

Registered Number: 756582

Xafinity Limited

Annual report

For the year ended 31 March 2008

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Xafinity Limited

Annual report for the year ended 31 March 2008

	Pages
Directors' report	1-2
Independent auditors' report	3-4
Profit and loss account	5
Balance sheet	6
Notes to the financial statements	7-13

Xafinity Limited

Directors' report for the year ended 31 March 2008

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

Principal activities and business review

The principal activities of the company are the holding of investments in subsidiary undertakings and the provision of management services to its subsidiary undertakings.

Results and Dividends

The profit for the financial year amounted to £324,000 (2007: £40,917,000). No dividends were paid during the year (2007: £4,796,000). The profit after dividends of £324,000 (2007: £121,000) has been taken to reserves. The directors feel that the financial information on pages 5 to 13 is sufficient to allow a full understanding of the business.

Financial risk management

The company's operations expose it to a variety of financial risks including the effects of changes in interest rates on debt and credit risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring levels of debt finance and the related finance costs.

The company's principal financial instruments comprise sterling cash and bank deposits together with trade debtors and trade creditors that arise directly from its operations.

Price risk

The company has no exposure to securities price risk, as it holds no listed equity investments.

Foreign currency risk

The company has no significant exposure to foreign currency risk as the level of dealings in foreign currency is immaterial.

Credit risk

The company's principal financial assets are intergroup debtors and the directors consider there is no credit risk in relation to these financial assets.

Cash flow interest rate risk

Interest bearing assets comprise cash and bank deposits, all of which earn interest at a variable rate.

Liquidity risk

The company has access to funding through its parent companies. The group's policy is to ensure funding for operations via medium-term loans and additional revolving credit facilities to aid short-term flexibility if required.

Directors

The directors of the company during the year ended 31 March 2008 and up to the date of signing the financial statements were as follows:

R J Birmingham
P Bingham
R E Barker
T M Robinson
A Marnoch

Xafinity Limited

Directors' report for the year ended 31 March 2008 (continued)

Statement of directors' responsibilities

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

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

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. 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 company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of information to the auditors

Each person who is a director at the date of approval of this report confirms that:

So far as each director is aware, there is no relevant audit information (that is, information needed by the Company's auditors in connection with preparing their report) of which the company's auditors are unaware. The directors have taken all the steps that they consider necessary in their duty as a director to make themselves aware of any relevant information and to establish that the company's auditors are aware of that information.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the Board



A Marnoch
Director
18 July 2008

Xafinity Limited

Independent auditors' report to the members of Xafinity Limited

We have audited the financial statements of Xafinity Limited for the year ended 31 March 2008 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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

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

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

Basis of audit opinion

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

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

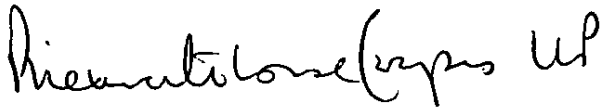
Xafinity Limited

Independent auditors' report to the members of Xafinity Limited (continued)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Reading
18 July 2008

Xafinity Limited

Profit and loss account for the year ended 31 March 2008

	Note	2008 £'000	2007 £'000
Operating income		4,302	5,005
Staff costs	2	(2,744)	(2,624)
Other operating charges		(1,253)	(1,756)
Operating profit before depreciation and amortisation		305	625
Depreciation of tangible fixed assets		(235)	(207)
Operating profit	2	70	418
Income from fixed asset investments		-	40,796
Interest receivable and similar income	3	1,342	2
Interest payable and similar charges	4	(926)	-
Profit on ordinary activities before taxation		486	41,216
Tax on profit on ordinary activities	5	(162)	(299)
Profit for the financial year	13	324	40,917

All operations are continuing.

The company has no recognised gains and losses other than the profit above and therefore no separate statement of total recognised gains and losses has been prepared.

