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Registered no: 03616858

# **XCHANGING UK LIMITED**

## **Annual report**

**for the year ended 31 December 2008**

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# **XCHANGING UK LIMITED**

## **Annual report for the year ended 31 December 2008**

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**Directors and advisors**

**Directors**

D W Andrews  
R A Houghton  
J J Maret

**Secretary**

G Whitaker

**Registered office**

34 Leadenhall Street  
London  
EC3A 1AX

**Independent auditors**

PricewaterhouseCoopers LLP  
1 Embankment Place  
London  
WC2N 6RH

**Solicitors**

Clifford Chance LLP  
10 Upper Bank Street  
London E14 5JJ  
United Kingdom

**Bankers**

Lloyds TSB Bank plc  
PO Box 72  
Bailey Drive  
Gillingham Business Park  
Gillingham  
Kent  
ME8 0LS

Barclays Bank PLC  
1 Churchill Place  
London

## **Directors' report for the year ended 31 December 2008**

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

### **Principal activity**

The principal activity of the company is to act as a management company for its parent undertaking, Xchanging plc, by providing support services to business processing services contracts. The company provides implementation and software development services to other group companies (set up as enterprise partnerships) engaged in business processing services in human resources, procurement, customer administration, finance and accounting and securities processing. It receives royalties from enterprise partnerships across the Xchanging group in return for providing these support services and also recharges them for directly attributable time and resources.

### **Review of business and future developments**

The company results are set out in the profit and loss account on page 8.

The company has continued to act as a management company for its ultimate parent undertaking, Xchanging plc. Both the level of business of the company and the year end position were in line with expectations. The directors expect an increase in the level of activity over the next year.

### **Key performance indicators**

The directors of Xchanging UK Limited manage the operations of the entity on a cost centre basis. For this reason, the company's directors believe that analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the business of Xchanging UK Limited.

### **Financial risk management**

The financial risk management objectives and policies of the company are the same as for Xchanging plc. The company complies with the group financial risk management policies as the directors consider these to be appropriate. These are set out below:

The company is exposed to a variety of financial risks which are reviewed on a regular basis in order to limit the adverse effects on the financial performance of the company.

(i) **Foreign exchange risk**

The company has overseas operations in Continental Europe, Australia and to a lesser extent India. The company also holds equity investments in Europe. The group is exposed to foreign exchange rate risks primarily with respect to the Euro and Australian dollars. Euro hedging has been implemented subsequent to year end to minimise the risk of exchange rate fluctuations.

(ii) **Interest rate cash flow risk**

The company has no interest bearing liabilities.

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

### Financial risk management (continued)

#### (iii) Credit risk

The company has a concentration of credit risk with respect to trade receivables due to the nature and structure of the enterprise partnerships; however many of the group entities are now 100% owned within the group hence minimising the credit risk. Credit risk assessments are performed when signing up to a new enterprise partnership and for new customers.

#### (iv) Price risk

The company has equity securities price risk as it holds listed equity investments. This risk is reviewed on a regular basis to assess the appropriateness of the investments and to limit the adverse effects on the financial performance of the group.

#### (v) Liquidity risk

The company actively manages financing to ensure the group has sufficient available funds for operations and planned expansions. The company has arranged a £35m debt facility in February 2008 which will be used to fund the future expansion of the group.

The principal risks facing Xchanging UK Limited are foreign exchange risk and price risk but this is limited as reflected by the above comments.

### Results and dividends

The company's retained profit for the year was £7,815,000 (2007: £4,642,000). No dividends are paid or proposed.

### Parental support

Given its importance to the group, the obligations of Xchanging UK Limited are wholly supported by Xchanging BV the company's immediate parent undertaking.

### Directors

The directors who held office during the year, or from the date of their appointment if held for only part of the period, and up to the date of signing the financial statements were:

Name	Date of resignation
J V H Robins	22 May 2008
D W Andrews	
T J Bramley	22 May 2008
S R M Brenninkmeijer	22 May 2008
A T Browne	31 December 2008
D C Hodgson	22 May 2008
R Houghton	
J J Maret	
D Millard	22 May 2008
N M S Rich	22 May 2008
T C Tinsley	22 May 2008
F K Janssen	4 April 2008

## **Directors' report for the year ended 31 December 2008 (continued)**

### **Research and development**

The company incurs software development costs to enable the delivery of high quality business applications to use in the enterprise partnerships.

