

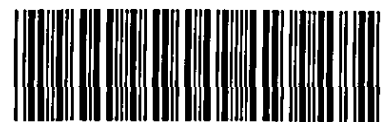
Registered no 4017590

XCHANGING RESOURCING SERVICES LIMITED

Annual report

for the year ended 31 December 2006

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XCHANGING RESOURCING SERVICES LIMITED

Annual report for the year ended 31 December 2006

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Directors and advisors

Directors

D W Andrews
D Bauernfeind
S Bouvier
R A Houghton
E Van Kaathoven

Secretary

Hexagon Registrars Ltd

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

Bankers

Lloyds TSB
City Office
PO Box 72
Gillingham Business Park
Kent
ME8 0LS

Directors' report for the year ended 31 December 2006

The directors present their report and the audited financial statements of the company for the year ended 31 December 2006

Business Review and Principal Activity.

The principal activities of the company are the recruitment of IT staff and the supply of IT consultants on short-term contracts

The results for the company show a pre-tax profit of £869,000 (2005 £511,000) and sales of £10,826,000 (2005 £8,879,000) No dividends were paid or are proposed in the current or previous year

Both the level of business and the year end financial position of the company were in line with expectations

Future Outlook

Future activity is closely linked to the strength of the economy and recruitment volumes Competition in the recruitment industry is expected to remain strong

Given the company's current market position and strategy, the directors remain confident that the level of activity will increase over the next year

Financial risk management

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 group These are set out below

- (i) Foreign exchange risk
The company is exposed to foreign exchange rate risks primarily with respect to the Euro The company has reviewed the risks posed by these rate movements and has considered that at the present time natural hedges exist within the businesses and so the company does not use derivative financial instruments
- (ii) Interest rate cash flow risk
The company has no interest bearing liabilities The company does not use derivative financial instruments as exposure levels are not material
- (iii) Credit risk
The company has a concentration of credit risk with respect to trade receivables Credit risk assessments are performed when signing up new customers A monthly credit control review is in place
- (iv) Liquidity risk
The company actively monitors that it has sufficient funds for operations and any planned expansions The company does not currently make use of any financing arrangements but this will continually reviewed as the business develops and matures

The principal risk facing Xchanging Resourcing Services Limited is credit risk

Directors' report for the year ended 31 December 2006 (continued)

Key Performance Indicators (KPI's)

The directors of Xchanging Resourcing Services Limited use a range of Key Performance Indicators (KPI's) to measure the business. The set of KPI's is constantly reviewed and changes over time with the development of the business. The range of measures includes revenue per employee and margin by revenue type.

Directors and their interests

The directors who held office during the year and up to the date of signing the financial statements were

Name

D W Andrews
D Bauernfeind
S Bouvier
R A Houghton
E Van Kaathoven

None of the directors had any interest in the shares of the company during the year or as at 31 December 2006.

During the year, Mr Andrews and Mr Houghton were also directors of Xchanging BV, the ultimate parent company, and their interests in the shares and share options for Xchanging BV are shown in the financial statements of that company.

The other directors and their interests in the shares and share options in the ultimate parent company are shown below.

Shareholdings

Common shares of Euro 0.01 each

	2006	2005
D Bauernfeind	25,000	14,490

Share options under an approved scheme over common shares of Euro 0.01 each

Director	Number of options at 1 January 2006 or date of appointment	During the year		At 31 December 2006	Exercise Price	Date from which exercisable	Expiry date
		Granted	Exercised				
S Bouvier	5,000	-	-	5,000	207.0p	13/08/05	13/08/12
	10,679	-	-	10,679	383.0p	17/08/07	17/08/14
E Van Kaathoven	16,304	-	-	16,304	383.0p	28/04/07	28/04/14

Directors' report for the year ended 31 December 2006 (continued)

