Brulines (Holdings) plc

Consolidated Annual Report & Accounts
Year ended 31 March 2008



The market leading provider of real time monitoring systems and data management services for the UK leisure sector brulines

HIGHLIGHTS

- Revenue improved as anticipated to £17.06 million (2007: £16.76 million)
- Operating profit increased 56.5% to £3.99 million (2007: £2.55 million)
- Profit before tax increased 75.7% to £4.17 million (2007: £2.37 million post exceptional items)
- Gross margins improved to 53.4% (2007: 43.5%)
- Earnings per share increased by 65.1% to 11.84 pence (2007: 7.17pence)
- Recurring income streams now 64% of revenue
- Final dividend of 3.55 pence per share giving a full year total of 5.0 pence per share (2007: 3.0 pence per share)
- Acquisitions successfully integrated
- Satisfactory progression on new installations taking the total installation base to over 21,500

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COMPANY INFORMATION

Directors	J W Dickson (Chief Executive Officer) M H Foster (Finance Director) S C Gilliland (Non-Executive Director) J H Newman (Non-Executive Chairman) D J Noble (Operations Director)
Secretary	M H Foster
Registered office	One Surtees Way Surtees Business Park Stockton-on-Tees TS18 3HR
Registered number	5345684
Auditors	Grant Thornton UK LLP No 1 Whitehall Riverside Leeds West Yorkshire LS1 4BN
Bankers	Bank of Scotland 41/51 Grey Street Newcastle NE1 6EE
Nominated Adviser	Grant Thornton UK LLP 30 Finsbury Square London EC2P 2YU
Stockbroker	Cenkos Securities Limited 6, 7, 8 Tokenhouse Yard London EC2R 7AS
Solicitors	Gordons LLP Riverside West Whitehall Road Leeds LS1 4AW
Registrars	Capita IRG The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

CHAIRMAN'S STATEMENT

I am delighted to report another good year for the Group both in terms of financial performance and progress in the achievement of its longer term strategy.

Results

As had been forecast, revenue for the year at £17.06 million was only slightly ahead of the £16.76 million achieved in 2007. This was almost entirely due to the large scale installation programme, which took place in 2007 and was not repeated this year. The two acquisitions, Coin Metrics and Nucleus, contributed £765,000 to revenue in the year. However, the level of Group income derived from contractual services rose significantly in the year to 64%, which gives the Group much greater transparency in its forward revenue expectations. This change of sales mix also had the effect of substantially increasing gross margins to over 53% up from 44% last year.

With other overheads being well controlled due to operating efficiencies and good management, this resulted in Group operating profit before amortisation of intangibles and exceptional costs, increasing by 26.8% to £4.10 million (2007: £3.23 million). IFRS Group profit before tax at £4.17 million (2007: £2.37 million) was substantially ahead of last year. Basic earnings per share at 11.84 pence (2007: 7.17 pence) is 65% up on last year, an excellent achievement.

These are the first full year accounts reported under International Financial Reporting Standards ('IFRS'). The impact has not been significant to the Group's results with relatively minor changes (see Financial Review).

Dividend

The Board paid a first interim dividend of 1.45 pence per share and, in line with the Board's progressive dividend policy, is recommending a final dividend of 3.55 pence (2007: 3.0 pence) per share in respect of the year ended 31 March 2008. This gives a total dividend for the year of 5.0 pence (2007: 3.0 pence) per share, subject to the approval of shareholders at the Group's Annual General Meeting on 21 July 2008. The final dividend will be paid on 24 July 2008 to shareholders on the register on 27 June 2008.

Acquisitions

During the year the Group continued its strategy of making selective acquisitions in order to extend the Group's product offering to its existing customers and also to enter new markets aligned to the skills and technologies within the Group.

In May 2007, we announced that we had taken a majority shareholding in Coin Metrics Limited ('CML'), a company with an established customer base in the amusement with prizes ('AWP') and gaming industries, using similar technology to the Group. This acquisition was seen as a strong strategic fit with our existing Machine Insite business, which already provides data and consultancy services into similar markets and customers.

In September 2007, the Group announced its intention to purchase Nucleus Data Holdings Limited ('Nucleus'), one of our competitors in the dispense monitoring market. After the Office of Fair Trading (OFT) decided not to refer the proposed merger to the Competition Commission, Nucleus became part of the Group on 4 January 2008. The integration of both companies into the Group structure has gone well and the anticipated synergies from the Nucleus merger are expected to be achieved.

The Board continues to explore further acquisition and trading opportunities, both home and abroad, which will expand the markets in which we operate and create synergies for the Group's existing products.

Extraordinary General Meeting

The Extraordinary General Meeting held on 21 November 2007 enabled the Group to purchase up to approximately 10% of its own shares. To date a total of 216,000 shares have been purchased by the Group to satisfy options outstanding under the Group's share option scheme.

Outlook

The recent downturn in the economy coupled with last year's smoking ban has put further pressure on the pub and leisure sectors to extract operating efficiencies and value from their activities.

This Group's core and new product offerings have, therefore, assumed greater importance within our customer base as our data and analysis services are put to increasing use by our customers to manage their own costs and marketing activities.

The acquisitions made and the introduction of new products has extended the Group's key markets and technology capabilities across the wider leisure sector, where there are significant opportunities for growth both at home and abroad.

Consequently, the Board is confident that the Group will continue to grow its activities and make further progress towards its strategic goals during the next financial year.

Finally I would like to thank all my colleagues for their effort and contribution to this most successful year.

James H Newman
Chairman
17 June 2008

CHIEF EXECUTIVE OFFICER'S STATEMENT

Group profit

Trading in the second half of the 2008 financial year has been robust and the Group results for the year to 31 March 2008 are in line with management and market expectations.

The Group revenue at £17.06 million was 1.8% ahead of last year whilst, as anticipated, on a comparable year on year basis, the core business turnover for the year decreased by 2.6% to £16.07 million (2007: £16.50 million) with the decline attributable to the exceptionally high level of installation activity associated with Enterprise Inns roll out in 2006/7.

The revenue mix continued to improve, moving towards recurring revenue as income from support service contracts was generated from the increasing installation base. Recurring revenue currently accounts for over 64% of Group revenue and management expects this to continue to rise for the foreseeable future.

Gross margin has risen from 43.5% for 2006/7 to over 53.4% for 2007/8 as a result of increased recurring revenue, operational improvements and non recurrence of the high set up costs associated with the Enterprise Inns roll out programme in early 2006/7. Other direct costs of sale also decreased by 17% as lower direct operating costs have been achieved from improved efficiency. Next year's operating costs will come under pressure from fuel price driven inflation although we anticipate that gross margins will be sustained around the current levels.

After absorbing costs associated with the integration and support of Machine Insite, Coin Metrics, and Nucleus Data, the Group profit before taxation for 2007/8 at £4.17 million is £1.80 million greater than the same period last year delivering a 65% increase in earnings per share to 11.84 pence.

Customers and contracts

New installations, system replacements and upgrades have progressed satisfactorily in the year with almost 2,000 new installations and over 1,300 existing system upgrade replacements taking our total installation base including Nucleus Data to over 21,500 sites, providing year-on-year growth in recurring revenue and increased margins associated with support services.

The OFT investigation into the merger with Nucleus Data had an adverse impact on both companies' installation pipelines as several customers delayed their investment programmes until after the OFT decision. Since the merger was completed in early January 2008 there has been increased interest from an even wider range of customers.

Negotiations for our core product offering to the tenanted/leased sector have been successfully completed with several customers including S&N Pub Enterprises, Charles Wells and a five year extension with Punch Taverns. Against a background of a demanding trading environment for our customers, we are advancing discussions with other national and regional operators, and this should lead to increased market share and the broadening of our customer base and deeper penetration within existing customers' estates.

Market drivers

Pub, brewing and leisure businesses are experiencing a very challenging trading environment, components of which include the smoking bans, duty rises, declining beer sales, cheap drinks in supermarkets, rising costs and falling discretionary spend as the economic climate deteriorates.

Over time the Group will benefit from these factors. The increasing requirements on all leisure operators to improve the quality and efficiency of their offering will tend to increase demand for the Group's products despite any potential consumer slow down.

Brand Quality Monitoring ("BQM") product development

Further strong progress has been made with the development of the BQM product range as quality at the point of dispense becomes increasingly important due to pub owners and brewers competing for market share against a background of falling on-premises beer consumption. BQM is proven technology with positive customer feedback on its capability to address waste, revenue shrinkage and poor beer quality.

The Group is working with industry stakeholders, utilising the BQM platform as part of an integrated solution to help improve competitiveness through optimising quality and cost reduction. Cellar technical service operations are an area where the industry can improve performance:

- Six key players supply, install and maintain drinks dispense systems in over 95% of draught outlets in the UK licensed on trade covering pubs, bars, hotels, restaurants, casinos, clubs and stadiums;

- These parties employ the equivalent of over 800 technicians who make in excess of 800,000 maintenance call out visits per year; and

- Used in conjunction with desk top diagnostics the data provided by BQM could reduce the number of call outs by as much as 20% or more, and improve targeting of resource to dramatically reduce costs, improve product quality, reduce non availability and improve competitiveness.

The Group is already in discussion with leading players amongst the pub companies and technical services providers to develop an integrated solution.

There is an increasing interest and demand from a growing number of pub companies for a commercial evaluation of BQM, with activity ongoing in both the national tenanted and managed sectors with a broad range of operators. There is also significant interest from regional brewers where beer quality is a high priority.

The Group now has in excess of two hundred BQM systems installed including over 100 in Punch Taverns where we have a five year support service contract.

Strategic growth acquisitions

In early 2006, the Group decided to enter the amusement and gaming (or 'AWP') machine market to provide a monitoring and data management product. We have now completed two acquisitions which have been successfully integrated and are well positioned to establish a leading data capture and machine management position in the leisure sector.

Machine Insite – leading position in gaming machine data management and consultancy

Machine Insite provides gaming machine data management and consultancy services to operators within the pub, club and leisure markets and is trading well and will grow its contribution to Group profit over the coming years. Following our investment in a new database and data management software with web based reporting, it has gained new business with SA Brain, Spirit, Orchid, Trust Inns, Cains and Charles Wells during the past year and we now provide data management for approximately 25,000 AWP machines in 3,700 outlets across 30 groups and customers within the pub and leisure markets.

Coin Metrics – remote data capture for gaming and vending machines

In May 2007, as part of our plan to provide enhanced AWP and vending monitoring products such as remote data capture, the Group acquired a 66 percent holding in Coin Metrics Limited ("CML"). The core CML product is Site Guardian, a wireless data product that allows owners of gaming centres or family entertainment centres in the AWP industries to constantly monitor the financial performance of their gaming sites and assets accurately and in real time.

The acquisition of CML is a strong strategic fit with Machine Insite as the real time data capture capability will allow Machine Insite to provide advanced machine reporting and machine to machine services. This will enable the Group to accelerate the growth of the AWP data management business to market leadership, whilst also opening up new applications and markets for the next generation of wireless data capture systems into new business sectors, such as vending. Key business gains have been MOTO Motorway services, Welcome Break and Odeon.

The Group is in discussion with potential customers and partners within the vending industry for the development and supply of VENDGuardianTM which will provide real time data capture on vending machine operational information such as sales activity, stock level, stock replenishment, and temperature monitoring in a chilled vending environment.

Nucleus Data Holdings Limited ("Nucleus") – data capture and management for the pub industry

The acquisition of Nucleus was an important strategic development in the Group's growth plans as it enhances product development, further strengthens the senior team and provides a solid commercial platform from which to accelerate our entry into new markets.