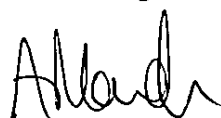
There is no material difference between the profit on ordinary activities before taxation and the profit for the financial years stated above and their historical cost equivalents.

Xafinity Limited

Balance sheet as at 31 March 2008

	Note	2008 £'000	2007 £'000
Fixed assets			
Tangible assets	7	332	553
Investments	8	58,700	58,700
		59,032	59,253
Current assets			
Debtors	9	15,914	11,138
Cash at bank and in hand		47	183
		15,961	11,321
Creditors: Amounts falling due within one year	10	(12,004)	(7,909)
Net current assets		3,957	3,412
Net assets		62,989	62,665
 Capital and reserves			
Called up share capital	12	61,992	61,992
Profit and loss reserve	13	997	673
Total shareholders' funds	14	62,989	62,665

The financial statements on pages 5 to 13 were approved by the board of directors on 18 July 2008 and were signed on its behalf by:



A Marnoch
Director
18 July 2008

Xafinity Limited

Notes to the financial statements for the year ended 31 March 2008

1 Accounting policies

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom.

A summary of the more important accounting policies, which have been applied consistently throughout the year, is set out below.

The company has taken advantage of the exemption provided by section 228 of the United Kingdom Companies Act from producing consolidated financial statements as it is consolidated within the accounts of Xafinity Holdings Limited.

Operating income

Operating income represents recharges to fellow group companies for the provision of management services.

Cash flow

The company, through intermediate holding companies, is a wholly owned subsidiary of Xafinity Holdings Limited and the cash flows of the company are included in the consolidated cash flow statement of Xafinity Holdings Limited. Consequently, the company is exempt under the terms of FRS 1 'Cash flow statements' from publishing a cash flow statement as these financial statements are publicly available.

Related party transactions

The company is a wholly owned subsidiary of the Xafinity Holdings Limited group and under the terms of FRS 8 'Related party transactions', has taken advantage of the exemption not to disclose transactions with other group companies as these financial statements are publicly available.

Investments

Investments held as fixed assets are stated at cost less any provision for impairment in value. The carrying values of investments are reviewed for impairment by the directors when events or changes in circumstances indicate the carrying value may not be recoverable.

Taxation and deferred taxation

The charge for taxation is based on the profit for the year and takes into account deferred taxation. Full provision is made where required by Financial Reporting Standard 19 'Deferred Taxation' (FRS 19) for deferred taxation on all timing differences, which have arisen but have not reversed at the balance sheet date. Deferred tax assets are not discounted.

Pensions

Eligible employees can join the Xafinity Pension Scheme. The scheme is a defined contribution scheme and therefore contributions paid by the group are charged to the profit and loss account as incurred.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. The cost of tangible fixed assets is their purchase cost together with any incidental costs of acquisition.

Depreciation is calculated to write off the cost of tangible fixed assets over their estimated useful lives on a straight line basis using the following rates:

Furniture fixtures & fittings	20%
Computer hardware & software	33%

Xafinity Limited

Notes to the financial statements for the year ended 31 March 2008 (continued)

1 Accounting policies (continued)

Operating leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the course of the lease.

2 Operating profit

		2008	2007
Operating profit is stated after charging/(crediting):	Note	£'000	£'000
Wages and salaries		2,345	2,217
Social security costs		250	235
Other costs		45	38
Pension costs	17	104	134
Staff costs		2,744	2,624
Depreciation of tangible fixed assets - owned assets		235	207
Fees payable to the company's auditor for audit of the company's annual accounts		11	11

Directors

Two directors were remunerated for their services to the Company during the year (2007: 3) and their emoluments are disclosed below:

	2008	2007
	£'000	£'000
Aggregate emoluments	781	852
Highest paid director		
Aggregate emoluments	460	505

Two directors (2007:2) were members of the Xafinity Pension Scheme during the year. Pension contributions made on their behalf amounted to £ 57,000 (2007: £56,000).