Share options under an unapproved scheme over common shares of Euro 0.01 each

Director	Number of options at 1 January 2006 or date of appointment	During the year		At 31 December 2006	Exercise Price	Date from which exercisable	Expiry date
		Granted	Exercised				
D Bauernfeind	10,510	-	(10,510)	-	207.0p	13/08/05	13/08/12
	10,000	-	-	10,000	383.0p	28/04/07	28/04/14
S Bouvier	4,321	-	-	4,321	383.0p	17/08/07	17/08/14
E Van Kaathoven	8,696	-	-	8,696	383.0p	28/04/07	28/04/14

Charitable contributions

During the year the company made donations in the UK for charitable purposes of £20 (2005: £nil)

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

**Directors' report
for the year ended 31 December 2006 (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 and 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.

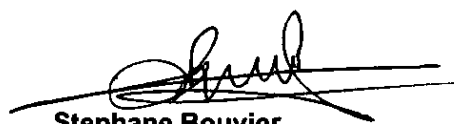
The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and group 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



Stephane Bouvier
Director
24 May 2007

Independent auditors' report to the members of XCHANGING RESOURCING SERVICES LIMITED

We have audited the financial statements of Xchanging Resourcing Services Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, 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.

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

Basis of audit opinion

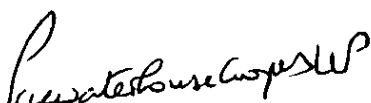
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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.

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 2006 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

24 May 2007

**Profit and loss account
for the year ended 31 December 2006**

	Notes	2006 £'000	2005 (as restated) £'000
Turnover – continuing operations	2	10,826	8,879
Cost of sales – continuing operations		<u>(8,309)</u>	<u>(7,105)</u>
Gross margin – continuing operations		2,517	1,774
Operating costs – continuing operations	3	<u>(1,643)</u>	<u>(1,253)</u>
Operating profit – continuing operations		874	521
Interest receivable and similar income	6	11	5
Other finance costs	7	<u>(16)</u>	<u>(15)</u>
Profit on ordinary activities before taxation		869	511
Tax charge on profit on ordinary activities	8	(450)	(165)
Profit on ordinary activities after taxation	16	<u>419</u>	<u>346</u>

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

**Statement of total recognised gains and losses
for the year ended 31 December 2006**

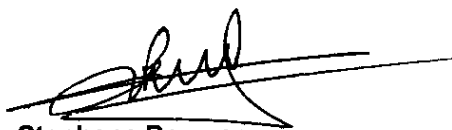
	Notes	2006 £'000	2005 £'000
Profit for the year		419	346
Actuarial gain/(loss) recognised in the pension scheme	18	4	(46)
Current tax relating to pension liability	8	-	2
Movement on deferred tax relating to pension liability	8	(1)	12
Total recognised gains for the year		422	314

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 2006

	Notes	2006 £'000	2005 £'000
Fixed assets			
Intangible assets	9	349	376
Tangible assets	10	17	15
Investments	11	<u>378</u>	<u>378</u>
		744	769
Current assets			
Debtors amounts falling due within one year	12	7,229	6,480
Cash at bank and in hand		<u>72</u>	<u>364</u>
		7,301	6,844
Creditors amounts falling due within one year	13	<u>(1,932)</u>	<u>(1,908)</u>
Net current assets		<u>5,369</u>	<u>4,936</u>
Net assets excluding pension liability		<u>6,113</u>	<u>5,705</u>
Pension liability	18	<u>(293)</u>	<u>(307)</u>
Net assets		<u><u>5,820</u></u>	<u><u>5,398</u></u>
Capital and reserves			
Called up share capital	15	6,645	6,645
Profit and loss reserve	16	<u>(825)</u>	<u>(1,247)</u>
Equity shareholder's funds	17	<u><u>5,820</u></u>	<u><u>5,398</u></u>

The financial statements on pages 8 to 26 were approved by the board of directors on 24 May 2007 and were signed on its behalf by



Stephane Bouvier
Director

Notes to the financial statements for the year ended 31 December 2006

1 Principal accounting policies

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.