Following a successful outcome from the OFT investigation into the merger the acquisition was completed on 4 January 2008 and therefore has been only earnings neutral in the year to 31 March 2008. The integration has gone to plan and the anticipated synergies are being realised and the Board believes that the acquisition will thus be earnings enhancing in the year to 31 March 2009.

The merged business will be able to pool resources for accelerated technology development to expand our product portfolio and improve existing product offering. It will also reduce complexity and administration for customers who historically have used both suppliers as a result of the significant movement of pubs between pub companies following their acquisition and disposal processes. Former Nucleus customers are already benefiting from the scale and reaction times of the Group's nationwide in-house field service engineering resources.

Strategy for growth

Our core Dispense Monitoring business alone has the potential market to maintain satisfactory growth over the next three years. However the Board anticipate incremental contribution and margin growth from additional complimentary products and technologies such as BQM, AWP, soft drinks monitoring, fridge/freezer temperature monitoring, wines and spirits monitoring, and market insights. The Group has a strong customer and recurring revenue base and solid foundations for significant growth as we commercialise development products, extend into new markets and make selective acquisitions.

Our Coin Metrics and Machine Insite businesses are positioned to achieve significant growth as we develop our AWP machine monitoring and data management products to market leadership in their existing and new leisure sectors.

The increasing interest in BQM is expected to increase our coverage of the tenanted/leased and managed sectors as the product becomes central to industry quality and efficiency improvements for draught drinks dispense.

Our core beer monitoring products underpin customer investment in our edisBOX communication platforms which, once installed are capable of accepting additional products and services.

The Group believes that our ability to provide a wider range of effective operational and market data will increase our value to existing customers within tenanted/leased and managed sectors, whilst allowing entry to the hotels, clubs, and independent sectors.

The Group is now well positioned to pursue an acquisitive growth strategy as we have the resources to identify, acquire and integrate appropriate targets.

Management and employees

During the year the Group has made continued good progress both in the recruitment of new talent and in ongoing personnel development including the successful integration of Nucleus's operations in order to strengthen the management team at all levels.

Following the respective acquisitions, the Group welcomes Jeff Anspach and Clive Consterdine from Nucleus and Richard Adams and Ian Daintith from Coin Metrics to the senior management team.

The Group also recently announced the appointment of Bill Knowles in the new role of Managing Director of the Group's gaming machine management interests comprising Machine Insite and Coin Metrics. He brings a wealth of experience acquired in senior roles within the machines and pub sector over the last 25 years, including 19 years with Punch Taverns and Allied Domecq.

We have a dedicated and ambitious management team, who are well supported by a strong workforce which is committed to the Group, our customers, and our values. Once again I thank everyone for their contribution during the last twelve months.

James Dickson
Chief Executive
17 June 2008

FINANCIAL REVIEW

Trading table

Results are reported for the first time on a first full year adopted IFRS basis. The results of the Group have pleasingly taken a positive step forward. While revenue increased by only 1.8%, operating profit increased by £1.44 million, being 56.5% ahead of 2007, largely resulting from increased penetration, change in revenue mix with 64% recurring income, and improved cost control, as well as there being no exceptional listing fee costs in the year. In the year, the Group delivered 1,956 new installations and 1,319 replacement upgrade systems, as well as 106 BQM systems.

Our subsidiaries of Machine Insite Ltd and Coin Metrics Ltd contributed £1.0 million in revenue and £0.26 million in profit before tax. The acquisition of Nucleus Data Ltd in January 2008, as expected, was not earnings enhancing in the period to the year end, but is expected to be in the new financial year.

Overall results pre amortisation of intangible assets and option costs were a profit of £4.35 million – slightly ahead of the broker expectation of £4.20 million. The table below shows the performance of the Group, as follows:

	FY 2008 £'000's	FY 2007 £'000's
Revenue	17,063	16,756
Gross Profit	9,117	7,294
Gross Profit %	53.4	43.5
EBIT	3,988	2,549
PBT	4,165	2,370

Gross margin

As stated above, the change in revenue mix to being 64% recurring with no large set up cost requirement this year has seen the progression of the gross margin to 53.4%.

Actual group profit

The consolidated Group pre tax profit increased by 75.7% to £4.17 million (2007: £2.37 million), reflecting the comments made above.

Taxation

The taxation charge of £1.30 million represented an effective tax rate of 31.3% on the reported profit before taxation of £4.17 million, in line with expectation.

Earnings per share

Basic earnings per share for the year ended 31 March 2008 amounted to 11.84p. This compares to 7.17p last year and represents a 65.1% growth in basic earnings per share. Fully diluted earnings per share, which takes account of all outstanding share options, amounted to 11.77p (2007: 7.20p).

Balance sheet

The balance sheet has been strengthened not only in the results achieved but also by the quality of the assets arising from the acquisitions of Nucleus Data Holdings Ltd and Coin Metrics Ltd, as well as the move to our new purpose built premises, which provide a solid platform for future growth.

Operationally, the Group generated £5.32 million in cash, up 9.9% on last year. The funds generated were utilised to fund the corporate acquisitions, acquire the freehold of the new premises, and service dividends and taxation. As part of the acquisition and property additions, the Group borrowed £3.95 million. The positive cash flows have meant that at the year-end we have a net debt position of £0.8 million.

Transition to International Financial Reporting Standards (IFRS)

As an AIM listed company, Brulines has adopted IFRS in its financial statements for the year ended 31 March 2008. The impact of IFRS is not considered to be significant with the principal effects being the cessation of the routine amortisation of goodwill subject to an annual test for impairment, as well as establishment of intangible assets arising from acquisitions where appropriate.

Mark Foster
Finance Director
17 June 2008

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the year ended 31 March 2008.

Principal activities

The company is the holding company of a group, the principal activities of which are those of design, product development, sale and rental of fluid monitoring and machine monitoring equipment, together with the provision of data management and related services, both to the licensed and machine leisure trade.

Review of business and future developments

The directors are pleased with the results for the year ended 31 March 2008, which show a profit before tax of £4.165m (2007: £2.370m).

The improved recurring levels of income and cost control have helped us achieve the results declared, and the acquisitions made and new premises to operate from have helped us build on the platform the business seeks, to take advantage of the growth opportunities that exist. We are satisfied with the results and performance achieved in the year and look forward to building on this.

Business Risk

The directors have considered areas of potential risk to the business and are satisfied with the results and business projections given market conditions and current risk, that the business is of sound financial and operating for the future. This is against a backdrop of the business having performed well in the year given the difficult trading conditions, poor summer of 2007, legislative impacts such as smoking ban, and overall market confidence in liquidity and credit.

The Chairman's Statement, the Chief Executive Officer's Statement and the Financial Review provide further detail on the performance of the Group together with an indication of future prospects.

Key Performance Indicators

	Target	Actual 2008	Actual 2007
Percentage of revenue from recurring income streams[1]	49%	65%	51%
Gross Margin[2]	44%	53%	44%
Employee Turnover[3]	2%	3.84%	1.49%

Notes to KPI's

All figures are based on the Brulines Limited trading company for comparative purposes.

[1] Percentage of revenue from recurring income streams = recurring income streams as a percentage of all income streams. Brulines Limited aims to increase shareholder value through growth in revenue, linked to profitability (see Gross Margin below). Source data is taken from management information. The company has exceeded its targets based on the nature of the company's long term contracts.

[2] Gross Margin = Gross profit as a percentage of turnover. Brulines Limited aims to generate sufficient profit for both distribution to shareholders and re-investment in the company, as measured by Gross Margin. Source data is taken from the audited financial statements.

[3] Employee Turnover = Brulines Limited aims to be seen as a good, attractive employer with positive values and career prospects.

Financial risk management

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.

While the Group does have a net debt exposure, the positive cash generation of the business means we do not have material exposures in any of the areas identified above and consequently does not use derivative instruments to manage these exposures.

The Group's principal financial instruments comprise sterling cash and bank deposits, bank loans and overdrafts, other loans and obligations under operating 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:

Price risk

The Group has no significant exposure to securities price risk, as it holds no listed equity investments other than 766,983 of its own shares held in a Trustee Company for options satisfaction, and Treasury.

Credit risk

The Group's principal financial assets are bank balances, cash and trade debtors, which represent the Group's maximum exposure to credit risk in relation to financial assets.

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

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 medium-term loans and additional revolving credit facilities to aid short-term flexibility.

Cash flow interest rate risk

Interest bearing assets comprise cash and bank deposits, all of which earn interest at a rate of base rate. The interest rate on the bank overdraft and loan is at market rate and the Group's policy is to operate the overdraft within defined limits on the occasions it is required such that the risk that could arise from a significant change in interest rates would not have a material impact on cash flows. The Group's policy is to maintain other borrowings at fixed rates to fix the amount of future interest cash flows. The directors monitor the overall level of borrowings and interest costs to limit any adverse effects on financial performance of the Group.

Report of the Directors (continued)

Dividends

The directors recommend the payment of a final dividend of 3.55p per share (2007: final only of 3p), taking the full year dividend to 5p.

Directors and their interests

The current directors of the company are shown below.

Those directors serving at the end of the period had interests in the share capital of the company at 31 March as follows:

	Ordinary shares of 10p each 2008	Ordinary shares of 10p each 2007
J W Dickson	4,276,168	4,276,168
M H Foster	175,000	175,000
D J Noble	554,432	554,432
J H Newman	25,000	25,000
S C Gilliland	16,000	16,000

Share options

Details of share options held by the current directors and senior employees are as follows:

Name of director / senior employee	Date of grant	Number of options	Exercise price	Exercise date
D J Noble	31/03/06	80,000	50.0p	–
A Martinez	31/03/06	90,000	50.0p	–
G James	31/03/06	90,000	50.0p	–
M H Foster	31/03/06	150,000	67.2p	–
D J Noble	31/03/06	40,000	67.2p	–
D Glass	31/03/06	16,000	67.2p	–
M Bristow	31/03/06	20,000	67.2p	–
J W Dickson	26/10/06	75,000	123.0p	–
M H Foster	26/10/06	65,000	123.0p	–
D J Noble	26/10/06	65,000	123.0p	–
G James	26/10/06	50,000	123.0p	–
A J Martinez	26/10/06	50,000	123.0p	–
R Colley	26/10/06	75,000	123.0p	–
J H Newman	26/10/06	36,000	123.0p	–
S C Gilliland	26/10/06	24,000	123.0p	–
S M Brown	26/10/06	50,000	123.0p	–
J Anspach	07/01/08	50,000	148.5p	–
C Consterdine	07/01/08	50,000	148.5p	–

Donations

Charitable donations of £nil (2007: £nil) were made during the year. No political donations were made (2007: £nil).

Substantial Shareholdings

The company has been informed that on 20 May 2008 the following shareholders (excluding Directors) held substantial holdings of the issued ordinary shares of the company:

	Holding of Ordinary shares Number	Issued Share capital %
AXA Framlington	1,601,500	6.58
ISIS Equity Partners	1,529,582	6.28
Legal and General Investment Management	992,000	4.08
S M Brown	968,864	3.98
M&G Investment Management	863,000	3.55
Henderson Global Investors	853,284	3.51
Barclays Wealth	807,793	3.32
S Collin	763,560	3.14
Resolution Investment Services Limited	762,000	3.13

Going Concern

The Directors, after having made appropriate enquiries, including (but not limited to) a review of the Group's budget for 2008/09, have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Environmental Policy

The Group's environmental policy is to meet the statutory requirements placed upon it and to apply good environmental practice in its operations.