The other directors were not remunerated for their services to the Company.

Employee information

The average monthly number of persons (including executive directors) employed by the company during the year ended 31 March 2007 was as follows:

By activity	2008 Number	2007 Number
Management & administration	33	43

Xafinity Limited

Notes to the financial statements for the year ended 31 March 2008 (continued)

3 Interest receivable and similar income

	2008 £'000	2007 £'000
Bank interest receivable	54	2
Intercompany interest receivable	1,288	
Total interest receivable and similar income	1,342	2

4 Interest payable and similar charges

	2008 £'000	2007 £'000
Intercompany interest payable	926	-
Total interest payable and similar charges	926	-

5 Tax on profit on ordinary activities

	2008 £'000	2007 £'000
Current tax:		
UK corporation at 30% (2007: 30%)	195	160
Adjustment in respect of prior periods	1	160
Total current tax charge	196	320
Deferred tax:		
Origination and reversal of timing differences	(36)	(21)
Revaluation to 28%	2	-
Tax charge on profit on ordinary activities	162	299

Factors affecting the tax charge for the year:

The tax assessed for the year is higher (2007: lower) than the standard rate of corporation tax in the UK of 30% (2007: 30%).

The differences are explained below:

	2008 £'000	2007 £'000
Profit on ordinary activities before tax	486	41,216
Profit on ordinary activities before tax multiplied by the standard rate in the UK 30% (2007: 30%)	146	12,365
Effects of:		
Capital allowances in excess of depreciation	30	11
Expenses not deductible for tax purposes	12	23
UK non-taxable dividend received	-	(12,239)
Other timing differences	7	-
Adjustment in respect of prior periods	1	160
Current tax charge for the year	196	320

Factors that may affect future tax charges;

The standard rate of Corporation Tax in the UK changes to 28% with effect from 1 April 2008.

Xafinity Limited

Notes to the financial statements for the year ended 31 March 2008 (continued)

6 Dividends

	2008 £'000	2007 £'000
Dividends on ordinary equity shares:		
£nil per share (2007: 65.8p per share)	-	40,796

7 Tangible assets

	Furniture, fixtures & fittings £'000	Computer hardware & software £'000	Total £'000
Cost			
At 1 April 2007	209	597	806
Additions	2	12	14
At 31 March 2008	211	609	820
Accumulated depreciation			
At 1 April 2007	107	146	253
Charge for the year	35	200	235
At 31 March 2008	142	346	488
Net book amount			
At 31 March 2008	69	263	332
At 31 March 2007	102	451	553

8 Investments

	Interests in group undertakings £'000
At 1 April 2007 and 31 March 2008	58,700

At 31 March 2008 the company had the following principal subsidiaries, all of which were wholly owned:

Name	Business activity	Country of Incorporation	Class of Share
Xafinity Consulting (formerly Entegria Limited)	Employee Benefit Consultancy	England and Wales	Ordinary
Paymaster (1836) Limited	Pensions administration	England and Wales	Ordinary
Claybrook Computing (Holdings) Limited	Holding company	England and Wales	Ordinary

The directors believe that the carrying value of the investments is supported by the underlying net asset values.

Xafinity Limited

Notes to the financial statements for the year ended 31 March 2008 (continued)

9 Debtors

	2008 £'000	2007 £'000
Amounts due from group undertakings	15,461	10,606
Other debtors	138	170
Prepayments and accrued income	290	362
Deferred tax (note 11)	25	-
	15,914	11,138

Amounts due from group undertakings are unsecured and interest free (except where not settled on normal trading terms when interest at Barclays Bank Plc base rate plus a margin of 5% is charged). They have no fixed date of repayment.

