Registered no 03616858

XCHANGING UK LIMITED

Annual report

for the year ended 31 December 2010

XCHANGING UK LIMITED

Annual report
for the year ended 31 December 2010

Directors and advisors

Directors

D W Andrews
K Lever
J J Maret
D Fisher

Secretary

G N 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 2010

The directors present their report and the audited financial statements of the company for the year ended 31 December 2010

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 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 loss in 2009 was the result of the integration of the Cambridge Group acquired in 2009 – these costs were recorded as exceptional and totalled £5,037,000
In 2010 the company has continued to fund the integration team in America the cost of which was £2,582,000

In addition to this the company recorded an exceptional item of £1,851,000 in the year which relates to the impairment of an asset created upon integration in 2009

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
As part of the Xchanging Plc group there are overseas operations in Continental Europe, Australia, India and America The company also holds equity investments in Europe The group is exposed to foreign exchange rate risks primarily with respect to the Euro, Australian dollar, United States Dollar and India Rupee

Directors' report
for the year ended 31 December 2010 (continued)

Financial risk management (continued)

(ii) Interest rate cash flow risk
The company has interest bearing liabilities The company has a policy of maintaining debt at a floating rate which gives rise to risk of future interest cash flows
The directors will revisit the appropriateness of this policy should the company's operations change in size or nature

(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 maintains a mixture of long-term and short-term debt finance that is designed to ensure the company has sufficient available funds for operations and planned expansions

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 loss for the year was £5,370,000 (2009 loss £5,697,000) 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 plc the company's 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	Resigned	Appointed
D W Andrews	-	-
R Houghton	14 October 2010	-
K Lever	-	14 October 2010
J J Maret	-	-
D Fisher	-	-

On the 9 February 2011 it was announced that David Andrews had decided to step down from the board and his role as Chief Executive Officer of Xchanging Plc with immediate effect

Directors' report
for the year ended 31 December 2010 (continued)

Research and development

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 in respect of existing business was £nil (2009 £270,000) Following impairment review the Claims office of the future asset was fully impaired, which resulted in an exceptional charge of £1,851,000 as disclosed in note 4

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 45 day's purchases (2009 21 days) outstanding in trade creditors during 2010

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 has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

Directors' report
for the year ended 31 December 2010 (continued)

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting 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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 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

D Fisher
Director
27th April 2011

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 2010 which comprise the Profit and Loss Account, the Balance Sheet and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities (set out on page 5) the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, 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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

Paul Aitken (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

27th April 2011

Profit and loss account
for the year ended 31 December 2010

	Notes	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
Revenue – continuing operations	2	**17,548**	15,008
Operating costs – continuing operations	3	**(18,833)**	(19,702)
Operating costs – exceptional items	4	**(1,851)**	(5,037)
Total operating costs		**(20,684)**	(24,739)
Operating loss – continuing operations		**(3,136)**	(9,731)
Interest receivable and similar income	7	**386**	1,303
Interest payable and similar charges	8	**(2,902)**	(1,679)
Income from fixed asset investments		**191**	395
Loss on ordinary activities before taxation		**(5,461)**	(9,712)
Tax credit on loss on ordinary activities	9	**91**	4,015
Loss for the financial year		**(5,370)**	(5,697)

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

The notes on pages 10 to 24 form part of these financial statements

Profit and loss account for the year ended 31 December 2010

	Notes	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
Revenue – continuing operations	2	**17,548**	15,008
Operating costs – continuing operations	3	**(18,833)**	(19,702)
Operating costs – exceptional items	4	**(1,851)**	(5,037)
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Registered no 03616858

Balance sheet
as at 31 December 2010

	Notes	2010	2009
		£'000	£'000
Fixed assets			
Intangible assets	10	**4,861**	7,145
Tangible assets	11	**1,699**	2,056
Investments	12	**6,584**	6,584
		13,144	15,785
Debtors: amounts falling due after more than one year	13	**65,045**	1,367
		78,189	17,152
Current assets			
Debtors: amounts falling due within one year	13	**133,897**	155,672
Cash at bank and in hand		-	15
		133,897	155,687
Creditors amounts falling due within one year	15	**(191,018)**	(163,412)
Provisions for liabilities and charges: amounts falling due within one year	18	**(559)**	(1,600)
Net current liabilities		**(57,680)**	(9,325)
Total assets less current liabilities		**20,509**	7,827
Creditors amounts falling due after more than one year	16	**(40,521)**	(23,261)
Provisions for liabilities and charges: amounts falling due after more than one year	18	**(1,171)**	(1,040)
Net liabilities		**(21,183)**	(16,474)
Capital and reserves			
Called up share capital	19	**9,285**	9,285
Share premium account	20	**3,385**	3,385
Profit and loss reserve	20	**(33,853)**	(29,144)
Equity shareholder's deficit	21	**(21,183)**	(16,474)