Payment of Creditors

The Group's policy is to settle invoices promptly according to terms and conditions as far as it is practicable. Trade creditors at the balance sheet date represented 40 days purchases (2007: 40 days). As the company is a holding company it has no trade creditors and accordingly no disclosure is made of the year end creditor days for the company.

Employees

The quality and commitment of our people have played a major role in our business success. This has been demonstrated in many ways, including improvements in customer satisfaction, improved profitability, the development of customer offering and the flexibility they have shown in adapting to changing business requirements and new ways of working. Employees' performance is aligned to company goals through an annual performance review process that is carried out with all employees. Employee turnover was 3.84%, slightly above the threshold we have set.

Research and Development

The Group has a continuing commitment to levels of research and development which reflect the need to be at the forefront of technological advance to ensure future growth. During the year expenditure on research and development was £268,052.

Annual General Meeting

The Annual General Meeting will be held on 21 July 2008 at 9:00am at the offices of Grant Thornton UK LLP, No.1 Whitehall Riverside, Leeds, LS1 4BN.

Post balance sheet events

There were no post balance sheet events to report.

Statement of directors' responsibilities for the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations. The directors have elected to prepare the Group financial statements in accordance with IFRS as adopted by the EU and the parent company financial statements in accordance with UK accounting standards.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared financial statements in accordance with International Financial Reporting Standards 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 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 apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable International Financial Reporting Standards as adopted by the European Union have been followed, 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 Group and the company 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 company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

Disclosures 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.

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 6 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 17 June 2008 and signed on its behalf by:

Mark H Foster
Director

CORPORATE GOVERNANCE STATEMENT

General Principle

The Group is committed to high standards of corporate governance in all its activities. Whilst the company is not required to comply with the 2003 FRC Combined Code, the Board recognises the value of the Code and has regard to its requirements as far as practicable and appropriate for a public company of its size and nature.

The Board

Throughout the year, the Board consisted of three Executive and two Non Executive Directors as follows:

Executive Directors

James W Dickson (Chief Executive Officer)
Mark H Foster (Finance Director & Company Secretary)
Duncan J Noble (Operations Director)

Non-Executive Directors

James H Newman (Chairman)
Stewart C Gilliland

All Directors have access to the advice and services of the Company Secretary.

There is a clear division of responsibilities between the Chairman, who is responsible for the running of the Board, and the Chief Executive Officer, who, together with the other Executive Directors, are responsible for running the business.

The Board meets regularly, with no less than ten meetings planned in any one calendar year. Each Director is provided with sufficient information to enable them to consider matters in good time for meetings and enable them to discharge their duties properly. There is a formal schedule of matters reserved for Board approval. In principle the Board agrees the Group business plan, determines overall Group Strategy, acquisition, investment, human resource and health and safety policies, as well as approval for major items of capital expenditure, and a full review of events and finances.

All Directors have access to independent professional advice at the Group's expense. Prior to becoming a plc, the Directors undertook the training required in association with duties and responsibilities of being a director of a listed company.

The independent non-executive Directors bring an independent judgement to the management of the Group. They are free from any business or other relationships which could interfere with the exercise of their judgement. The non-executive Directors fulfil a key role in corporate accountability.

Board Committees

The Group has established a number of committees, details of which are set out below and all of which operate with defined Terms of Reference:

Audit Committee

This consists of:

James H Newman (Chairman)
Stewart C Gilliland

It meets at least three times in any year, and is usually attended as a minimum by the Chief Executive and Finance Director, as well as the Group's External Auditors.

The Audit Committee has terms of reference (which are available for inspection) to report on matters such as the Group's annual accounts, interim reports, major accounting issues and developments, the appointment of external auditors and their fee, the objectivity of the auditors, the Group's statement on internal control systems and the scope and findings of external audit.

Remuneration Committee

This consists of:

Stewart C Gilliland (Chairman)
James H Newman

The Remuneration Committee has terms of reference (which are available for inspection) and meets at least twice per year, reviewing and advising upon the remuneration and benefit packages of the Executive Directors and other senior management. The remuneration of the Chairman and non-executive Director is decided upon by the full Board.

The Remuneration policy is to attract, retain and motivate high quality executives capable of achieving the Group's objectives and thereby enhancing shareholder value.

The remuneration of the Executive Directors consists of a basic salary and benefits, performance related bonuses and share options. The non Executive Directors are eligible for performance related share options.

Nominations Committee

The Board established a Nominations Committee during the year consisting of:

James H Newman (Chairman)
James W Dickson
Stewart C Gilliland

The Committee did not meet during the year, but has planned meetings for the new financial year. The Committee has terms of reference which are available for inspection.

Internal Control and Risk Management

The Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness, and recognises these systems are designed to manage rather than eliminate the risk of material loss.

The Board monitors risk through ongoing processes and provides assurance that the significant risks faced by the Group are being identified, evaluated and appropriately managed.

The main elements of the internal control systems are:

- management structure with clearly identified responsibilities
- budget setting process including longer term forecast review
- comprehensive monthly financial reporting system, with comparison to budget, supported by written report from the Chief Executive Officer and Finance Director
- report to the Audit Committee from the external auditors stating the material findings arising from the audit. This report is also considered by the main Board and action taken where appropriate
- a framework for capital expenditure and controls including authorisation procedures and rules relating to delegation of authority
- risk management policies to manage issues relating to health and safety, environment, legal compliance, insurance and security
- day to day hands on involvement of the Executive Directors

As a result of the above systems and controls, and due to its current size, the Group does not operate an internal audit function, but is keeping its position under review.

Shareholder Communication

The Group places a high level of importance on communicating with its shareholders and welcomes and encourages such dialogue within the regulations governed by the London Stock Exchange. The Board are keen to encourage the participation of a broad base of both institutional and private investors in the Group. Communication with shareholders will be maintained through the Annual General Meeting, annual and interim reports and press releases.

Share Options

The company has established three share option plans: the EMI plan, the Executive plan and the Employee Plan. Share options will be issued at appropriate intervals in order to motivate and retain Executive Directors, senior management and other key staff whilst aligning their interests with those of the Group's shareholders. Such grants are approved by the Remuneration Committee.

Conflict of Interest

The Board are satisfied that there is no conflict of interest arising out of Grant Thornton acting as both Auditors and NOMAD to the Group. The Board, as well as Grant Thornton, have considered this in detail and are satisfied there is no conflict of interest at all.

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF BRULINES (HOLDINGS) PLC

We have audited the Group financial statements of Brulines Holdings plc for the year ended 31 March 2008 which comprise the consolidated income statement, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and notes 1 to 30. These Group financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent company financial statements of Brulines Holdings plc for the year ended 31 March 2008.

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 auditor

The directors' responsibilities for preparing the Annual Report and the Group Financial Statements in accordance with 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 Group 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 Group Financial Statements give a true and fair view and whether the Group Financial Statements have been 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. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement, the Chief Executive Officer's Statement and the Financial Review that is cross referred from the Review of Business and Future Developments section of the Directors' Report.

In addition we report to you if, in our opinion, 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 Group financial statements. The other information comprises only the Chairman's Statement, the Chief Executive Officer's Statement, the Financial Review and the Report of the Directors. We consider the implications for our report if we become aware of any apparent mis-statements or material inconsistencies with the Group 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 Group Financial Statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the Group Financial Statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

Report of the Independent Auditor to the Members of Brulines (Holdings) PLC (continued)

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 Group Financial Statements are free from material mis-statement, 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 Group Financial Statements.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 March 2008 and of its profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985; and
- 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

Leeds, England

17 June 2008

CONSOLIDATED INCOME STATEMENT

for the year ended 31 March 2008

	Note	2008 £000	2007 £000
Continuing operations			
Revenue	3	17,063	16,756
Cost of Sales		(7,946)	(9,462)
Gross profit		9,117	7,294
Administrative expenses		(5,129)	(4,064)
Listing expenses	5	–	(681)
Operating profit		3,988	2,549
Finance income	6	249	165
Finance costs	7	(72)	(344)
Profit before taxation		4,165	2,370
Taxation	8	(1,303)	(913)
Profit for the year attributable to equity shareholders	4	2,862	1,457
Earnings per share for profit attributable to equity shareholders			
Total and continuing earnings per share			
– Basic	9	11.84p	7.17p
– Diluted	9	11.77p	7.20p

The accompanying accounting policies and notes form an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET

at 31 March 2008

	Note	2008 £000	2007 £000
Assets			
Non-current assets			
Goodwill	11	12,767	9,220
Other intangible assets	12	847	9
Property, plant and equipment	13	3,383	487
		16,997	9,716
Current assets			
Inventories	14	1,122	1,288
Trade and other receivables	15	3,737	2,892
Cash and cash equivalents		3,058	4,079
		7,917	8,259
Liabilities			
Current liabilities			
Trade and other payables	16	(6,435)	(5,778)
Borrowings	17	(394)	–
Current tax liabilities		(708)	(486)
Provisions	19	(89)	–
		(7,626)	(6,264)
Net current assets		291	1,995
Non-current liabilities			
Borrowings	17	(3,485)	–
Provisions	19	(303)	–
Deferred tax	20	(242)	–
		(4,030)	–
Net assets		13,258	11,711
Shareholders' equity			
Issued share capital	21	2,434	2,408
Share premium		7,024	6,966
Share based payment reserve		104	32
Own shares		(877)	(151)
Merger reserve		310	–
Retained earnings		4,263	2,456
Total equity attributable to equity holders of the parent		13,258	11,711

The Group financial statements were approved by the Board of Directors on 17 June 2008 and were signed on its behalf by:

J W Dickson
Director

The accompanying accounting policies and notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2008

Group	Share capital £000	Share premium £000	Own Shares £000	Share based payment reserve £000	Merger reserve £'000	Retained earnings £000	Total £000
At 1 April 2006	1,735	–	–	–	–	999	2,734
Total recognised income and expenses – profit for the year	–	–	–	–	–	1,457	1,457
Share capital issued	673	7,442	–	–	–	–	8,115
Share-based payment	–	–	–	32	–	–	32
Own shares	–	–	(151)	–	–	–	(151)
Issue costs	–	(476)	–	–	–	–	(476)
At 31 March 2007	2,408	6,966	(151)	32	–	2,456	11,711
Total recognised income and expenses – profit for the year	–	–	–	–	–	2,862	2,862
Share capital issued	26	58	–	–	310	–	394
Share based payment	–	–	–	72	–	–	72
Own shares	–	–	(726)	–	–	–	(726)
Dividends	–	–	–	–	–	(1,055)	(1,055)
At 31 March 2008	2,434	7,024	(877)	104	310	4,263	13,258

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 March 2008

	Group 2008 £000	Group 2007 £000
Profit after tax	2,862	1,457
Amortisation of intangible assets	108	2
Depreciation	223	191
Loss on sale of property, plant and equipment	2	–
Share based payments	72	32
Change in inventories	286	(368)
Change in receivables	(198)	3,353
Change in payables	89	(565)
Change in provisions	392	–
Interest receivable	249	165
Interest payable	(72)	(344)
Taxation expense recognised in income statement	1,303	913
Cash generated from operations	5,316	4,836
Interest payable	72	344
Interest receivable	(249)	(165)
Income taxes paid	(1,122)	(640)
Net cash generated from operating activities	4,017	4,375
Cash flows from Investing activities		
Proceeds on disposal of property, plant and equipment	2	8
Purchases of property, plant and equipment	(2,909)	(405)
Purchase of subsidiary undertakings	(4,363)	(120)
Cash acquired with subsidiary	155	–
Net cash used in investing activities	(7,115)	(517)
Cash flows from financing activities		
Repayments of borrowings	(71)	(5,678)
Bank funding	3,950	–
Dividends paid	(1,055)	–
Purchase of own shares	(726)	(151)
Repayment of loan notes	–	(4,215)
Repayments of obligations under finance leases and hire purchase contracts	(21)	(24)
Issue of ordinary share capital	–	7,639
Net cash from financing activities	2,077	(2,429)
Net (decrease)/increase in cash and cash equivalents	(1,021)	1,429
Cash and cash equivalents at beginning of period	4,079	2,650
Cash and cash equivalents at the end of the period	3,058	4,079

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2008

1. Significant accounting policies

1.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (IFRS). IFRS includes Interpretations issued by the International Financial Reporting Interpretations Committee.