Disclosure of cost of sales

Cost of sales are shown separately in the profit and loss account, previously these costs were included within operating costs. The 2005 figures have been amended accordingly.

Basis of accounting

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

Cash flow statement and non-consolidation of subsidiary undertakings

The company is a wholly owned subsidiary of Xchanging BV and is included in the consolidated financial statements of Xchanging BV, 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.

Going concern

The directors believe that preparing the accounts on the going concern basis is appropriate based on budgets and cash flow projections prepared by the business.

Turnover

Turnover comprises revenue earned from the provision of IT consultants and recruitment services net of VAT and is recognised as such services are provided.

Borrowing costs

Borrowing costs are charged to the profit and loss account as incurred.

Intangible fixed assets

Goodwill arising on the acquisition of the Xchanging Resourcing business and assets, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which directors estimate to be ten years. Impairment reviews are undertaken where new indicators of impairment become available and provision is made for any impairment is made.

**Notes to the financial statements
for the year ended 31 December 2006 (continued)****1 Principal accounting policies (continued)****Tangible fixed assets**

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

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% / 20%
Leasehold improvements	10% / Term of lease
Fixtures & fittings	25% / 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.

Debtors

Debtors are recognised at fair value and subsequently measured at amortised cost less provision for impairment.

Cash

Cash includes cash in hand and demand deposits which are readily convertible to cash and are subject to minimal risk of changes in value. Cash held in foreign currencies is recognised at the exchange rate ruling on the balance sheet date.

Creditors

Creditors are stated at amortised cost.

Operating leases

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

**Notes to the financial statements
for the year ended 31 December 2006 (continued)****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.

Pensions

Certain employees of the company participate in funded defined benefit schemes operated by Xchanging Global Insurance Systems Limited, a fellow group company. A professional independent actuary values the fund triennially and the valuations were updated at the year-end. Scheme assets are measured at their fair value at the balance sheet date. Scheme liabilities are measured on an actuarial basis using the projected unit method. Current and past service costs are charged to the profit and loss account. Expected returns on assets and interest costs on liabilities are recognised as other finance income in the profit and loss account. Actuarial gains and losses are recognised in full in the statement of total recognised gains and losses.

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 group. All other related party transactions are disclosed in note 20.

Notes to the financial statements for the year ended 31 December 2006 (continued)

2 Turnover

All turnover was contributed to by the company's principal activity. The origin and destination of all turnover is within the United Kingdom.

3 Operating costs

Operating costs comprise:	2006 £'000	2005 (as restated) £'000
Staff costs:		
Wages and salaries	897	652
Social security costs	174	117
Other pension costs	49	43
	<u>1,120</u>	<u>812</u>
Other operating costs	523	441
Total operating costs	<u>1,643</u>	<u>1,253</u>
Other operating costs include the following		
Depreciation – owned assets	13	14
Amortisation of intangible assets	27	27
Rental costs relating to operating leases		
– property	22	22
Auditors' remuneration – audit services	18	16

Notes to the financial statements for the year ended 31 December 2006 (continued)

4 Directors' emoluments

	2006	2005
	£'000	£'000
Directors' emoluments		
Aggregate emoluments	144	122
	<u>144</u>	<u>122</u>

	2006	2005
Number of directors with retirement benefits accruing under.		
Defined contribution schemes	2	1
	<u>2</u>	<u>1</u>

During the year 1 director exercised options over Euro 0.01 shares of Xchanging B.V. (2005: 1 director)

Highest paid director

	2006	2005
	£'000	£'000
Emoluments of the highest paid director	126	122
	<u>126</u>	<u>122</u>

5 Employees

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

	2006	2005
	Number	Number
By activity		
Selling and distribution	21	16
Administration	6	3
	<u>27</u>	<u>19</u>