10 Creditors: Amounts falling due within one year

	2008 £'000	2007 £'000
Amounts due to parent and group undertakings	11,164	6,915
Corporation tax	-	44
Other taxation and social security	62	59
Other creditors	180	-
Accruals and deferred income	598	882
Deferred tax (note 11)	-	9
	12,004	7,909

Amounts due to group undertakings are unsecured and interest free (except where not settled on normal trading terms when interest at Barclays Bank Plc base rate plus a margin of 5% is charged). They have no fixed date of repayment.

11 Deferred tax

	2008 £'000	2007 £'000
Deferred tax assets/(liabilities) recognised in the accounts comprise:		
Accelerated capital allowances	19	(9)
Other timing differences	6	-
Deferred tax	25	(9)

Movements of deferred tax assets/(liabilities) are as follows:

	£'000
Balance at 1 April 2007	(9)
Credited to the profit and loss account (note 5)	34
Balance at 31 March 2008	25

Xafinity Limited

Notes to the financial statements for the year ended 31 March 2008 (continued)

11 Deferred tax (continued)

All potential deferred tax assets have been recognised at 31 March 2008 as the directors believe that there will be sufficient taxable profits arising in the foreseeable future.

During the year, as a result of the change in UK Corporation Tax rates which will be effective from 1 April 2008, deferred tax balances have been remeasured. Deferred tax relating to timing differences which are expected to reverse after 1 April 2008 is measured at the tax rate of 28% as these are the tax rates that will apply on reversal. This has resulted in a net charge to the P&L account of £2,000 and a charge to the statement of total recognised gains and losses of £nil.

12 Called up share capital

	2008 £'000	2007 £'000
Authorised		
65,782,350 (2007: 65,782,250) ordinary shares of £1 each	65,782	65,782
Allotted, called up and fully paid		
61,992,350 (61,992,350) ordinary shares of £1 each	61,992	61,992

13 Profit and loss reserve

	2008 £'000	2007 £'000
Opening profit and loss reserve	673	552
Profit for the financial year	324	40,917
Dividend paid	-	(40,796)
Closing profit and loss reserve	997	673

14 Reconciliation of movements in shareholders' funds

	2008 £'000	2007 £'000
Opening shareholders' funds	62,665	62,544
Profit for the financial year	324	40,917
Dividend paid	-	(40,796)
Closing shareholders' funds	62,989	62,665

15 Contingent liabilities

The company has provided security over its assets and a guarantee in relation to the repayment of syndicated banking facilities available to its intermediate holding companies, Xafinity Services Limited and Xafinity Solutions Limited. The facilities guaranteed comprise a term loan of £68.6 million and a revolving credit facility of £10 million at 31 March 2008. The bank borrowings are repayable between one and eight years and bear interest at LIBOR plus a margin determined by the loan agreements. The LIBOR element of the interest has been fixed by a contract to 8 July 2011 which covers a minimum of two thirds of the bank borrowings outstanding.

Xafinity Limited

Notes to the financial statements for the year ended 31 March 2008 (continued)

16 Financial commitments

At 31 March 2008 the company had annual commitments under non-cancellable operating leases expiring as follows:

	2008	2007
	£'000	£'000
Within two to five years	44	43
	44	43

17 Pension commitments

The company operates a defined contribution pension scheme. The pension cost charge represents contributions payable by the company to the fund and amounted to £104,000 (2007: £134,000). The contribution outstanding at the year end was £20,000 (2007: £nil).

The pension cost charged to the profit and loss account includes £17,000 (2007: £48,000) recharge from Paymaster (1836) Limited in respect of employees who provided services to Xafinity Limited during the year.

18 Ultimate parent undertaking and controlling party

The immediate parent company is Xafinity Services Limited (incorporated in England and Wales).

The ultimate holding company is Xafinity Holdings Limited (incorporated in England and Wales). Copies of Xafinity Holdings Limited's consolidated financial statements can be obtained from the Company Secretary at Xafinity Holdings Limited, Sutherland House, Russell Way, Crawley, West Sussex, RH10 1UH.

The ultimate controlling party is Duke Street Capital V Limited (incorporated in England and Wales).