The financial statements have been prepared on the historical cost convention. The measurement bases and principal accounting policies of the Group are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from these estimates.

These are the Group's first annual financial statements prepared under IFRS. The IFRS accounting policies have been applied consistently to all periods in these consolidated financial statements from the date of transition on 1 April 2006. They have also been applied in preparing the opening IFRS balance sheet at 1 April 2006 for the purposes of the transition to IFRS, as required by IFRS 1. The impact of the transition from UK GAAP to IFRS is explained in Note 30. The accounting policies set out below have been applied consistently throughout the Group for the purposes of these consolidated financial statements.

1.2 Subsidiaries

The consolidated financial statements incorporate the results, assets, liabilities and cash flows of the company and each of its subsidiaries for the financial year ended 31 March 2008.

Subsidiaries are entities controlled by the Group. Control is deemed to exist when the Group has the power, directly or indirectly to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results, assets, liabilities and cash flows of subsidiaries are included in the consolidated financial statements from the date control commences until the date that control ceases.

Unrealised gains on transactions between the Group and its subsidiaries are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

1.3 Business combinations

The purchase method is used to account for all acquisitions. The cost of an acquisition is measured at the fair values, on the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

At the date of acquisition, the identifiable assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill.

The Group has elected not to apply IFRS 3 Business Combinations retrospectively to business combinations prior to the date of transition. Accordingly the classification of the combination (acquisition, reverse acquisition or merger) remains unchanged from that used under UK GAAP. Assets and liabilities are recognised at date of transition if they would be recognised under IFRS, and are measured using their UK GAAP carrying amount immediately post-acquisition as deemed cost under IFRS, unless IFRS requires fair value measurement. Deferred tax and minority interest are adjusted for the impact of any consequential adjustments after taking advantage of the transitional provisions.

1. Significant accounting policies (continued)

1.4 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods provided in the normal course of business, net of all related discounts and sales tax.

Sale of dispense monitoring equipment

The revenue from the sale is recognised at the point of installation when the transfer of risk and reward is made to the customer.

Sale of support service packs

The revenue is recognised over the support term of the length of the service contract in accordance with the respective customer's agreements.

Machine monitoring sale of equipment

The revenue from the sale is recognised at the point of installation when the transfer of risk and reward is made to the customer.

Machine monitoring licence and support

The revenue is recognised over the support term of the length of the service contract in accordance with the respective customer's agreements.

Machine monitoring data management services

The revenue is recognised over the support term of the length of the service contract in accordance with the respective customer's agreements.

Interest income

Interest income is accrued on a time basis using the effective interest method.

Rental income

Income from equipment leased to customers is accounted for on a straight-line basis over the period to which it relates. These arrangements are operating leases, where the risk and reward of the unit, which is capitalised, remains with the Group.

1.5 Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

Any exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were initially recorded are recognised in the profit or loss in the period in which they arise. Exchange differences on non-monetary items are recognised in the statement of recognised income and expenses to the extent that they relate to a gain or loss on that non-monetary item taken to the statement of recognised income and expenses, otherwise such gains and losses are recognised in the income statement.

1.6 Goodwill

Goodwill on acquisition of subsidiaries represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary. Goodwill is not amortised, but tested at least annually for impairment, and carried at cost less accumulated impairment losses. Impairment losses are immediately recognised in the income statement and are not subsequently reversed.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date.

1. Significant accounting policies (continued)

1.7 Intangible assets

Separately acquired intangible assets

The Group does not operate any purchased computer software. All such software is licensed and expensed.

Acquisition as part of a business combination

Identifiable intangible assets acquired as part of a business combination are initially recognised separately from goodwill if the asset's fair value can be measured reliably, irrespective of whether the asset had been recognised by the acquiree before the business combination. An intangible asset is considered identifiable only if it is separable or if it arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

Intangible assets acquired as part of a business combination and recognised by the Group include customer contracts and customer lists.

After initial recognition, intangible assets acquired as part of a business combination are carried at cost less accumulated amortisation and any impairment losses recognised in administrative expenses in the income and expenditure statement.

Amortisation

Intangible assets are amortised on a straight-line basis, to reduce their carrying value to their residual value, over their estimated useful lives. The following useful lives were applied during the year:

Customer orders	12 months
Customer contracts	unexpired length of contract

Methods of amortisation, residual values and useful lives are reviewed, and if necessary adjusted, at each balance sheet date.

1.8 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment losses. Cost comprises the purchase price of property, plant and equipment together with any directly attributable costs.

Subsequent costs are included in an asset's carrying value or recognised as a separate asset, when it is probable that future economic benefits associated with the additional expenditure will flow to the Group and the cost of the item can be measured reliably. All other costs are charged to the income statement when incurred.

Depreciation commences when an asset is available for use. Depreciation is charged so as to write off the depreciable amount of assets other than land to their residual values over their estimated useful lives using a method that reflects the pattern in which the assets' future economic benefits are expected to be consumed by the Group.

Depreciation is charged in equal annual instalments over the following periods:

Freehold property	50 years
Plant and machinery	4 years
Equipment and vehicles	4 years
Fixtures and fittings	4 years
Rental systems	Term of hire

Methods of depreciation, residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

The gain or loss arising from the disposal or retirement of an item of property, plant and equipment is determined as the difference between the net disposal proceeds and the carrying amount of the item, and is included in the income statement.

1. Significant accounting policies (continued)

1.9 Impairment

At each balance sheet date, the Group assesses whether there is any indication that its assets have been impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. The value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit. This present value is discounted using a pre-tax rate that reflects current market assessments of the time value of money and of the risks specific to the asset for which future cash flow estimates have not been adjusted. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is recognised as an impairment loss.

An impairment loss relating to assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the income statement.

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the combination.

Goodwill is tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit by first reducing the carrying amount of any goodwill allocated to the cash-generating unit, and then reducing the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount but limited to the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised in the income statement. Impairment losses on goodwill are not subsequently reversed.

1.10 Borrowing costs

All borrowing costs are recognised in the income statement in the period in which they are incurred.

1.11 Operating leases

The costs of all operating leases are charged to the income statement on a straight-line basis at existing rental levels. Incentives to sign operating leases are recognised in the income statement in equal instalments over the term of the lease.

1.12 Own shares

The costs of purchasing own shares are shown as a deduction against equity. The proceeds from the sale of own shares held increase equity. Such amounts are shown in a separate reserve. Neither the purchase nor sale of own shares leads to a gain or loss being recognised in the Group income statement.

1.13 Inventories

Inventories are stated at the lower of cost and net realisable value on a first in first out (FIFO) basis. Cost of finished goods and work in progress includes materials and direct labour.

Net realisable value is the estimated selling price, which would be realised after deducting all estimated costs of completion, and costs incurred in marketing, selling and distributing such inventory.

1. Significant accounting policies (continued)

1.14 Taxation

The tax expense represents the sum of current tax and deferred tax.

Current tax

Current tax is based on taxable profit for the year and is calculated using tax rates enacted or substantively enacted at the balance sheet date. Taxable profit differs from accounting profit either because items are taxable or deductible in periods different to those in which they are recognised in the financial statements or because they are never taxable or deductible.

Deferred tax

Deferred tax on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes is accounted for using the balance sheet liability method.

Using the balance sheet liability method, deferred tax liabilities are recognised in full for all taxable 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. However, if the deferred tax asset or liability arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit, it is not recognised.

Deferred taxation is measured at the tax rates that are expected to apply when the asset is realised or the liability settled based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Deferred tax assets and liabilities are offset only when there is a legally enforceable right to set off current tax amounts and when they relate to the same tax authority and the Group intends to settle its current tax amounts on a net basis.

Current and deferred tax are recognised in the income statement except when they relate to items recognised directly in equity, when they are similarly taken to equity.

1.15 Provisions

A provision is recognised when, as a result of a past event, the Group has a legal or constructive obligation, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of such an obligation can be made.

Provisions are measured at the best estimate of the expenditure required to settle the obligation at the balance sheet date.

Provision is made for the present value of any onerous element of operating leases. This typically arises when the Group ceases to use premises and they are left vacant for the remainder of the lease term or are sub-let at rentals, which fall short of the amount payable by the Group under the lease.

Provision is made for the estimated cost of dilapidation repairs arising from wear and tear to leased properties where the Group has a present legal obligation to repair based on the terms of the lease agreements.

1.16 Financial instruments

The Group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

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

1. Significant accounting policies (continued)

The particular recognition and measurement methods adopted for the Group's financial instruments are disclosed below:

Trade and other receivables

Trade and other receivables are initially recognised at fair value as reduced by appropriate allowances for estimated irrecoverable amounts. Due to their short-term nature they do not carry interest. A provision for impairment of trade receivables is established when there is evidence that the Group will not be able to collect all amounts due according to the original terms of these receivables. The amount of the provision is the difference between the carrying value and the present value of estimated future cash flows, discounted at the effective interest rate. Impairment losses are recognised in the income statement.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits on call with banks and bank overdrafts. Bank overdrafts are disclosed as current borrowings on the balance sheet.

Trade and other payables

Trade and other payables are not interest bearing and are stated at their fair value.

Borrowings

Borrowings are recognised initially at fair value net of transaction costs. Subsequent measurement is at amortised cost. Finance charges, including any premiums payable or discounts, and direct issue costs are recognised in the income statement over the period of the borrowings using the effective interest rate method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

1.17 Dividends

Final dividends are recognised as a liability in the period in which they are approved by the company's shareholders. Interim dividends are recognised when they are paid.

1.18 Employee share option schemes

All share-based payment arrangements granted after 7 November 2002 that had not vested prior to 1 April 2006 are recognised in the financial statements and included in a separate reserve.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets).

All equity-settled share-based payments are ultimately recognised as an expense in the income statement with a corresponding credit to "share based payment" reserve.

Upon exercise of share options the proceeds received net of attributable transaction costs are credited to share capital, and where appropriate share premium.

1. Significant accounting policies (continued)

1.19 Equity

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares.
- "Share premium" represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
- "Share based payment reserve" represents equity-settled share-based employee remuneration until such share options are exercised.
- "Own shares reserve" represents the costs/ proceeds of purchasing/ selling own shares.
- "Merger reserve" represents the excess over nominal value of fair value of consideration attributed to equity shares issued in part settlement for subsidiary company shares acquired.
- "Retained earnings reserve" represents retained profits.