The amount capitalised in the year was £nil (2007: £ nil).

The company incurs development costs in the design of processes and systems that substantially improve those already installed in the enterprise partnerships. The improvement of processes and systems covers two phases: re-alignment and streamlining. Re-alignment activities include business process mapping, staff restructuring and process reorganization. Streamlining activities include management structuring, IT and site consolidation and supplier rationalisation.

The amount capitalised in the year was £84,000 (2007: £590,000).

### **Employment policies**

The company is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability, marital status, age or religion. The company is also committed to providing employees with information on matters of concern to them on a regular basis, so that the views of employees can be taken into account when making decisions that are likely to affect their interests.

Employees are kept well informed of performance and objectives of the company through regular email communications and periodic briefings by senior management.

### **Disabled persons**

It is the policy of the company to offer appropriate training and career development to disabled persons as far as possible that are identical to other employees, in line with best practice. In the event of a member of staff becoming disabled every effort is made by the company to continue employment and arrange appropriate retraining and offer opportunities for promotion.

### **Creditor payment policy**

The company aims to pay suppliers in accordance with the suppliers' contract terms. The company had an average of 29 day's purchases (2007: 25 days) outstanding in trade creditors during 2008

### **Statement of disclosure of information to auditors**

Each director of the company, in office at the time of approval of this report, acknowledges that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- he/she has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

## **Directors' report for the year ended 31 December 2008 (continued)**

### **Statement of directors' responsibilities in respect of the annual report and the financial statements**

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable laws 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 which disclose with reasonable accuracy at any time the financial position of the company and to 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.

### **Auditors**

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office. The company has elected to dispense with the requirement to appoint auditors annually, therefore, in the absence of a notice proposing that the appointment be terminated, PricewaterhouseCoopers LLP will continue as auditors to the company.

**By order of the board**



**R A H Houghton  
Director  
6 March 2009**

## **Independent auditors' report to the members of XCHANGING UK LIMITED**

We have audited the financial statements of Xchanging UK Limited for the year ended 31 December 2008 which comprise the profit and loss account, 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.

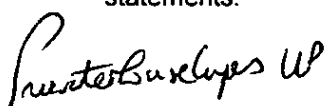


## **Independent auditors' report to the members of XCHANGING UK LIMITED (continued)**

### **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 December 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**  
**London**  
**6 March 2009**

# Profit and loss account for the year ended 31 December 2008

	Notes	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Turnover – continuing operations	2	19,977	19,916
Operating costs – continuing operations	3	(13,040)	(18,564)
Operating costs – exceptional items	4	-	(667)
Total operating costs		<u>(13,040)</u>	<u>(19,231)</u>
<b>Operating profit – continuing operations</b>		<b>6,937</b>	<b>685</b>
Interest receivable and similar income	7	1,111	606
Interest payable and similar charges	8	(359)	(436)
Income from fixed asset investments		<u>497</u>	<u>176</u>
<b>Profit on ordinary activities before taxation</b>		<b>8,186</b>	<b>1,031</b>
Tax credit/(charge) on profit on ordinary activities	9	(371)	3,611
<b>Profit for the financial year</b>		<u><b>7,815</b></u>	<u><b>4,642</b></u>

The company had no gains or losses other than those included in the results above, therefore no separate statement of total recognised gains and losses has been presented.

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

## Balance sheet as at 31 December 2008

	Notes	2008 £'000	2007 £'000
<b>Fixed assets</b>			
Intangible assets	10	5,823	6,924
Tangible assets	11	2,276	3,639
Investments	12	6,584	6,584
		<u>14,683</u>	<u>17,147</u>
Debtors: amounts falling due after more than one year	13	1,833	2,298
		<u>16,516</u>	<u>19,445</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	13	69,816	67,777
Cash at bank and in hand		18,560	5,988
		<u>88,376</u>	<u>73,765</u>
<b>Creditors: amounts falling due within one year</b>	15	(114,415)	(108,918)
<b>Provisions for liabilities and charges: amounts falling due within one year</b>	17	(1,246)	(142)
<b>Net current liabilities</b>		<u>(27,285)</u>	<u>(35,295)</u>
<b>Total assets less current liabilities</b>		<u>(10,769)</u>	<u>(15,850)</u>
<b>Creditors: amounts falling due after more than one year</b>	16	(95)	-
<b>Provisions for liabilities and charges: amounts falling due after more than one year</b>	17	(570)	(1,258)
<b>Net liabilities</b>		<u>(11,434)</u>	<u>(17,108)</u>
<b>Capital and reserves</b>			
Called up share capital	18	9,285	9,285
Share premium account	19	3,385	3,385
Profit and loss reserve	19	(24,104)	(29,778)
<b>Equity shareholder's deficit</b>	20	<u>(11,434)</u>	<u>(17,108)</u>