The financial statements on pages 8 to 24 were approved by the board of directors on 27th April 2011 and were signed on its behalf by

D Fisher
Director
27th April 2011

Notes to the financial statements for the year ended 31 December 2010

1 Principal accounting policies

Basis of preparation

The financial statements have been prepared in accordance with the Companies Act 2006 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 BV 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 Xchanging plc will continue to provide support while the company has a negative cash position

Revenue

Revenue, 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 Revenue 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 2010 (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 2010 (continued)

Share based incentives

In accordance with FRS 20, the fair value of equity-settled shared-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 Part 15, Chapter 4 of the Companies Act 2006

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 wholly owned by the company All other related party transactions are disclosed in note 24 Xchanging UK Limited is itself a wholly owned subsidiary

2 Revenue

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

	By destination 2010 £'000	By destination 2009 £'000
United Kingdom	**12,031**	12,410
Europe	**5,517**	2,598
	17,548	15,008

Notes to the financial statements for the year ended 31 December 2010 (continued)

3 Operating costs

Operating costs comprise.	2010	2009
	£'000	£'000
Staff costs:		
Wages and salaries	**9,475**	11,794
Wages and salaries recharged to associated companies	**(5,502)**	(6,804)
Social security costs	**1,236**	1,514
Equity settled share based payment charge	**520**	720
Other pension costs	**266**	258
	5,995	7,382
Other operating charges	**12,838**	12,320
	18,833	19,702

Other operating costs include the following		
Depreciation – owned tangible assets	1,078	1,374
Amortisation of intangible assets	1,390	1,194
Amortisation of pre-contract costs	466	465
Operating lease - property	2,410	1,956
Auditor's remuneration – audit services	127	107
Auditor's remuneration – non-audit services – taxation	744	585
Foreign exchange loss	681	1,378

4 Exceptional items

In 2009 the company incurred exceptional charges of £5,037,000 relating to the acquisition and integration of Cambridge Solutions Limited, and to the restructuring of the group's UK and Continental Europe regions The charge consisted mainly of staff costs £4,324,000, technology costs of £317,000 and third party costs of £396,000

In 2010 the company incurred exceptional costs of £1,851,000 of which relates to the impairment of the claims office of the future intangible asset created upon implementation of the Xchanging Way in 2009

Xchanging Way - Our mission is the cultural and operational reinvention of our customers' non-core processing In short, making change happen World-beating performance is all about teamwork Because people make it happen And so we organise our resources and measure across seven performance functions Each function has a set of reusable assets to drive consistency and inspire a world-beating attitude

Notes to the financial statements for the year ended 31 December 2010 (continued)

5 Directors' emoluments

	2010	2009
	£'000	£'000
Directors' emoluments		
Aggregate emoluments	**1,448**	1,095
Highest paid director		
Aggregate emoluments	**611**	963

One director was accruing benefits under pension schemes (2009 one director) One director exercised options over 5p shares of Xchanging plc (2009 no director) The highest paid director did not exercise share options in the year (2009 no exercise)

6 Employees

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

	2010	2009
	Number	Number
By activity		
Selling and distribution	**11**	10
Administration	**95**	115
	106	125

During the year, an average of 23 employees of the company included in the number above were on secondment to other group companies (2009 28)

Notes to the financial statements for the year ended 31 December 2010 (continued)

7 Interest receivable and similar income

	2010 £'000	2009 £'000
Short term deposits	-	90
Intercompany interest receivable	386	1,213
	386	1,303

8 Interest payable and similar charges

	2010 £'000	2009 £'000
Bank and other interest payable	2,614	1,483
Unwinding of discount	7	7
Amortisation of loan fees	281	163
Interest payable on intercompany loans	-	26
	2,902	1,679

Notes to the financial statements for the year ended 31 December 2010 (continued)

9 Tax on (loss)/profit on ordinary activities

	2010 £'000	2009 £'000
Current tax		
UK corporation tax credit on profits for the year	(990)	(1,935)
Adjustments in respect of prior years	-	1,445
Current tax credit for the year	(990)	(490)
Deferred tax		
Impact of reduction in statutory tax rate	107	-
Adjustments in respect of prior years	(315)	(69)
Previously unutilised tax losses, tax credits and temporary differences not recognised/(recognised)	1,195	(3,658)
Other timing differences	(88)	202
	899	(3,525)
Total tax credit	(91)	(4,015)

Factors affecting the current tax charge for the year
The tax charge for the year is lower than the standard rate of corporation tax in the UK 28% (2009 28%) 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