1.20 New IFRS standards and interpretations not applied

The IASB and IFRIC have issued additional standards and interpretations, which are effective for periods starting after the date of these financial statements. The following standards and interpretations have yet to be adopted by the Group:

- IAS 1 Presentation of Financial Statements (revised 2007) (effective 1 January 2009)
- IAS 23 Borrowing Costs (revised 2007) (effective 1 January 2009)
- Amendment to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation (effective 1 January 2009)
- IAS 27 Consolidated and Separate Financial Statements (Revised 2008) (effective 1 July 2009)
- Amendment to IFRS 2 Share-based Payment - Vesting Conditions and Cancellations (effective 1 January 2009)
- IFRS 3 Business Combinations (Revised 2008) (effective 1 July 2009)
- IFRS 8 Operating Segments (effective 1 January 2009)
- IFRIC 12 Service Concession Arrangements (effective 1 January 2008)
- IFRIC 13 Customer Loyalty Programmes (effective 1 July 2008)
- IFRIC 14 IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective 1 January 2008)

The directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the financial statements of the Group except for additional disclosure and presentational requirements.

2. Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income, expenses and related disclosures. The estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. This forms the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

Actual results may however differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Changes in accounting estimates may be necessary if there are changes in the circumstances on which the estimate was based, or as a result of new information or further information. Such changes are recognised in the period in which the estimate is revised.

Certain accounting policies are particularly important to the preparation and explanation of the Group's financial information. Key assumptions about the future and key sources of estimation uncertainty that have a risk of causing a material adjustment to the carrying value of assets and liabilities over the next twelve months are set out below.

Impairment of intangible assets and property, plant and equipment

The Group tests goodwill at least annually for impairment, and whenever there is an indication that the asset may be impaired. All other intangible assets and property, plant and equipment are tested for impairment when indicators of impairment exist. Impairment is determined with reference to the higher of fair value less costs to sell and value in use. Value in use is estimated using adjusted future cash flows. Significant assumptions are made in estimating future cash flows about future events including future market conditions and future growth rates. Changes in these assumptions could affect the outcome of impairment reviews. See note 11.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination including customer contracts and customer lists are recognised when they are identifiable or arise from contractual or other legal rights and their fair value can be reliably measured. Fair value is estimated using risk adjusted future cash flows. Significant assumptions are made in estimating future cash flows about future events including future market conditions and future growth rates. Changes in these assumptions could affect fair values. See note 27.

Put and call option

On 10 May 2007 Brulines (Holdings) plc legally acquired 66% of the issued share capital of Coin Metrics Limited. Under IFRS 3 "Business Combinations" the acquisition has been accounted for as a 100% purchase with no minority interest included.

Brulines (Holdings) plc have entered into a put and call option to purchase the remaining 34% of the issued share capital. Under IFRS 3 "Business Combinations" this has been treated as deferred contingent consideration as it is clearly part of the business combination and highly probable that the put will be exercised. The directors are currently unable to put a reliable estimate on the fair value of the deferred consideration and as such no value has been included. The fair value is based on a multiple of EBIT with such a multiple being based on recurring revenue, as defined in the put and call option agreement. This will be continually monitored and a fair value calculated if appropriate going forward.

Operating lease commitments

The Group has an existing commercial property lease in relation to offices. The Group has determined that it has not obtained substantially all the risks and rewards of ownership of the property and has therefore accounted for the lease as an operating lease.

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

Provisions

Provisions are recognised when management are satisfied that an outflow of economic benefits is probable and a reliable estimate can be made of the obligation.

In estimating the onerous lease provisions, the Group considers the likelihood of being able to sub-let properties, the expected level of rentals, the probability of assignees going into liquidation and property reverting to the Group, expected future trading conditions, and whether uneconomic stores will be closed and properties sub-let.

Income taxes

The determination of the Group's tax liabilities requires the interpretation of tax law. The Group obtains appropriate professional advice from its tax advisors in relation to all significant tax matters. The directors believe that the judgements made in determining the Group's tax liabilities are reasonable and appropriate, however, actual experience may differ and materially affect future tax charges.

3. Segment reporting

Business segments

For management purposes the Group is currently organised into two operating divisions, being Dispense Monitoring and Machine Monitoring, as defined in the Report of the Directors principal activities section. These business segments are the basis on which the Group reports its primary segmental information. As the Group's business is entirely conducted within the United Kingdom, there are no geographical business segments and as a result no secondary reporting segmental information is presented.

The inter-segment sales are immaterial. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated assets and liabilities comprise items such as cash and cash equivalents, taxation, and borrowings. Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one period.

	Dispense Monitoring		Machine Monitoring		Total	
Continuing Operations	**2008 £000**	**2007 £000**	**2008 £000**	**2007 £000**	**2008 £000**	**2007 £000**
Revenue	16,070	16,499	993	257	17,063	16,756
Segment result	3,734	2,536	254	13	3,988	2,549
Finance income					249	165
Finance costs					(72)	(344)
Profit before taxation					4,165	2,370
Taxation					(1,303)	(913)
Profit for the year from continuing operations					2,862	1,457
Other information						
Additions to property, plant, equipment and intangible assets	3,833	399	22	6	3,855	405
Depreciation and amortisation	320	190	11	2	331	192

3. Segment reporting (continued)

	Dispense Monitoring		Machine Monitoring		Total	
	2008 £000	2007 £000	2008 £000	2007 £000	2008 £000	2007 £000
Segment assets	10,687	8,597	613	149	11,300	8,746
Unallocated assets					13,614	9,229
Total assets					24,914	17,975
Segment liabilities	11,230	6,217	184	47	11,414	6,264
Unallocated liabilities					242	–
Total liabilities					11,656	6,264

Analysis of revenue by category	2008 £000	2007 £000
Continuing operations		
Sale of goods	17,063	16,756
Finance income	249	165
	17,312	16,921

4. Profit for the year

The following items have been included in arriving at profit for the year:

	2008 £000	2007 £000
Employee benefits expense (note 22)	5,446	4,384
Depreciation of property, plant and equipment (note 13)	223	191
Amortisation of intangible assets included in administrative expenses (note 12)	108	1
Loss on disposal of property, plant and equipment	2	–
Operating lease rentals payable	650	260
Product research and development	268	277

Auditor's remuneration **Services to the company and its subsidiaries**	2008 £000	2007 £000
Fees payable to the company's auditor for the audit of the annual financial statements	10	8
Fees payable to the company's auditor and its associates for other services:		
Audit of the financial statements of the company's subsidiaries pursuant to legislation	17	12
Other services relating to tax – compliance and advice	11	5
Other services relating to advice on share option scheme	3	14
Services relating to corporate finance transactions	104	–
Other services – flotation fees *	–	214
Other services – IFRS reporting, half year reporting and accounting advice	23	6

* In addition, flotation fees of £76,153 have been deducted from share premium in 2007.

5. Listing expenses

	2008 £000	2007 £000
Listing expenses	–	681

Listing expenses relate to the Admission of the company to AIM in October 2006. In addition, costs of £475,803 directly attributable to issuing new shares have been deducted from share premium (see Consolidated Statement of Changes in Equity).

6. Finance income

	2008 £000	2007 £000
Interest on bank deposits	246	164
Other interest	3	1
	249	165

7. Finance costs

	2008 £000	2007 £000
Interest payable on bank borrowings	72	344
	72	344

8. Taxation

Analysis of charge in period

	2008 £000	2007 £000
Current tax expense		
– UK corporation tax on profits of the period	1,320	934
	1,320	934
Deferred tax expense (note 20):		
– Temporary differences	(17)	(21)
Income tax expense	1,303	913

8. Taxation (continued)

Reconciliation of effective tax rate

The tax for the period is higher (2007: higher) than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2008 £000	2007 £000
Profit before taxation		
– Continuing operations	4,165	2,370
Profit before taxation multiplied by rate of corporation tax in the UK		
of 30% (2007: 30%)	1,250	711
Effects of:		
Flotation expenses	–	182
Other expenses not deductible for tax purposes	61	47
Goodwill amortisation	21	–
Depreciation in excess of capital allowances	(5)	–
Losses not relieved	2	–
Sch 23 deduction re: exercise of share options	–	(26)
Rate difference	(26)	(1)
Total tax expense	1,303	913

9. Earnings per share

Basic earnings per share are calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share are calculated on the basis of profit for the year after tax divided by the weighted average number of shares in issue in the year plus the weighted average number of shares which would be issued if all the options granted were exercised

Reconciliations of the earnings and weighted average number of shares used in the calculations are set out below.

	2008			2007		
	Earnings £000	Basic earnings per share	Diluted earnings per share	Earnings £000	Basic earnings per share	Diluted earnings per share
Profit attributable to equity shareholders	2,862	11.84p	11.77p	1,457	7.17p	7.20p

	2008 Number	2007 Number
Weighted average number of ordinary shares	24,165,880	20,307,028
Dilutive effect of share options	772,044	380,792
Diluted weighted average number of ordinary shares	24,937,924	20,687,820

10. Ordinary dividends

	2008 £000	2007 £000
Final dividend for the year ended 31 March 2007 of 3.0p (year ended 31 March 2006: 0.0p)	717	–
Interim dividend paid in respect of the year of 1.45p (2007: 0.0p)	338	–
Amounts recognised as distributions to equity holders	1,055	–

In addition, the directors are proposing a final dividend in respect of the year ended 31 March 2008 of 3.55p per share. If approved by shareholders, it will be paid on 24 July 2008 to shareholders who are on the register of members on 27 June 2008.

11. Goodwill

The main changes in the carrying amounts of goodwill result from the acquisition of Nucleus Data Limited and Coin Metrics Limited. The net carrying amount of goodwill can be analysed as follows:

Group	2008 £000	2007 £000
Cost		
At 1 April	9,220	9,220
Additions (note 27)	3,547	–
At 31 March	12,767	9,220
Accumulated impairment losses		
At 1 April 2007 and 31 March 2008	–	–
Net book amount 31 March	12,767	9,220

Management have assessed potential impairment and based on sales contracts, on going business and profitability of each cash generating unit, no impairment was necessary.

The carrying value of goodwill is allocated to the following cash generating units:

	2008 £000	2007 £000
Dispense Monitoring	11,952	9,102
Machine Monitoring	815	118
Carrying amount 31 March	12,767	9,220

The recoverable amounts for these cash generating units were based on value-in-use calculations at a discount rate of 6.5% covering the Group's budget for 2009.

Management's key assumptions for these businesses include stable profit margins which have been based on past experience in their markets. These are the best available input for forecasting future markets. Apart from the considerations described above, management is unaware of any probable changes that would necessitate changes in these key estimates.

12. Other intangible assets

Group	Order book £000	Customer Contracts £000	Patents £000	Total £000
Cost				
At 1 April 2006	–	–	14	14
At 31 March 2007	**–**	**–**	**14**	**14**
– business combinations separately acquired (note 27)	39	907	–	946
At 31 March 2008	**39**	**907**	**14**	**960**
Amortisation				
At 1 April 2006	–	–	4	4
Charge for the year	–	–	1	1
At 31 March 2007	**–**	**–**	**5**	**5**
Charge for the year	39	68	1	108
At 31 March 2008	**39**	**68**	**6**	**113**
Net book amount				
At 31 March 2007	**–**	**–**	**9**	**9**
At 31 March 2008	**–**	**839**	**8**	**847**

Where appropriate, intangible assets identified in business combinations have been recognised in accordance with the provisions of IFRS 3 (Business Combinations) and IAS 38 (Intangible Assets). Intangible assets have only been recognised where they have identifiable future economic benefits that are controlled by the entity, it is probable that these benefits will flow to the entity and their fair value can be measured reliably.