The financial statements on pages 8 to 24 were approved by the board of directors on 6 March 2009 and were signed on its behalf by:



**R A H Houghton**  
Director

**Notes to the financial statements  
for the year ended 31 December 2008****1 Principal accounting policies****Basis of preparation**

The financial statements have been prepared in accordance with the Companies Act 1985 and applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which, unless otherwise stated, have been applied consistently with the prior year, is set out below.

**Basis of accounting**

The financial statements are prepared in accordance with the historical cost convention.

**Going concern**

The directors believe that preparing the accounts on the going concern basis is appropriate based on projections for the foreseeable future as its immediate parent company Xchanging B.V. has confirmed that it will not call for the repayment of its loan balance owed by Xchanging UK Limited until such time as Xchanging UK Limited has sufficient funds after meeting its third party debts as they fall due.

**Turnover**

Turnover, which is stated exclusive of value added tax, is recognised only when it is probable that the economic benefits associated with a transaction will flow to the company. Turnover represents royalties, performance fees and management charges receivable from enterprise partnerships in the United Kingdom and Europe and other amounts receivable for services provided in the United Kingdom. Royalty income is calculated on a turnover based formula and has been accounted for on an accruals basis over the period in which the royalties fall due.

**Pre-contract costs**

Pre-contract costs comprise legal and other professional expenses and other directly attributable staff costs incurred in order to obtain a relevant contract.

Costs that are directly attributable to a contract are capitalised when it is virtually certain that the contract will be awarded and the contract will result in future net cash inflows with a present value no less than all amounts recognised as an asset. These pre-contract costs are included within debtors and are amortised over the life of the contract, starting from the date when the contract commences.

**Development costs**

Development costs are stated at cost less a provision for amortisation and any provision for impairment.

Costs incurred during the development period of new contracts, where there is a clearly defined project which includes an appreciable element of innovation including the costs of process and system designs that substantially improve those processes and systems already installed in the enterprise partnerships and where the related expenditure is clearly identifiable and is expected to be exceeded by future economic benefits, are treated as development costs. These costs are capitalised and amortised over the life of the contract. Costs that are capitalised comprise directly attributable incremental costs incurred during implementation, including wages and salaries of staff employed solely for the purpose of implementing new contracts, and third party costs.

**Notes to the financial statements  
for the year ended 31 December 2008 (continued)****Development costs (continued)**

Development costs do not include restructuring costs, (including redundancy, early termination penalties and such like) or allocation of central overheads, which are all expensed to the profit and loss account as they are incurred.

Impairment reviews are performed annually to ensure the present value of estimated future revenue streams from the associated contracts exceeds the capitalised costs.

**Intangible fixed assets**

Intangible assets, including acquired software licenses, are recorded at cost. Intangible assets are amortised on a straight-line basis over the useful life of the assets, which normally does not exceed five years. Impairment reviews are performed annually.

**Tangible fixed assets**

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

Software development costs are capitalised where they meet the requirement for recognition under Financial Reporting Standard 10. Where the criteria for capitalisation are not met, software development expenditure is expensed as incurred.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight-line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Computer equipment	33%
Fixtures & fittings	25%
Software development	20%
Leasehold improvements	20%

**Fixed asset investments**

Fixed asset investments are stated at cost less any provision for impairment. Impairment reviews are conducted at the end of the first full year following acquisition and thereafter where indicators of impairment are present.

**Foreign currencies**

Transactions denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities are translated at the rates of exchange ruling on the balance sheet date and any differences arising are taken to the profit and loss account.