	2010 £'000	2009 £'000
(Loss)/ profit on ordinary activities before tax	(5,461)	(9,712)
(Loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2009 28%)	(1,529)	(2,719)
Non-taxable costs	659	-
Transfer pricing adjustment	-	986
Other short term timing differences	88	(202)
Adjustments in respect of prior years	(315)	1,445
Impact of reduction in statutory tax rate	107	-
Current tax (credit) for the year	(990)	(490)

Factors that may affect future tax charges
Tax losses arising in previous years and other temporary differences total an estimated carried forward amount of £11 4m (2009 £13 million) The losses have been recognised as a deferred tax asset in the current year due to expected future profitability

A number of changes to the UK Corporation tax system were announced in the June 2010 Budget Statement The Finance (No 2) Act 2010, which was substantively enacted on 20 July 2010, includes legislation reducing the main rate of corporation tax from 28% to 27% from 1 April 2011 The change from 28% to 27% has been reflected in the deferred tax asset included in these financial statements However, the March 2011 Budget Statement included announcements that the corporation tax rate will actually reduce to 26% from 1 April 2011, and proposed that further reductions of the main rate of corporation tax by 1% per year to 23% by 1 April 2014 are expected to be enacted separately each year These changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements The annual impact of the reduction in the tax rate will be to reduce the deferred tax asset included in the financial statements

10 Intangible fixed assets

	Development costs £'000	Oracle licence fee £'000	Assets in course of development £'000	Total £'000
Cost				
At 1 January 2010	14,104	1,433	645	16,182
Additions	492	-	440	932
Transfers	-	834	(645)	189
At 31 December 2010	**14,596**	**2,267**	**440**	**17,303**
Amortisation				
At 1 January 2010	7,665	1,372	-	9,037
Charge for the year	1,390	-	-	1,390
Impairment	1,851	-	-	1,851
Transfer	-	164	-	164
At 31 December 2010	**10,906**	**1,536**	**-**	**12,442**
Net book value				
At 31 December 2010	**3,690**	**731**	**440**	**4,861**
At 31 December 2009	6,439	61	645	7,145

Refer to Note 4 – Exceptional costs for the impairment of development costs in 2010

There have been a number of transfers from tangible fixed assets to intangible fixed assets

Notes to the financial statements for the year ended 31 December 2010 (continued)

11 Tangible fixed assets

	Software development costs £'000	Computer equipment £'000	Leasehold improvements £'000	Fixtures & fittings and Office equipment £'000	Assets in the course of development £'000	Total £'000
Cost						
At 1 January 2010	10,158	2,194	4,130	732	615	17,829
Additions	-	650	92	4	-	746
Transfers	-	426	-	-	(615)	(189)
At 31 December 2010	**10,158**	**3,270**	**4,222**	**736**	**-**	**18,386**
Depreciation						
At 1 January 2010	10,042	1,772	3,353	606	-	15,773
Charge for the year	96	494	440	48	-	1,078
Transfer	(23)	(141)	-	-	-	(164)
At 31 December 2010	**10,115**	**2,125**	**3,793**	**654**	**-**	**16,687**
Net book value						
At 31 December 2010	**43**	**1,145**	**429**	**82**	**-**	**1,699**
At 31 December 2009	116	422	777	126	615	2,056

12 Investments

	Fixed asset investments £'000
At 1 January 2010 and 31 December 2010	**6,584**

Investments in subsidiary undertakings comprise equity shares with a cost of £4 (2009 £4)

Fixed asset investments comprise equity shares with a cost of £6,584,000 (2009 £6,584,000) These are listed on the Borsa Italia and had a market value of £3,192,000 at 31 December 2010 (2009 £4,428,000) The current reduction in share price and hence valuation is considered to be a short term, market driven reduction, the dividend payout is strong 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
Directly held:		
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
Indirectly held:		
Xchange Limited	England and Wales	Dormant

Notes to the financial statements for the year ended 31 December 2010 (continued)

13 Debtors

	2010	2009
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	**98**	2
Amounts owed by group undertakings	**124,606**	146,652
Consortium relief receivable	**5,451**	2,494
Corporation tax	**1,221**	334
Other debtors	**224**	331
Prepayments and accrued income	**1,948**	1,505
Deferred tax asset (note 17)	**-**	3,888
Pre-contract costs (note 14)	**349**	466
	133,897	155,672

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

	2010	2009
Amounts falling due after more than one year:		
Pre-contract costs (note 14)	**1,068**	1,367
Deferred tax asset (note 17)	**2,989**	-
Intercompany Loan receivable	**60,988**	-
	65,045	1,367