6 Interest receivable and similar income

	2006	2005
	£'000	£'000
Bank interest	11	4
Other interest	-	1
	<u>11</u>	<u>5</u>

Notes to the financial statements for the year ended 31 December 2006 (continued)

7 Other finance costs

	2006 £'000	2005 £'000
Other finance costs (note 18)	<u>16</u>	<u>15</u>

8 Tax charge on profit on ordinary activities

	2006 £'000	2005 £'000
Current tax		
UK corporation tax on profits for the year	361	170
Adjustments in respect of prior years	<u>95</u>	<u>(2)</u>
Current tax charge for the year	456	168
Deferred tax		
Depreciation in excess of capital allowances	(5)	(3)
Other timing differences	12	-
Adjustments in respect of prior years	<u>(13)</u>	<u>-</u>
Deferred tax charge for the year (note 14)	(6)	(3)
Total tax charge for the current year	<u>450</u>	<u>165</u>

Tax on recognised gains and losses not included in the profit and loss account

	2006 £'000	2005 £'000
Current tax credit on actuarial loss through reserves	-	(2)
Deferred tax charge/(credit) on actuarial loss through reserves (note 14)	<u>1</u>	<u>(12)</u>
	<u>1</u>	<u>(14)</u>

Notes to the financial statements for the year ended 31 December 2006 (continued)

8 Tax charge on profit on ordinary activities (continued)

The current tax assessed for the period is higher (2005 higher) than the standard rate of corporation tax in the UK (30%) The differences are explained below

	2006 £'000	2005 £'000
Profit on ordinary activities before tax	869	511
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2005 30%)	261	153
Depreciation for the year in excess of capital allowances	5	3
Expenses not deductible for tax purposes	107	14
Other timing differences	(12)	-
Adjustment to tax charge in respect of previous period	95	(2)
	<u>456</u>	<u>168</u>

9 Intangible fixed assets

	Goodwill £'000
Cost	
At 1 January 2006	1,213
At 31 December 2006	<u>1,213</u>
Depreciation	
At 1 January 2006	837
Charge for the year	27
At 31 December 2006	<u>864</u>
Net book value	
At 31 December 2006	<u>349</u>
At 31 December 2005	<u>376</u>

Notes to the financial statements for the year ended 31 December 2006 (continued)

10 Tangible fixed assets

	Computer equipment £'000	Leasehold improvements £'000	Fixtures & fittings £'000	Total £'000
Cost				
At 1 January 2006	22	9	2	33
Additions	15	-	-	15
At 31 December 2006	37	9	2	48
Depreciation				
At 1 January 2006	10	7	1	18
Charge for the year	11	1	1	13
At 31 December 2006	21	8	2	31
Net book value				
At 31 December 2006	16	1	-	17
At 31 December 2005	12	2	1	15

11 Investments

The following are wholly owned subsidiaries of Xchanging Resourcing Services Limited

Name	Country of incorporation	Principal activity	Effective interest and proportion of equity held
Xchanging Technology Services Limited	United Kingdom	Dormant	100%
Xchanging Resourcing Limited	United Kingdom	Dormant	100%
Xchanging Technology Services Private India Limited	India	IT Outsourcing	100%

Investments comprise equity shares with a cost of £378,000 (2005 £378,000)

**Notes to the financial statements
for the year ended 31 December 2006 (continued)**

12 Debtors

	2006 £'000	2005 £'000
Amounts falling due within one year.		
Trade debtors	1,399	1,048
Amounts owed by group undertakings	5,211	5,057
Other debtors	54	43
Prepayments and accrued income	552	329
Deferred taxation (note 14)	13	3
	<u>7,229</u>	<u>6,480</u>

Amounts owed by group undertakings are unsecured, interest free and are repayable on demand

13 Creditors: amounts falling due within one year

	2006 £'000	2005 £'000
Trade creditors	30	28
Amounts owed to group undertakings	819	921
Corporation tax	340	211
Taxation and social security	133	283
Other creditors	33	13
Accruals and deferred income	577	452
	<u>1,932</u>	<u>1,908</u>