The useful lives of the intangible assets acquired during the year were assessed to be as follows:

Customer contracts – unexpired length of contract
Customer orders – 12 months

13. Property, plant and equipment

Group	Freehold Land and buildings £000	Plant, vehicles and equipment £000	Fixtures and fittings £000	Total Total £000
Cost				
At 1 April 2006	83	350	416	849
Additions	243	63	99	405
Disposals	–	(38)	–	(38)
At 31 March 2007	326	375	515	1,216
Additions	2,719	47	143	2,909
Acquisition	–	152	61	213
Disposals	–	(146)	–	(146)
At 31 March 2008	3,045	428	719	4,192
Accumulated depreciation				
At 1 April 2006	23	259	286	568
Charge for the year	9	89	93	191
Disposals	–	(30)	–	(30)
At 31 March 2007	32	318	379	729
Charge for the year	77	54	92	223
Disposals	–	(143)	–	(143)
At 31 March 2008	109	229	471	809
Net book amount				
At 31 March 2007	294	57	136	487
At 31 March 2008	2,936	199	248	3,383

14. Inventories

	2008 £000	2007 £000
Raw materials	1,241	1,311
Write down on raw materials	(253)	(157)
Work in progress	134	134
	1,122	1,288

No reversal of previous write-downs was recognised as a reduction of expense in 2007 or 2008. In 2008 £2,263,254 (2007: £4,008,178) was included in the income statement under cost of sales. None of the inventories are pledged as securities for liabilities.

The Group's inventories are comprised of products, which are not generally subject to rapid obsolescence on account of technological, deterioration in condition or market trends. Consequently management considers that there is little risk of significant adjustments to the Group's inventory assets within the next financial year.

15. Trade and other receivables

	2008 £000	2007 £000
Trade receivables	3,587	2,671
Deferred tax (note 20)	–	6
Other receivables	10	65
Prepayments and accrued income	140	150
	3,737	2,892

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

All of the Group's trade and other receivables have been reviewed for indicators of impairment. No trade receivables were found to be impaired.

In addition some of the unimpaired trade receivables are past due as at the reporting date. The age of financial assets past due but not impaired is as follows:

	2008 £000	2007 £000
Not more than 3 months	1,305	1,187
More than 3 months but not more than 6 months	371	52
More than 6 months but not more than 1 year	48	7
More than 1 year	–	9
	1,724	1,255

16. Trade and other payables

	2008 £000	2007 £000
Trade payables	786	811
Other taxation and social security	583	388
Other payables	50	31
Accruals and deferred income	5,016	4,548
	6,435	5,778

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

17. Borrowings

Current	2008 £000	2007 £000
Bank loans	394	–
	394	–

Non-current	2008 £000	2007 £000
Bank loans	3,485	–
	3,485	–

17. Borrowings (continued)

Bank loans and overdrafts are denominated in £ sterling and bear interest based on Bank of Scotland Base Rate plus 1%. The bank overdrafts and loans are secured by a fixed charge over the land and buildings of the Group.

The weighted average effective interest rates on the Group's borrowings were as follows:

	2008 %	2007 %
Bank overdrafts – floating rates	6.54	5.80
Bank borrowings – floating rates	6.54	5.80

The maturity profile of the Group's non-current bank-loans, was as follows:

	2008 £000	2007 £000
Between one and two years	394	–
Between two and five years	1,791	–
More than five years	1,694	–
	3,879	–

The Group's bank overdrafts and bank borrowings bear interest at floating rates, which represent prevailing market rates. The directors consider therefore that the carrying amount of bank overdrafts and bank borrowings approximates their fair value. The fair value of the Group's lease obligations approximates their carrying amount.

The Group have the following committed floating rate borrowing facilities:

	2008 £000	2007 £000
Expiring within one year	800	–
Expiring between 1 and 2 years	–	–
Expiring in more than 2 years	–	–
	800	–

Brulines (Holdings) plc's policy is to minimise interest rate cash flow risk exposures on our long-term financing. Longer-term borrowings are therefore usually at fixed rates. At 31 March 2008, Brulines (Holdings) plc is exposed to changes in market interest rates through its bank borrowings, which are subject to variable interest rates. As in the previous year, all other financial assets and liabilities have fixed rates.

18. Financial Instruments

The Group is exposed on a minimal basis to market risk through its use of a US Dollar account. The Group's risk management is co-ordinated by the directors who focus actively on securing the Group's short to medium term cash flows through regular review of all the operating activities of the business. Long term financial investments are managed to generate lasting returns.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed are described below.

Foreign currency sensitivity

Exposures to currency exchange rates arise from the Group's overseas activities, all of which are denominated in US Dollars.

Due to the non material nature of the Group's exposure to foreign currency risk, cash flows in Dollars are not produced.

18. Financial Instruments (continued)

Foreign currency denominated financial assets and liabilities are set out below.

	2008 $000	2007 $000
Financial assets	13	–
Financial liabilities	–	–
	13	–

The Group has no long term foreign exchange exposure.

At the beginning and end of the year, the Group had no unexpired forward foreign exchange contracts.

Credit risk analysis

The Group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date and which are set out below.

	2008 £000	2007 £000
Cash and cash equivalents	3,058	4,079
Trade and receivables	3,737	2,892
	6,795	6,971

The Group continuously monitors credit risk of customers and other counterparties and incorporates this information into its credit risk controls. The Group takes up trade references on all new customers and its policy is to deal only with credit worthy companies.

Management considers that all the above financial assets are of good credit quality, including those that are past due.

None of the Group's financial assets are secured by collateral or other credit enhancements.

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk for liquid funds is considered negligible, since the counterparty is a reputable bank with a high quality external credit rating.

Liquidity risk analysis

The Group manages its liquidity needs by carefully monitoring all scheduled cash outflows. Liquidity needs are monitored in various time bands, on a day-to-day and week to week basis, as well as on the basis of a rolling 4 week projection. Longer term needs are monitored as part of the Group's regular rolling monthly reforecasting process.

The Group maintains cash to meet its liquidity requirements for the short to medium term. Funding for long-term liquidity is additionally secured by an adequate amount of committed credit facilities.

	2008 £000	2007 £000
Trade payables	6,435	5,778
Other short term financial liabilities	394	–
	6,829	5,778

18. Financial Instruments (continued)

Liquidity risk analysis (continued)

Summary of financial assets and liabilities by category

Current Assets	2008 £000	2007 £000
Cash and cash equivalents	3,058	4,079
Trade and receivables	3,737	2,892
	6,795	6,971

Current Liabilities	2008 £000	2007 £000
Trade payables: financial liabilities measures at amortised cost	6,435	5,778
Other short term financial liabilities	394	–
	6,829	5,778
Net financial (liabilities)/assets	(34)	1,193

The carrying value of the above assets and liabilities is equal to their fair value.

Capital management policies and procedures

The Group's capital management objectives are to ensure its ability to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group monitors capital on the basis of carrying amount of equity less cash and cash equivalents as presented on the face of the balance sheet. Capital for the reporting periods under review is set out below.

	2008 £000	2007 £000
Total equity	13,258	11,711
Less cash equivalents	(3,058)	(4,079)
	10,200	7,632
Capital to overall financing ratio	0.77	0.65

19. Provisions

Group	Onerous leases £000	Dilapidations £000	Total £000
1 April 2007	–	–	–
Charged to income statement	372	20	392
31 March 2008	372	20	392

19. Provisions (continued)

Provisions are analysed between current and non-current as follows:

	Group	
	2008 £000	2007 £000
Current	89	–
Non-current	303	–
	392	–

The provision for onerous leases is in respect of leasehold properties from which the Group no longer resides, but is liable to fulfil rent and other property commitments up to the lease expiry date. If a property is sub-let below the head rent, or for a period shorter than the remaining lease term, provision is made for the onerous element of the lease. Obligations are payable within a range of 1 to 5 years.

The Group provides for the estimated cost of property dilapidations, where appropriate, during the period of the tenancy. The provisions are expected to be utilised over the next 4 to 5 years.

20. Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 28% (2007: 30%).

The movement on the deferred tax account is as shown below:

	2008 £000	2007 £000
At 1 April	6	(15)
Profit and loss charge	17	21
Acquisition (note 27)	(265)	–
At 31 March	(242)	6

The movements in deferred tax assets and liabilities (prior to the offsetting of balances within the same jurisdiction as permitted by IAS 12) during the period are shown below:

Net deferred tax (liability)/ asset **Group**	**£000**
At 31 March 2008	(242)
At 31 March 2007	6

21. Issued share capital

	2008 £000	2007 £000
Authorised		
40,000,000 ordinary shares of 10p each (2007: 40,000,000)	4,000	4,000

21. Issued share capital (continued)

	2008 000	2008 £000
Issued and fully paid – 10p ordinary shares		
At 1 April 2006	17,345	1,735
Issued	6,734	673
At 31 March 2007	24,079	2,408
Issued	262	26
At 31 March 2008	24,341	2,434

Allotments during the year

On 10 May 2007, 36,974 10p ordinary shares were issued in connection with the acquisition of the share capital of Coin Metrics Limited with a fair value of £1.6836 each giving an aggregate consideration of £62,250. The shares had a nominal value of £3,697.40. The resulting premium of £58,552.60 has been credited to the share premium reserve.

On 4 January 2008, 225,424 10p ordinary shares were issued in connection with the acquisition of the share capital of Nucleus Data Holdings Limited with a fair value of £1.475 each giving an aggregate consideration of £332,500. The shares had a nominal value of £22,542.40. The resulting premium of £309,957.60 has been credited to the merger reserve in accordance with section 131 of the Companies Act 1985.

During the year 100,000 10p ordinary shares were granted under the employee share option scheme. The option price was £1.485.

Since the end of the financial year no shares have been issued under the share option scheme.

Own shares

The Group accounts for its own shares held by the Trustees of the employee option scheme as a deduction from shareholders equity. 324,983 shares were acquired by Brulines Trustee Company Limited, for consideration of 136p, on 8 October 2007. At 31 March 2008, the Trust owned 550,983 shares with a nominal value of £55,098.

216,000 shares were acquired by Brulines (Holdings) plc for consideration of 130p on 12 December 2007. At 31 March 2008, Brulines (Holdings) plc owned 216,000 shares with a nominal value of £21,600, all held in treasury.

Dividends payable on these shares have been waived.

No shares have been conditionally gifted to certain employees as at 31 March 2008.

22. Employees and directors

Employee benefit expense during the period

	2008 £000	2007 £000
Wages and salaries	4,872	3,933
Social security costs	496	404
Pension costs	6	15
Share based payments	72	32
	5,446	4,384

22. Employees and directors (continued)

Average monthly number of people (including directors) employed

	2008 Number	2007 Number
Sales	6	3
Engineering	51	40
VRS	24	19
Management	12	9
Administration	111	92
	204	163

Key management personnel - Directors

Group	2008 £000	2007 £000
Aggregate emoluments	578	570
Company contributions to money purchase pension schemes	–	15
	578	585

Retirement benefits are accruing to nil (2007: 1) directors under money purchase pension schemes. In addition,

Highest paid director

	2008 £000	2007 £000
Aggregate emoluments and aggregate gains on share options	227	216

23. Operating lease commitments

The Group lease various motor vehicles and property under non-cancellable operating leases. The leases have been entered into under normal commercial terms.

Total future minimum lease payments under non-cancellable operating leases:

Group	2008 £000	2007 £000
Within one year	306	272
After one year and less than five years	479	640
After five years	–	63
	785	975

24. Capital commitments

	2008 £000	2007 £000
Contracts placed for future capital expenditure not provided in the financial statements	–	–

25. Contingent liabilities

The Group had no contingent liabilities at the beginning or end of the year.