**Operating leases**

Rental costs under operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

**Pensions**

The costs of providing defined contribution pensions and related benefits are charged to the profit and loss account as incurred.

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

### Share based incentives

In accordance with FRS 20, the fair value of equity-settled share-based payments to employees is determined at the date of the grant and is expensed on a straight line basis over the vesting period based on the group's estimate of shares or options that will eventually vest. In the case of options granted, fair value is measured by a Black-Scholes pricing model. Further information on the Group's share scheme is disclosed in the Xchanging plc Group accounts.

### Cash flow statement and non-consolidation of subsidiary undertakings

The company is a wholly owned subsidiary of Xchanging plc and is included in the consolidated financial statements of Xchanging plc, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (revised 1996) and has also taken advantage of the exemption from preparing consolidated financial statements under the terms of s230 of the Companies Act 1985.

### Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or a right to pay less, tax in the future have occurred at the balance sheet date. However, deferred tax assets are regarded as recoverable and therefore recognised, only when, on the basis of all available evidence, the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on a non-discounted basis at the rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

### Related party transactions

The company has taken advantage of the exemption available in Financial Reporting Standard 8 not to disclose transactions with related parties that are more than 90% owned by the company. All other related party transactions are disclosed in note 22.

## 2 Turnover

Turnover represents royalties, performance fees and management charges receivable from enterprise partnerships in the United Kingdom, Europe and India.

	By destination	By destination
	2008	2007
	£'000	£'000
United Kingdom	11,056	11,328
Europe	8,727	8,588
Rest of world	194	-
	<u>19,977</u>	<u>19,916</u>

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

### 3 Operating costs

Operating costs comprise:	2008	2007
	£'000	£'000
<b>Staff costs:</b>		
Wages and salaries	14,764	13,267
Wages and salaries capitalised	-	(349)
Wages and salaries recharged to associated companies	(10,021)	(5,429)
Social security costs	2,855	1,878
Equity settled share based payment charge	1,068	322
Other pension costs	219	204
	<b>8,885</b>	<b>9,893</b>
Other operating charges	<b>4,155</b>	<b>9,338</b>
	<b>13,040</b>	<b>19,231</b>
 Other operating costs include the following:		
Depreciation – owned tangible assets	1,893	2,426
Amortisation of intangible assets	1,185	1,256
Amortisation of pre-contract costs	465	465
Operating lease - property	454	505
Auditor's remuneration – audit services	130	145
Auditor's remuneration – non-audit services	258	228
Foreign exchange (gain)/loss	(4,507)	226

### 4 Exceptional items

No exceptional charges were incurred in 2008. In 2007 the company incurred exceptional charges of £667,000 relating to the IPO. The charge consisted mainly of staff costs (£303,000), costs relating to the establishment of a debt facility for the group (£168,000) and finance costs relating to adjustments made to existing onerous lease provisions due to the change in the discount rate (as a direct result of the IPO) used to calculate the present value of these provisions (£99,000). The balance was incurred for legal and professional fees.

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

### 5 Directors' emoluments

	2008	2007
	£'000	£'000
<b>Directors' emoluments</b>		
Aggregate emoluments	<u>1,828</u>	<u>2,210</u>
<b>Highest paid director</b>		
Aggregate emoluments	<u>664</u>	<u>890</u>

No directors were accruing benefits under pension schemes (2007: nil). 1 director exercised options over 5p shares of Xchanging plc (2007: 7 directors exercised options over 5p shares of Xchanging plc and Euro 0.01 shares of Xchanging B.V. shares). The highest paid director did not exercise share options in the year (2007: no exercise).

### 6 Employees

The average monthly number of persons (including executive directors) employed by the company during the year was:

	2008	2007
	Number	Number
<b>By activity</b>		
Selling and distribution	13	9
Administration	116	100
	<u>129</u>	<u>109</u>

During the year an average of 44 employees of the company included in the number above were on secondment to other group companies (2007: 39).