Amounts owed to group undertakings are unsecured, interest free and are repayable on demand

Notes to the financial statements for the year ended 31 December 2006 (continued)

14 Deferred tax

	2006 £'000	2005 £'000
Deferred tax asset comprises		
Accelerated capital allowances (note 12)	11	3
Other timing differences (note 12)	2	-
Deferred tax asset on pension liability (note 18)	126	131
	<u>139</u>	<u>134</u>
At 1 January	134	119
Amount credited to profit and loss (note 8)	6	3
Amount (charged)/credited to statement of total recognised gains and losses (note 8)	(1)	12
Deferred tax asset at year end including deferred tax on pension liability	<u>139</u>	<u>134</u>

There was no unprovided deferred tax at the year end (2005 £nil)

15 Called up share capital

	2006 £'000	2005 £'000
Authorised		
75,000,000 ordinary shares of 10p each	<u>7,500</u>	<u>7,500</u>
Allotted, called up and fully paid		
66,452,611 ordinary shares of 10p each	<u>6,645</u>	<u>6,645</u>

Notes to the financial statements for the year ended 31 December 2006 (continued)

16 Reserves

	Profit and loss reserve £'000
At 1 January 2006	(1,247)
Retained profit for the financial year	419
Actuarial gain on pension scheme	4
Tax on actuarial gain	(1)
At 31 December 2006	<u>(825)</u>

17 Reconciliation of movements in equity shareholder's funds

	2006 £'000	2005 £'000
Opening equity shareholder's funds	5,398	5,084
Profit for the financial year	419	346
Other recognised gains and losses relating to the year	3	(32)
Closing equity shareholder's funds	<u>5,820</u>	<u>5,398</u>

18 Pensions

The company participates in a multi-employer defined benefit pension scheme in the UK. A full actuarial valuation of the pension scheme was carried out as at 1 April 2004. An interim actuarial assessment was carried out as at 1 May 2006. The interim actuarial assessment was updated to 31 December 2006 by a qualified independent actuary, allowing for the actuarial methods and assumptions prescribed under Financial Reporting Standard 17 "Retirement Benefits". The actuary has identified that part of the assets and liabilities that relate to the Company. Contributions are payable to the pension scheme by members (at the rate set out in the Rules of the pension scheme) and by the Company (at the rates of 19.6% or 14.6% of Scheme Salary depending on the member's category). The Company contribution includes an allowance for expenses and the cost of insured death in service benefits.

Notes to the financial statements for the year ended 31 December 2006 (continued)

18 Pensions (continued)

The following figures have been prepared in compliance with FRS 17

	At 31 December 2006	At 31 December 2005	At 31 December 2004
Rate of increase in salaries	3.8%	3.8%	3.5%
Pension increases	0% - 5.0%	0% - 5.0%	0% - 5.0%
Discount rate	5.1%	4.9%	5.5%
Inflation assumption	2.8%	2.8%	2.5%

The expected rates of return and the market value of the assets of the pension scheme related to members and former members of the company were

	Long-term rate of return expected at 31 December			Value at 31 December		
	2006 %	2005 %	2004 %	2006 £'000	2005 £'000	2004 £'000
Equities	7.50%	6.90%	7.50%	350	294	384
Bonds	5.10%	4.90%	5.60%	206	178	68
Gilts	4.50%	4.00%	-	198	176	-
Property	8.00%	6.90%	5.00%	87	70	18
Cash	5.00%	4.50%	3.80%	12	10	18
Total market value of assets				853	728	488
Present value of scheme liabilities				(1,272)	(1,166)	(823)
Deficit in the scheme				(419)	(438)	(335)
Related deferred tax asset (note 14)				126	131	100
Net pension liability				(293)	(307)	(235)

Analysis of the amounts charged to operating profit:

