue Assurance Consulting Limited	England & Wales	Ordinary	100	Consultancy
Utility Management Services (Hull) Limited	England & Wales	Ordinary	100	Debt collection

Notes to the financial statements

at 30 April 2010

9. Trade and other receivables

	2010	*2009*
	£000	*£000*
Prepayments	-	2
	-	2

10. Trade and other payables

	2010	*2009*
	£000	*£000*
Trade payables and accruals	16	460
	16	460

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs The average credit period taken for trade purchases is 20 days (2009 - 20 days) The directors consider that the carrying amount of trade payables approximates to their fair value

11. Financial liabilities

	2010	*2009*
	£000	*£000*
Current		
Bank overdraft	11,022	8,434
Deferred consideration	-	800
Fair value of interest rate instrument	654	710
	11,676	9,944
Non-current		
Amounts due to group companies	11,442	12,752
	11,442	12,752

Notes to the financial statements

at 30 April 2010

11. Financial liabilities (continued)

Bank overdrafts and loans

The bank overdraft is repayable on demand and the weighted average interest rate is 1 86% (2009 4 94%)

Amounts due to group companies

These represent borrowings from Spice plc group companies and carry an interest rate of 3% (2009 3%) These loans have no fixed repayment terms

Analysis of net debt

	At 30 April 2008 £000	*Cash flow £000*	*At 1 May 2009 £000*	*Cash flow £000*	*At 30 April 2010 £000*
Cash in hand and at bank	-	-	-	-	-
Debt due within 1 year	(2,891)	(5,543)	(8,434)	(2,588)	(11,022)
Total debt	(2,891)	(5,543)	(8,434)	(2,588)	(11,022)

Notes to the financial statements

at 30 April 2010

12. Deferred tax asset

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

	Other temporary differences £000	*Accelerated tax depreciation £000*	*Total £000*
Balance at 1 May 2008	68	16	84
Charge to income statement	(68)	(2)	(70)
Balance at 1 May 2009	-	14	14
Charge to income statement	-	(3)	(3)
Balance at 30 April 2010	-	11	11

At the balance sheet date the company has unused tax losses of £1,812,000 (2009 - £1,812,000) available for offset against future profits No deferred tax asset has been recognised in respect of £1,812,000 (2009 - £1,812,000) due to the unpredictability of future offset against profits All losses may be carried forward indefinitely

13. Financial instruments

The company's principal financial liabilities comprise loans from group companies and bank overdrafts The main purpose of these financial liabilities is to raise finance for the company's operations The company also has loans to and from fellow subsidiaries

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

Bank overdrafts, amounts owed to the Spice plc group companies and amounts owed to fellow subsidiaries all bear interest at market rates The market rate is dependent on the underlying reference rate for borrowings of Spice plc group currently at 3% (2009 3%)

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

The interest rate risk is managed by Spice plc

Notes to the financial statements

at 30 April 2010

13. Financial instruments (continued)

Interest rate instrument

On 23 May 2007, the company established an Interest Rate Swap Protection agreement with Barclays Bank PLC covering £6 million of the loan facilities for 5 years at a variable interest rate with a maximum LIBOR exposure of 6 50 per cent This instrument has been fair valued and is separately disclosed as a financial liability The company has not entered into cash flow hedges during the period

Sensitivity to possible change in interest rates

At 30 April 2010 significant borrowings of the company were from Spice plc group companies The borrowing carries a fixed interest rate of 3% 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 asset is investments The maximum credit risk exposure relating to financial assets is represented by carrying value as at the balance sheet date

Liquidity risks

The treasury department in Spice plc manages the liquidity risk in the group and they monitor the cash flow position of the group 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 2010 and 1 May 2009 based on contractual undiscounted payments is as follows

Year ended 30 April 2010

	On demand £'000	*Less than 3 months £'000*	*3-12 months £'000*	*1-5 years £'000*	*>5 years £'000*	*Total £'000*
Bank overdraft	11,022	-	-	-	-	11,022
Amounts due to group companies	-	-	-	-	11,442	11,442
Trade and other payables	-	16	-	-	-	16

Period ended 1 May 2009

	On demand £'000	*Less than 3 months £'000*	*3-12 months £'000*	*1-5 years £'000*	*>5 years £'000*	*Total £'000*
Bank overdraft	8,434	-	-	-	-	8,434
Amounts due to group companies	-	-	-	-	12,752	12,752
Deferred consideration	-	-	800	-	-	800
Trade and other payables	-	460	-	-	-	460

Notes to the financial statements

at 30 April 2010

13. Financial instruments (continued)

Capital management

The company's primary capital management objective is to maintain a strong credit rating and healthy capital ratios The company monitors capital using return on capital employed (ROCE), which is operating profit divided by net assets

Fair values

Set out below are the financial instruments (except for trade and other receivables and trade and other payables), that are included in the financial statements There is no material difference between the carrying value and the fair value of the financial instruments

	2010	*2009*
	£000	*£000*
Financial liabilities		
Bank overdraft	11,022	8,434
Amounts due to group companies	11,442	12,752
Deferred consideration		
- current	-	800
Fair value of interest rate instrument	654	710

14. Share capital

	Ordinary shares of 25p each	*Ordinary shares of 0 000063p each*
	£000	*£000*
Authorised		
As at 1 May 2009	12,509	12,491
As at 30 April 2010	12,509	12,491

Notes to the financial statements

at 30 April 2010

14. Share capital (continued)

	Ordinary shares of 25p each No	*Nominal value of ordinary shares of 25p each £000*	*Ordinary shares of 0 000063p each No*	*Nominal value of ordinary shares of 0 000063p each £000*
Issued and fully paid				
As at 1 May 2009	-	-	158,397,337,526	12,491
As at 30 April 2010	-	-	158,397,337,526	12,491

15. Share premium

	Share premium £000
As at 1 May 2009	3,173
	-
As at 30 April 2010	3,173

Notes to the financial statements

at 30 April 2010

16. Retained earnings

	Retained earnings £000
As at 30 April 2008	16,400
Net loss for the year	(5,180)
As at 1 May 2009	11,220
Net loss for the year	(1,399)
As at 30 April 2010	9,821

17. Notes to the cash flow statement

	Year ended 30April 2010 £000	*Year ended 1 May 2009 £000*
Operating profit from continuing operations	833	-
Operating cash flows before movements in working capital	833	-
Decrease in receivables	2	9
Increase in inter-company balances	362	4
Decrease in creditors	(609)	(19)
Cash generated/(used) by operations	588	(6)
Interest paid	(3,176)	(4,837)
Net cash outflow from operating activities	(2,588)	(4,843)

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

Notes to the financial statements

at 30 April 2010

18. Related party transactions

The following transactions were carried out with related parties

Period-end balances arising from borrowings

	2010	*2009*
	£000	*£000*
The ultimate parent company	8,050	8,159
Other subsidiary undertakings of Spice plc	3,392	4,593
	11,442	12,752

19. Ultimate controlling party

The immediate and ultimate parent undertaking and controlling party is Spice plc which is incorporated in England and Wales

Spice plc is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 30 April 2010 The consolidated financial statements of Spice plc are available from Wellfield House, Victoria Road, Morley, Leeds, LS27 7PA