14 Pre-contract costs

	2010	2009
	£'000	£'000
Net book value at 1 January	**1,833**	2,298
Pre-contracts costs deferred in year	**50**	-
	1,883	2,298
Amortisation charge for the year	**(466)**	(465)
Net book value at 31 December	**1,417**	1,833

Notes to the financial statements for the year ended 31 December 2010 (continued)

15 Creditors: amounts falling due within one year

	2010 £'000	2009 £'000
Trade creditors	831	1,352
Amounts owed to group undertakings	156,991	143,385
Corporation tax	2,825	-
Taxation and social security	373	678
Other creditors	42	63
Accruals and deferred income	5,152	6,978
Bank loans and overdrafts	24,804	10,956
	191,018	163,412

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

	2010 £'000	2009 £'000
Bank loan	40,505	23,103
Tax and social security	16	158
	40,521	23,261

17 Deferred Tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 27% (2008 28%) for differences arising in the UK

The movements in deferred tax assets are shown below

	2010 £'000	2009 £'000
At 1 January	3,888	363
(Charge)/credit to equity	-	-
Profit and loss (charge)/credit (Note 9)	(899)	3,525
At 31 December	2,989	3,888

The balances relate to share option deductions and losses

Notes to the financial statements for the year ended 31 December 2010 (continued)

18 Provisions for liabilities and charges

	Restructuring £'000	Vacant property £'000	Total £'000
At 1 January 2010	1,600	1,040	2,640
Provided in the year	442	341	783
Utilised in the year	(1,483)	(210)	(1,693)
At 31 December 2010	**559**	**1,171**	**1,730**
Amounts falling due within one year	559	675	559
Amounts falling due after more than one year	-	496	1,171
	559	**1,171**	**1,730**

The vacant property provision relates to two properties One of which is to be vacated in 2011 and carries a dilapidations provision of £675k and the other which is to be vacated in 2016 and carries a dilapidations provision of £496k
The restructuring provision is to be fully utilised by the end of 2011

19 Called up share capital

	2010 £'000	2009 £'000
Authorised		
35,000,000 ordinary shares of £1 each	**35,000**	35,000
Allotted, called up and fully paid		
9,285,017 ordinary shares of £1 each	**9,285**	9,285

20 Reserves

	Share premium account £'000	Profit and loss reserve £'000
At 1 January 2010	3,385	(29,144)
Retained loss for the financial year	-	(5,370)
Equity settled employee share based payment credit	-	661
At 31 December 2010	3,385	(33,853)

Notes to the financial statements for the year ended 31 December 2010 (continued)

21 Reconciliation of movements in equity shareholder's deficit

	2010	2009
	£'000	£'000
Opening equity shareholder's deficit	**(16,474)**	(11,434)
Profit for the financial year	**(5,370)**	(5,697)
Equity settled share based payment credit	**661**	657
Closing equity shareholder's deficit	**(21,183)**	(16,474)

22 Pensions

The company participates in a defined contribution pension scheme run for the employees of Xchanging UK Limited The pension cost for the year was £266,000 (2009 £258,000) There were £2,000 outstanding contributions at the balance sheet date

23 Contingent Liabilities

The Xchanging plc group, of which the company is a member, has a £75 million multicurrency revolving credit facility and a $58 million term loan provided by a syndicate of banks in respect of which Xchanging UK Limited is a guarantor At the year end date $45 million (2009 nil) had been drawn as cash under the revolving credit facility and a further €20 million (2009 €20 million) had been utilised as a letter of credit by the Group The balance outstanding on the term loan was $34 million (2009 $50 million) Both facilities mature in October 2012

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
Fondsdepot 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 2010, are set out in the table overleaf

Notes to the financial statements for the year ended 31 December 2010 (continued)

Services provided by/(to) the group	Revenue/(charge) 2010 £'000	2009 £'000	Receivable/(payable) 2010 £'000	2009 £'000
Secondees and other charges	**5,926**	7,896	**159**	424
IT services and hosting charges	**574**	634	-	2
Royalties	**13,280**	10,408	-	-

25 Operating lease commitments

	Property 2010 £'000	Property 2009 £'000
Annual commitments under non-cancellable operating leases expiring		
Less than one year	**298**	-
Between one to five years	-	298
More than five years	**2,100**	2,100
	2,398	2,398

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 2010 is presented below as analysed by the period in which the commitment falls due

	2010 £'000	2009 £'000
Financial investment commitments		
Within one year	-	1,667
One to two years	-	3,333
Two to five years	-	-
	-	5,000

All financial investment commitments at the end of 2009 related to Xchanging Broking Services Ltd

Notes to the financial statements for the year ended 31 December 2010 (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