	2006 £'000	2005 £'000
Current service costs	22	25

Notes to the financial statements for the year ended 31 December 2006 (continued)

18 Pensions (continued)

Analysis of the amounts included as other finance costs:

	2006 £'000	2005 £'000
Expected return on pension scheme assets	43	38
Interest on pension scheme liabilities	(59)	(53)
Other finance costs	<u>(16)</u>	<u>(15)</u>

Analysis of the amounts recognised in the statement of total recognised gains and losses:

	2006 £'000	2005 £'000
Actual return less expected return on pension scheme assets	13	66
Experience gains and losses arising on scheme liabilities	(60)	8
Changes in assumptions underlying the present value of the scheme liabilities	51	(120)
Actuarial gain/(loss) loss included in the statement of total recognised gains and losses	<u>4</u>	<u>(46)</u>

Movement in deficit during the year.

	2006 £'000	2005 £'000
Deficit at beginning of the year	(438)	(398)
Movement in the year		
Current service cost	(22)	(25)
Contributions received	53	46
Other finance costs	(16)	(15)
Actuarial gain/(loss)	4	(46)
Deficit at end of the year	<u>(419)</u>	<u>(438)</u>

Notes to the financial statements for the year ended 31 December 2006 (continued)

18 Pensions (continued)

History of experience gains and losses

	31 December 2006 £'000	31 December 2005 £'000	31 December 2004 £'000	31 March 2004 £'000
Difference between the expected and actual return on scheme assets:				
Amount	13	66	62	(144)
Percentage of scheme assets	2%	9%	12%	(37%)
Experience gains and losses on scheme liabilities.				
Amount	(60)	8	(4)	11
Percentage of the present value of scheme liabilities	(5%)	0%	0%	1%
Total amount recognisable in the statement of total recognised gains				
Amount	4	(46)	58	(241)
Percentage of the present value of scheme liabilities	0%	(4%)	7%	(31%)

Notes to the financial statements for the year ended 31 December 2006 (continued)

19 Parent undertaking and ultimate controlling party

The immediate parent undertaking is Xpanse Limited

At the balance sheet date the directors consider Xchanging B V , a company incorporated in the Netherlands, to be the ultimate parent undertaking and ultimate controlling party and the parent of the largest group to consolidate these financial statements. Copies of the consolidated accounts of Xchanging BV may be obtained from Xchanging BV, 34 Leadenhall Street, London, EC3A 1AX

Xchanging B V is controlled jointly by General Atlantic Partners LLP and the Chief Executive Officer, David Andrews, the founding partners. General Atlantic Partners LLP is the majority shareholder through a number of its group companies' shareholdings in Xchanging B V , which act in concert within the context of a group. David Andrews is able to appoint the majority of the Board of Xchanging B V

Subsequent to the balance sheet date Xchanging Plc, a company incorporated in the UK, became the ultimate parent undertaking and ultimate controlling party and the parent of the largest group to consolidate these financial statements

20 Related party transactions

The companies set out below are considered to be related parties of the group because they all share the same ultimate controlling party, Xchanging B V. The companies concerned are, Xchanging Ins-sure Services Group, Xchanging Procurement Services Limited, Xchanging HR Services Limited and Xchanging Claims Services Limited

The individual companies together with a description of the nature of the services provided by/(to) the company and the amount receivable/(payable) in respect of each at 31 December 2006, are set out in the table below

Services provided by/(to) the company	Revenue/ (charge)		Receivable/ (payable)	
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
- Resourcing services	2,647	1,477	893	496
- Secondees and other recharges	102	-	-	-
-(Secondees and other recharges)	(22)	(2)	(6)	-

**Notes to the financial statements
for the year ended 31 December 2006 (continued)****21 Operating lease commitments**

	Property	
	2006	2005
	£'000	£'000
Annual commitments under non-cancellable operating leases expiring		
Within one year	<u>-</u>	<u>22</u>