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

**7 Interest receivable and similar income**

	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
Short term deposits	<b>853</b>	<b>757</b>
Intercompany interest receivable	<b>258</b>	<b>-</b>
Foreign exchange gains – unrealised (derivatives)	<b>-</b>	<b>(168)</b>
Other interest	<b>-</b>	<b>17</b>
	<b><u>1,111</u></b>	<b><u>606</u></b>

**8 Interest payable and similar charges**

	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
Bank and other interest payable	<b>170</b>	<b>245</b>
Unwinding of discount	<b>7</b>	<b>59</b>
Interest payable on intercompany loans	<b>182</b>	<b>132</b>
	<b><u>359</u></b>	<b><u>436</u></b>

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

### 9 Tax on profit on ordinary activities

	2008 £'000	2007 £'000
Current tax:		
UK corporation tax on profits for the year	1,852	(2,079)
(Benefit) of previously unutilised tax losses, tax credits and temporary differences	(1,530)	-
Adjustments in respect of prior years	(31)	(1,089)
Current tax charge for the year	<u>291</u>	<u>(3,168)</u>
Deferred tax:		
Adjustments in respect of the change in tax rate	64	32
Adjustments in respect of prior years	246	250
Deferred tax asset not recognised on deductible temporary differences / write downs of deferred tax assets	3,666	41
(Benefit) of previously unutilised tax losses, tax credits and temporary differences	(3,585)	(588)
Other timing differences	(311)	(178)
	<u>80</u>	<u>(443)</u>
Total tax charge/(credit)	<u>371</u>	<u>(3,611)</u>

#### Factors affecting the current tax charge for the year

The tax charge for the year is lower (2007: lower) than the standard rate of corporation tax in the UK 28.5% (2007: 30%). The table below provides a reconciliation of the current tax charge on ordinary activities for the year reported in the profit and loss account to the current tax credit that would result from applying the relevant standard rates of tax to the loss on ordinary activities before tax.

	2008 £'000	2007 £'000
Profit on ordinary activities before tax	<u>8,186</u>	<u>1,031</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28.5% (2007: 30%)	2,333	309
Expenses not deductible for tax purposes	41	468
Share option deduction	-	(3,652)
Transfer pricing adjustment	880	618
Unutilised losses recognised as assets	-	(41)
Other short term timing differences	312	220
Adjustments in respect of prior years	(31)	(1,090)
(Benefit) of previously unutilised tax losses, tax credits and temporary differences	(1,530)	-
Other pre-tax permanent differences	(1,639)	-
Other post-tax permanent differences	(75)	-
	<u>291</u>	<u>(3,168)</u>

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

### Factors that may affect future tax charges

The tax charge is lower than the standard rate of tax due to carried forward tax losses utilised in the year. The company estimates tax losses carried forward amount to £9,962,000 (2007: £15,094,000), which gives rise to an unrecognised deferred tax asset of £2,789,000 (2007: £4,226,000), assuming a tax rate of 28% (2007: 28%) and £877,000 (2007: £799,000) in respect of decelerated tax depreciation and other temporary differences.

### 10 Intangible fixed assets

	Development costs £'000	Oracle licence fee £'000	Total £'000
<b>Cost</b>			
At 1 January 2008	12,212	1,370	13,582
Additions	84	-	84
<b>At 31 December 2008</b>	<b>12,296</b>	<b>1,370</b>	<b>13,666</b>
<b>Amortisation</b>			
At 1 January 2008	5,292	1,366	6,658
Charge for the year	1,183	2	1,185
<b>At 31 December 2008</b>	<b>6,475</b>	<b>1,368</b>	<b>7,843</b>
<b>Net book value</b>			
<b>At 31 December 2008</b>	<b>5,821</b>	<b>2</b>	<b>5,823</b>
At 31 December 2007	6,920	4	6,924

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

### 11 Tangible fixed assets

	Software development costs £'000	Computer equipment £'000	Leasehold improvements £'000	Fixtures & fittings £'000	Assets in the course of development £'000	Total £'000
<b>Cost</b>						
At 1 January 2008	10,158	1,581	3,819	587	-	16,145
Additions	-	193	266	41	30	531
<b>At 31 December 2008</b>	<b>10,158</b>	<b>1,774</b>	<b>4,085</b>	<b>628</b>	<b>30</b>	<b>16,676</b>
<b>Depreciation</b>						
At 1 January 2008	9,253	1,120	1,709	424	-	12,506
Charge for the year	525	424	818	126	-	1,893
<b>At 31 December 2008</b>	<b>9,778</b>	<b>1,544</b>	<b>2,527</b>	<b>550</b>	<b>-</b>	<b>14,399</b>
<b>Net book value</b>						
<b>At 31 December 2008</b>	<b>380</b>	<b>230</b>	<b>1,558</b>	<b>78</b>	<b>30</b>	<b>2,276</b>
At 31 December 2007	905	461	2,110	163	-	3,639

### 12 Investments

#### Fixed asset investments £'000

At 1 January 2008 and 31 December 2008 6,584

Investments in subsidiary undertakings comprise equity shares with a cost of £4 (2007: £4).