26. Share-based payments

The Group has established three share option plans: the EMI Plan, the Executive Plan and the Employee Plan. Under the share option plans, the directors can grant options over shares in the company to employees. Options are granted with a fixed exercise price equal to the market value of the shares at the date of grant. The contractual life of an option is 10 years. Options granted under the EMI share option plans will become exercisable immediately, and options granted under the Executive Plan and the Employee Plan will become exercisable on the third anniversary of the date of grant. Exercise of an option is subject to continued employment.

Details of share options outstanding during the period (including those held by directors) are set out below:

	2008		2007	
	Number of share options	Weighted average exercise price p	Number of share options	Weighted average exercise price p
At 1 April	1,265,750	98.0	570,000	56.9
Granted	100,000	148.5	784,750	123.0
Exercised	–	–	(84,000)	56.9
Forfeited	(23,000)	123.0	(5,000)	123.0
At 31 March	1,342,750	101.3	1,265,750	98.0
Exercisable at 31 March	486,000	58.0	486,000	58.0

Name of director/ senior employee	Date of grant	Number of options	Exercise price	Exercise date	Exercise period
D J Noble	31/03/06	80,000	50.0p	–	01/04/06 to 31/03/16
A Martinez	31/03/06	90,000	50.0p	–	01/04/06 to 31/03/16
G James	31/03/06	90,000	50.0p	–	01/04/06 to 31/03/16
M H Foster	31/03/06	150,000	67.2p	–	01/04/06 to 31/03/16
D J Noble	31/03/06	40,000	67.2p	–	01/04/06 to 31/03/16
D Glass	31/03/06	16,000	67.2p	–	01/04/06 to 31/03/16
M Bristow	31/03/06	20,000	67.2p	–	01/04/06 to 31/03/16
J W Dickson	26/10/06	75,000	123.0p	–	27/10/09 to 26/10/16
M H Foster	26/10/06	65,000	123.0p	–	27/10/09 to 26/10/16
D J Noble	26/10/06	65,000	123.0p	–	27/10/09 to 26/10/16
G James	26/10/06	50,000	123.0p	–	27/10/09 to 26/10/16
A J Martinez	26/10/06	50,000	123.0p	–	27/10/09 to 26/10/16
R Colley	26/10/06	75,000	123.0p	–	27/10/09 to 26/10/16
J H Newman	26/10/06	36,000	123.0p	–	27/10/09 to 26/10/16
S C Gilliland	26/10/06	24,000	123.0p	–	27/10/09 to 26/10/16
S M Brown	26/10/06	50,000	123.0p	–	27/10/09 to 26/10/16
J Anspach	07/01/08	50,000	148.5p	–	08/01/11 to 06/01/21
C Consterdine	07/01/08	50,000	148.5p	–	08/01/11 to 06/01/21

26. Share-based payments (continued)

The fair value per option and the assumptions used in the calculation were as follows:

Share price at grant date	34.8p (March 2006)
	34.8p (March 2006)
	123.0p (October 2006)
	147.5p (December 2006)
	148.5p (January 2008)
Exercise price	50.0p (March 2006)
	67.2p (March 2006)
	123.0p (October 2006)
	147.5p (December 2006)
	148.5p (January 2008)
Shares under option	1,342,750
Vesting period – EMI Options (years)	0
Vesting period – Executive/Employee Scheme (years)	3
Option life (years)	10
Expected life (years)	3
Expected volatility	30%
Risk free rate – 31 March 2006	4.39%
Risk free rate – 19 October 2006	4.75%
Risk free rate – 6 December 2006	4.58%
Expected dividends expressed as a dividend yield	3%
Fair value per option – EMI Options (50.0p)	3.2p
Fair value per option – EMI Options (67.2p)	1.3p
Fair value per option – Executive/Employee Scheme (123.0p)	25.0p
Fair value per option – Executive/Employee Scheme (147.5p)	30.0p

Expected volatility was determined by discounting the weighted average volatility of comparable listed companies to a comparable private company volatility. The share price of £0.348 was agreed with HMR&C as the fair value of Brulines (Holdings) plc shares at the time of grant of the EMI options. The fair value of the other shares was as per market value at date of grant as shown above. The risk free rate of return is the yield on zero coupon UK government bonds of a term consistent with the assumed option life.

The Group recognised an expense of £72,000 (2007: £32,000) in relation to equity settled share-based payment transactions in the year.

27. Business combinations

Acquisition of Coin Metrics Limited

On 10 May 2007 Brulines (Holdings) plc legally acquired 66% of the issued share capital of Coin Metrics Limited, a company based in the UK. The total cost of acquisition of the 66% of the issued share capital includes the components stated below. The purchase price was settled for £622,750 in cash and £62,250 in shares. Under IFRS 3 "Business Combinations" the acquisition has been accounted for as a 100% purchase with no minority interest included.

	Carrying values pre acquisition £000	Fair value £000
Intangible assets		
– Order book	–	39
Property, plant and equipment	4	4
Inventories	8	8
Trade and other receivables	68	68
Trade and other payables	(87)	(87)
Taxation		
– Current	(23)	(23)
– Deferred	–	(11)
Cash and cash equivalents	39	39
Net assets acquired	9	37
Goodwill		696
Consideration		733
Consideration satisfied by:		
– Fair value of shares issued		62
– Cash		623
– Directly attributable costs		48
		733

The fair value of the shares issued was based on the published share price on 10 May 2007.

The goodwill that arose on the combination can be attributed to ongoing un-contracted customer relationships and the synergies expected to be derived from the combination and the value of the workforce of Coin Metrics Limited which cannot be recognised as an intangible asset under IAS 38 "Intangible Assets".

Brulines (Holdings) plc have entered into a put and call option to purchase the remaining 34% of the issued share capital. Under IFRS 3 "Business Combinations" this has been treated as deferred contingent consideration as it is clearly part of the business combination and highly probable that the put will be exercised. The directors are currently unable to put a reliable estimate on the fair value of the deferred consideration and as such no value has been included. The fair value is based on a multiple of EBIT with such a multiple being based on recurring revenue, as defined in the put and call option agreement. This will be continually monitored and a fair value calculated if appropriate going forward.

From the year to 31 March 2008, the acquisition contributed £299,006 to revenue, £(21,287) to operating profit and £(17,189) to profit after tax.

All intangible assets were recognised at their respective fair values. The residual excess over the net assets acquired is recognised as goodwill in the financial statements.

27. Business combinations (continued)

The outflow of cash and cash equivalents on the acquisition of Coin Metrics Limited is calculated as follows:

	£000
Cash consideration	623
Cash acquired	(39)
	584

Acquisition of Nucleus Data Holdings Limited

On 4 January 2008, the Group acquired 100% of the issued share capital of Nucleus Data Holdings Limited, a support service provider to the licensed bar trade for £3,800,000. The purchase price was settled for £3,467,500 in cash, and £332,500 in shares. Details of the acquisition are set out below:

	Carrying values pre acquisition £000	Fair value £000
Intangible assets		
– Customer contracts	–	907
Property, plant and equipment	209	209
Inventories	111	111
Trade and other receivables	625	625
Trade and other payables	(542)	(542)
Taxation		
– Deferred	–	(254)
Cash and cash equivalents	116	116
Net assets acquired	519	1,172
Goodwill		2,850
Consideration		4,022
Consideration satisfied by:		
– Fair value of shares issued		333
– Cash		3,467
– Directly attributable costs		222
		4,022

The fair value of the shares issued was based on the published share price on 4 January 2008.

The goodwill that arose on the combination can be attributed to ongoing un-contracted customer relationships and the synergies expected to be derived from the combination and the value of the workforce of Nucleus Data Holdings Limited which cannot be recognised as an intangible asset under IAS 38 "Intangible Assets".

Brulines (Holdings) plc have entered into an enhanced payout to the former shareholders of Nucleus Data Holdings Limited, dependent upon sales of quality monitoring systems. Under IFRS 3 "Business Combinations" this has been treated as contingent consideration. The directors are currently unable to put a reliable estimate on the fair value of the deferred consideration and as such no value has been included. This will be continually monitored and a fair value calculated if appropriate going forward.

27. Business combinations (continued)

From the 4 January 2008 to 31 March 2008, the acquisition contributed £466,647 to revenue, £(29,784) to operating profit and £(29,784) to profit after tax.

All intangible assets were recognised at their respective fair values. The residual excess over the net assets acquired is recognised as goodwill in the financial statements.

The outflow of cash and cash equivalents on the acquisition of Nucleus Data Holdings Limited is calculated as follows:

	£000
Cash consideration	3,467
Cash acquired	(116)
	3,351

The results of operations as if the above acquisitions had been made at the beginning of the year are as follows:

	£000
Revenue	19,015
Profit for the year	2,827

28. Related party transactions

IAS 24 (Related party transactions) requires the disclosure of the details of material transactions between reporting entities and related parties. The Group has taken advantage of the exemption under IAS 24 not to disclose transactions between subsidiaries, which are eliminated on consolidation.

29. Events after the balance sheet date

There have been no post balance sheet events.

30. Explanation of transition to IFRS

The Group has prepared its accounts for the year ended 31 March 2008 in accordance with International Financial Reporting Standards ("IFRS") and IFRIC interpretations adopted by the EU and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS.

Previously, the Group prepared accounts in accordance with UK Generally Accepted Accounting Principles ("UK GAAP"). These are the first annual accounts prepared under the IFRS and the following disclosures are required in the year of transition. The last accounts under UK GAAP were for the year ended 31 March 2007 and the date of transition to IFRS was 1 April 2006.

IFRS 1 "First-time Adoption of International Financial Reporting Standards" determines that the transition date for Brulines will be 1 April 2006. It permits those companies adopting IFRS for the first time to take certain exemptions from the full requirements of IFRS during the transition period.

30. Reconciliation of equity and profit under UK GAAP to IFRS (continued)

Brulines has taken the following key exemptions in accordance with IFRS 1 (First-time adoption of international financial reporting standards):

- Business combinations - The Group has elected not to apply IFRS 3 "Business Combinations" retrospectively and restate business combinations completed prior to the date of transition. As a result, in the opening balance sheet, goodwill arising from past business combinations of £9.372 million, was tested for impairment, and remains as stated under UK GAAP at 1 April 2006.

- Share-based payments - The Group has elected to apply IFRS 2 "Share-based Payments" only to awards of equity instruments made after 7 November 2002, which had not vested by 1 April 2006.

The Group's underlying cash position is unaffected by the transition to IFRS. However, there are a number of presentational differences arising in the cash flows reported under IAS 7 (Cash flow statements). The cash flows themselves relate to movements in cash and cash equivalents (rather than simply cash) and are classified under three headings (operating, investing and financing), which result in the reordering of entries from their UK GAAP format.