Fixed asset investments comprise equity shares with a cost of £6,584,000 (2007: £6,584,000). These are listed on the Borsa Italia and had a market value of £4,301,000 at 31 December 2008 (2007: £6,663,000). The current reduction in share price and hence valuation is considered to be a short term, market driven correction and therefore no impairment is deemed to be necessary at this time.

The following are wholly owned subsidiaries of Xchanging UK Limited:

Name	Country of incorporation	Principal activity
<b>Directly held:</b>		
Infrex Limited	England and Wales	Dormant
Xchanging Procurement Services (No 2) Limited	England and Wales	Dormant
Xchanging Business Services Limited	England and Wales	Dormant
HR Opco Limited	England and Wales	Dormant
<b>Indirectly held:</b>		
Xchange Limited	England and Wales	Dormant

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

### 13 Debtors

	2008 £'000	2007 £'000
<b>Amounts falling due within one year:</b>		
Trade debtors	211	2
Amounts owed by group undertakings	63,966	58,705
Consortium relief receivable	2,779	1,125
Other taxes receivable	-	2,008
Other debtors	514	413
Prepayments and accrued income	1,518	1,501
Deferred tax asset (note 17)	363	3,558
Pre-contract costs (note 14)	465	465
	<u>69,816</u>	<u>67,777</u>

All amounts owed to group undertakings included in the above balance are unsecured, interest free and have no fixed date of repayment.

### Amounts falling due after more than one year:

Pre-contract costs (note 14)	1,833	2,298
	<u>1,833</u>	<u>2,298</u>

### 14 Pre-contract costs

	2008 £'000	2007 £'000
Net book value at 1 January	2,763	3,228
Pre-contracts costs deferred in year	-	-
	<u>2,763</u>	<u>3,228</u>
Amortisation charge for the year	(465)	(465)
Net book value at 31 December	<u>2,298</u>	<u>2,763</u>

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

### 15 Creditors: amounts falling due within one year

	2008 £'000	2007 £'000
Trade creditors	1,016	769
Amounts owed to group undertakings	103,382	98,224
Corporation tax	317	-
Taxation and social security	1,917	1,211
Other creditors	225	383
Accruals and deferred income	7,558	8,331
	<u>114,415</u>	<u>108,918</u>

All amounts owed to group undertakings included in the above balance are unsecured, interest free and have no fixed date of repayment.

### 16 Creditors: amounts falling due after one year

	2008 £'000	2007 £'000
Tax and social security	95	-
	<u>95</u>	<u>-</u>

### 17 Deferred Tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 28% (2007: 28.5%) for differences arising in the UK.

The movements in deferred tax assets are shown below:

	2008 £'000	2007 £'000
At 1 January	3,558	-
(Charge)/credit to equity	(3,115)	3,115
Profit and loss (charge)/credit	(80)	443
At 31 December	<u>363</u>	<u>3,558</u>

The balances relate to share option deductions.

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

### 18 Provisions for liabilities and charges

	Restructuring £'000	Vacant property £'000	Total £'000
At 1 January 2008	142	1,258	1,400
Provided in the year	811	276	1,087
Released to profit and loss account	(142)	-	(142)
Utilised in the year	-	(535)	(535)
Unwinding of discount	-	6	6
<b>At 31 December 2008</b>	<b>811</b>	<b>1,005</b>	<b>1,816</b>
Amounts falling due within one year	811	435	1,246
Amounts falling due after more than one year	-	570	570
	<b>811</b>	<b>1,005</b>	<b>1,816</b>

The vacant property provision relates to property vacated at the end of 2008. The lease provided for has 2 years left to run.

### 19 Called up share capital

	2008 £'000	2007 £'000
<b>Authorised</b>		
35,000,000 ordinary shares of £1 each	<b>35,000</b>	35,000
<b>Allotted, called up and fully paid</b>		
9,285,017 ordinary shares of £1 each	<b>9,285</b>	9,285

### 20 Reserves

	Share premium account £'000	Profit and loss reserve £'000
At 1 January 2008	3,385	(29,778)
Retained profit for the financial year	-	7,815
Equity settled share based payment charge	-	(2,141)
<b>At 31 December 2008</b>	<b>3,385</b>	<b>(24,104)</b>

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

### 21 Reconciliation of movements in equity shareholder's deficit

	2008 £'000	2007 £'000
Opening equity shareholder's deficit	(17,108)	(25,187)
Profit for the financial year	7,815	4,642
Equity settled share based payment charge	(2,141)	3,437
<b>Closing equity shareholder's deficit</b>	<b>(11,434)</b>	<b>(17,108)</b>

### 22 Pensions

The company also participates in a defined contribution scheme run for the employees of Xchanging UK Limited. The pension cost for the year was £219,000 (2007: £204,000). There were no outstanding or prepaid contributions at the balance sheet date.

### 23 Contingent Liabilities

The Xchanging plc group, of which the company is a member, has a credit agreement of £90,000,000 (2007: £35,000,000) with Lloyds TSB Bank plc, dated 8 October 2008 in respect of which Xchanging UK Limited is a guarantor. This consists of a £35,000,000 multi-currency term loan facility, expiring half-yearly in tranches of £5,000,000 commencing on 31 December 2009, with the final tranche expiring on 8 October 2012 and a £55,000,000 multi-currency revolving credit facility, expiring at the earlier of 8 October 2012 or cancellation of all facilities by the Xchanging plc group.

Utilisations bear interest at a rate per annum equal to LIBOR, or in the case of drawings in Euro, EURIBOR plus a margin and any mandatory costs.

As at the year end, £19,470,000 (2007: £14,700,000) of the loan facility had been utilised as a letter of credit by the Xchanging plc group.

### 24 Related party transactions

The companies set out below are considered to be related parties of the company as they all share the same ultimate controlling party, Xchanging plc.

The companies (and their subsidiaries) considered to be related parties are:

Ins-sure Services Limited;  
Xchanging Claims Services Limited;  
Xchanging Broking Services Limited; and  
Xchanging Transaction Bank GmbH.

A description of the nature of the services provided by/(to) the related parties of the company and the amounts receivable/(payable) in respect of them at 31 December 2008, are set out in the table overleaf:



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

Services provided by/(to) the group	Revenue/(charge)		Receivable/(payable)	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Secondees and other charges	10,007	6,847	3,496	1,457
IT services and hosting charges	1,063	1,009	247	575
Royalties	15,227	13,436	8,121	6,840

### 25 Operating lease commitments

	Property 2008 £'000	Property 2007 £'000
Annual commitments under non-cancellable operating leases expiring:		
Within one year	-	-
Between two to five years	298	298
More than five years	2,100	2,100
	<b>2,398</b>	<b>2,398</b>

The company is contractually obligated to invest amounts, on behalf of the enterprise partnerships it acquired or set-up during 2001, 2004 and 2006, in technology development and maintenance and in the development of new processes and systems. The total commitment outstanding at 31 December 2008 is presented below as analysed by the period in which the commitment falls due:

	2008 £'000	2007 £'000
<b>Financial investment commitments</b>		
Within one year	6,144	1,015
One to two years	3,333	1,667
Two to five years	1,667	13,970
	<b>11,144</b>	<b>16,652</b>

All financial investment commitments at the end of 2008 relate to Xchanging Broking Services Ltd apart from £5,744,000 within one year, which relates to Xchanging Transaction Bank GmbH.

**Notes to the financial statements  
for the year ended 31 December 2008 (continued)****26 Parent undertaking and ultimate controlling party**

The immediate parent company is Xchanging B.V.

The ultimate parent company is Xchanging plc, a company incorporated in England and Wales. The results of Xchanging UK Limited are included in the Xchanging plc consolidated accounts; copies of which may be obtained from Xchanging plc, 13 Hanover Square, London, W1S 1HN, United Kingdom. Xchanging plc is the only undertaking to include the results of the company in its consolidated accounts.