Reconciliation of consolidated profit for year ended 31 March 2007

	UK GAAP £000	(i) Goodwill amortisation £000	Other £000	(iii) IFRS £000
Revenue	16,756	–	–	16,756
Operating expenses	(13,988)	462	–	(13,526)
Listing expenses	(681)	–	–	(681)
Operating profit	2,087	462	–	2,549
Finance income	165	–	–	165
Finance costs	(344)	–	–	(344)
Profit before taxation	1,908	462	–	2,370
Taxation	(913)	–	–	(913)
Profit attributable to equity shareholders	995	462	–	1,457

30. Reconciliation of equity and profit under UK GAAP to IFRS (continued)

Reconciliation of consolidated equity at 1 April 2006 (date of transition to IFRS)

	UK GAAP £000	(i) Goodwill amortisation £000	(iii) Other £000	IFRS £000
Non-current assets				
Goodwill	9,372	–	–	9,372
Other intangible assets	10	–	2	12
Property, plant and equipment	281	–	(2)	279
	9,663	–	–	9,663
Current assets				
Inventories	920	–	–	920
Trade and other receivables	6,239	–	–	6,239
Cash and cash equivalents	2,650	–	–	2,650
	9,809	–	–	9,809
Current liabilities				
Trade and other payables	(6,344)	–	–	(6,344)
Borrowings	(878)	–	–	(878)
Obligations under finance leases and hire purchase	(14)	–	–	(14)
Current tax liabilities	(462)	–	–	(462)
	(7,698)	–	–	(7,698)
Net current assets	2,111	–	–	2,111
Non-current liabilities				
Borrowings	(4,800)	–	–	(4,800)
Deferred tax	(15)	–	–	(15)
Obligations under finance leases and hire purchase	(9)	–	–	(9)
Loan notes	(4,216)	–	–	(4,216)
	(9,040)	–	–	(9,040)
Net assets	2,734	–	–	2,734
Shareholders' equity				
Ordinary share capital	1,735	–	–	1,735
Retained earnings	999	–	–	999
	2,734	–	–	2,734

30. Reconciliation of equity and profit under UK GAAP to IFRS (continued)

Reconciliation of consolidated equity at 31 March 2007

	UK GAAP £000	(i) Goodwill amortisation £000	(iii) Other £000	IFRS £000
Non-current assets				
Goodwill	8,758	462	–	9,220
Other intangible assets	9	–	–	9
Property, plant and equipment	487	–	–	487
	9,254	462	–	9,716
Current assets				
Inventories	1,288	–	–	1,288
Trade and other receivables	2,892	–	–	2,892
Cash and cash equivalents	4,079	–	–	4,079
	8,259	–	–	8,259
Current liabilities				
Trade and other payables	(5,778)	–	–	(5,778)
Current tax liabilities	(486)	–	–	(486)
	(6,264)	–	–	(6,264)
Net current assets/(liabilities)	1,995	–	–	1,995
Net assets	11,249	462	–	11,711
Shareholders' equity				
Ordinary share capital	2,408	–	–	2,408
Share premium	6,966	–	–	6,966
Shares to be issued	32	–	–	32
Own shares	(152)	–	–	(152)
Retained earnings	1,994	462	–	2,456
	11,249	462	–	11,711

30. Reconciliation of equity and profit under UK GAAP to IFRS (continued)

Explanation of reconciling items between UK GAAP and IFRS

The standards and interpretations giving rise to the most significant changes to the previously reported profit of the Group and equity of the Group and company are:

(i) Under IFRS 3 "Business combinations" annual amortisation of goodwill is no longer permitted. Instead goodwill must be allocated to each income-generating unit acquired and an annual impairment review must be performed for each discrete unit in accordance with IAS 36 "Impairment of assets". The Group has elected not to apply IFRS 3 "business combinations" retrospectively and restate business combinations completed prior to the date of transition. As a result, in the opening balance sheet, goodwill arising from past business combinations of £9.372 million remains as stated under UK GAAP at 1 April 2006.

(ii) IAS 19 "Employee benefits" requires employers to recognise the total cost of all short-term employee benefits expected to be paid in exchange for employees' services in the accounting period. This includes holiday pay (the Brulines holiday year runs from 1 April to 31 March and therefore coincides with the 31 March statutory financial year end but not with the half year), which has previously been accounted for as incurred. This results in a charge of £0.026m for the six months ended 30 September 2006 but has no effect on the year ended 31 March 2007.

(iii) Under UK GAAP, website development is included within tangible fixed assets as plant and equipment. Under IFRS, website development should be recorded as an intangible asset. Accordingly a reclassification of the total net book value of website development has been made between property, plant and equipment and intangible assets. There is no effect on net assets.

Cash flows

Income taxes presented as a separate category of cash flows under UK GAAP have been included in operating cash flows under IFRS. Dividends presented as a separate category under UK GAAP have been including in financing cash flows under IFRS. There are no other significant adjustments to the cash flows presented under IFRS.

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF BRULINES (HOLDINGS) PLC

We have audited the parent company financial statements of Brulines (Holdings) plc for the year ended 31 March 2008 which comprise the balance sheet and notes 1 to 11. These parent company financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the Group financial statements of Brulines (Holdings) plc for the year ended 31 March 2008.

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 parent company 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 parent company 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 parent company financial statements give a true and fair view and whether the parent company financial statements have been 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. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement, the Chief Executive Officer's Statement and the Financial Review that is cross referred from the Review of Business and Future Developments section of the Directors' Report.

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

We read other information contained in the Annual Report and consider whether it is consistent with the audited parent company financial statements. The other information comprises only the Chairman's Statement, the Chief Executive Officer's Statement, the Financial Review and the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group 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 parent company financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the parent company financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

Report to the Independent Auditor to the members of Brulines (Holdings) Plc (continued)

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 parent company 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 parent company financial statements.

Opinion

In our opinion:

- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2008;

- the parent company 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
Leeds, England

17 June 2008

COMPANY BALANCE SHEET

at 31 March 2008

	Note	2008 £000	2007 £000
Fixed assets			
Investments in subsidiaries	2	17,360	12,603
		17,360	12,603
Current assets			
Debtors	3	34	9
Cash at bank and in hand		248	1,021
		282	1,030
Creditors: amounts falling due within one year	4	(6,914)	(3,465)
		(6,914)	(3,465)
Net current liabilities		(6,632)	(2,435)
Total assets less current liabilities		10,728	10,168
Net assets		10,728	10,168
Capital and reserves			
Ordinary share capital	5	2,434	2,408
Share premium	6	7,024	6,966
Share based payment reserve	6	104	32
Own shares	6	(877)	(151)
Merger reserve	6	310	–
Retained earnings	6	1,733	913
Total equity	6	10,728	10,168

The balance sheet was approved by the Board on 17 June 2008 and signed on its behalf by:

J W Dickson
Director

The accompanying accounting policies and notes form an integral part of the financial statements.

NOTES TO THE COMPANY BALANCE SHEET

1. Principal accounting policies

Basis of preparation

This balance sheet has been prepared under the historic cost convention and in accordance with UK Generally Accepted Accounting Practice.

The principal accounting policies of the Company are set out below and have remained unchanged from the previous year.

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 FRS19 deferred tax is not provided on timing differences arising from 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.

Investments

Investments in subsidiary undertakings are stated at cost net of impairments.

Employee share option schemes

All share-based payment arrangements granted after 7 November 2002 that had not vested prior to 1 April 2006 are recognised in the financial statements.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets).

All equity-settled share-based payments are ultimately recognised as an expense in the profit and loss account with a corresponding credit to "share based payment" reserve.

Upon exercise of share options the proceeds received net of attributable transaction costs are credited to share capital, and where appropriate share premium.

2. Investments

Company	2008 £000	2007 £000
Cost and net book amount:		
Shares in subsidiaries		
At 1 April	12,603	12,485
Acquisition (see note 27 of Group accounts)	4,757	118
At 31 March	17,360	12,603

The company owns the whole of the issued ordinary share capital of the following operating subsidiaries:

Subsidiary	Shareholding	Country of incorporation	Principal activity
Brulines Limited	100%	UK	Dispense monitoring
Machine Insite Limited	100%	UK	Machine monitoring
Coin Metrics Limited	66%*	UK	Machine monitoring
Brulines Trustee Company Limited	100%	UK	Employee Trust
Edis Limited	100%	UK	Dormant
Bruline Limited	100%	UK	Dormant
Nucleus Data Limited	100%	UK	Dormant
Nucleus Data Holdings Limited	100%	UK	Dormant

* Brulines Holdings plc legally own 66% of Coin Metrics with a put and call option over the remaining 34%. Under UK GAAP the acquisition has been accounted for as a 100% purchase with no minority interest included.

3. Debtors

	2008 £000	2007 £000
Prepayments and accrued income	17	9
Other taxation	17	–
	34	9

4. Creditors: amounts falling due within one year

	2008 £000	2007 £000
Amounts owed to subsidiaries	6,824	3,341
Other payables	50	31
Accruals and deferred income	40	93
	6,914	3,465

5. Issued share capital

	2008 £000	2007 £000
Authorised		
40,000,000 ordinary shares of 10p each (2007: 40,000,000)	4,000	4,000
Issued and fully paid		
Ordinary shares of 10p each: 24,341,523 (2007: 24,079,135)	2,434	2,408

Allotments during the year

On 10 May 2007, 36,974 10p ordinary shares were issued in connection with the acquisition of the share capital of Coin Metrics Limited with a fair value of £1.6836 each giving an aggregate consideration of £62,250. The shares had a nominal value of £3,697.40. The resulting premium of £58,552.60 has been credited to the share premium reserve.

On 4 January 2008, 225,424 10p ordinary shares were issued in connection with the acquisition of the share capital of Nucleus Data Holdings Limited with a fair value of £1.475 each giving an aggregate consideration of £332,500. The shares had a nominal value of £22,542.40. The resulting premium of £309,957.60 has been credited to the merger reserve in accordance with section 131 of the Companies Act 1985.

During the year 100,000 10p ordinary shares were granted under the employee share option scheme. The option price was £1.485.

Since the end of the financial year no shares have been issued under the share option scheme.

6. Reserves

	Share capital £000	Share premium £000	Own shares £000	Share based payment reserve £000	Merger reserve £'000	Retained earnings £000	Total £000
At 1 April 2006	1,735	–	–	–	–	1,038	2,773
Loss for the year	–	–	–	–	–	(125)	(125)
Share capital issued	673	7,442	–	–	–	–	8,115
Share-based payment	–	–	–	32	–	–	32
Own shares	–	–	(151)	–	–	–	(151)
Issue costs	–	(476)	–	–	–	–	(476)
At 31 March 2007	2,408	6,966	(151)	32	–	913	10,168
Profit for the year	–	–	–	–	–	1,875	1,875
Share capital issued	26	58	–	–	310	–	394
Share based payment	–	–	–	72	–	–	72
Own shares	–	–	(726)	–	–	–	(726)
Dividends	–	–	–	–	–	(1,055)	(1,055)
At 31 March 2008	2,434	7,024	(877)	104	310	1,733	10,728

7. Dividends

	2008 £000	2007 £000
Final dividend for the year ended 31 March 2007 of 3.0p (year ended 31 March 2006: 0.0p)	717	–
Interim dividend paid in respect of the year of 1.45p (2007: 0.0p)	338	–
Amounts recognised as distributions to equity holders	1,055	–

In addition, the directors are proposing a final dividend in respect of the year ended 31 March 2008 of 3.55p per share. If approved by shareholders, it will be paid on 24 July 2008 to shareholders who are on the register of members on 27 June 2008.

8. Employees

The company has no employees or employee costs in this and the preceding year.

9. Directors

No director costs were incurred in the company in this or the preceding year. See Group accounts, note 22 for details of directors' emoluments.

10. Share-based payments

The company disclosures required under UK GAAP are identical to those required under IFRS. See Group accounts, note 26 for details.

11. Parent Company Profit and Loss Account

The parent company has taken advantage of section 230 of the Companies Act 1985 and has not included its own profit and loss account in these financial statements. The parent company's profit for the financial year was £1,875,000 (2007: £125,000 loss).

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