

Registered no: 04220016

PRO-CUR HOLDCO LIMITED
(formerly SHILLINGCLOSE LIMITED)

Annual report

for the period 21 May 2001 to

31 December 2001



PRO-CUR HOLDCO LIMITED

Annual report for the period ended 31 December 2001

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Directors and advisers

Directors

D W Andrews
M Armitage
R Houghton
R Leggetter
K Mealand
D Rich-Jones
P Rushton

Secretary

Clifford Chance Secretaries Limited

Registered office

200 Aldersgate Street
London
EC1A 4JJ

Registered auditors

PricewaterhouseCoopers
No 1 London Bridge
London
SE1 9QL

Solicitors

Clifford Chance
200 Aldersgate Street
London
EC1A 4JJ

Bankers

Lloyds TSB plc
City office
P O Box 72
Bailey Drive
Gillingham Business Park
Kent
ME8 0LS

Directors' report for the period ended 31 December 2001

The directors present their report and the audited financial statements of the group and the company for the period ended 31 December 2001.

Principal activity

The group is a provider of procurement related services to clients.

Review of business and future developments

The company was incorporated on 21 May 2001 and commenced trading on 1 November 2001 when it acquired a contract to provide procurement services to BAE SYSTEMS plc.

Both the level of business and the period end financial position were in line with expectations. The directors expect a significant increase in the level of activity over the next year as the group takes on in-scope category spend for its clients.

Results and dividends

The group's profit for the period was £1,000. The directors do not recommend the payment of a dividend.

Directors and their interests

The directors who held office during the period were:

Name	Date of appointment	Date of resignation
D Andrews	14 June 2001	
M Armitage	25 October 2001	
R Houghton	25 October 2001	
M Layton	21 May 2001	14 June 2001
R Leggetter	25 October 2001	
K Mealand	25 October 2001	
M Richards	21 May 2001	14 June 2001
D Rich-Jones	14 June 2001	
P Rushton	25 October 2001	

None of the directors had any interest in the shares of the company during the period or as at 31 December 2001.

During the year, Mr Andrews was also a director of Xchange BV, the ultimate parent company, and his interest in the shares and share options of Xchange 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:

	Scheme shares of NLG 0.02 each 2001
D Rich-Jones	62,500
R Houghton	125,000

Share options under approved scheme over scheme shares NLG0.02:

Director	Number of options	During the period		At 31	Exercise price	Date from which exercisable	Expiry date
	At 21 May 2001	Granted	Exercised	December 2001			
D Rich-Jones	62,500	-	-	62,500	26.2p	23/5/03	23/5/13
	-	6,570	-	6,570	207.0p	19/12/04	19/12/14
R Houghton	46,875	-	-	46,875	61.8p	25/07/03	25/07/13
	-	500	-	500	207.0p	19/12/04	19/12/14
P Rushton	25,000	-	-	25,000	66.1p	9/11/03	9/11/13
	-	6,503	-	6,503	207.0p	24/10/04	24/10/14

Share options under unapproved scheme over scheme shares NLG0.02:

Director	Number of options	During the period		At 31	Exercise price	Date from which exercisable	Expiry date
	At 21 May 2001	Granted	Exercised	December 2001			
D Rich-Jones	75,000	-	-	75,000	61.8p	25/7/03	25/7/13
	-	25,000	-	25,000	341.1p	1/6/04	1/6/14
	-	118,430	-	118,430	207.0p	19/12/04	19/12/14
R Houghton	103,125	-	-	103,125	61.8p	25/7/03	25/7/13
	-	149,500	-	149,500	207.0p	19/12/04	19/12/14
P Rushton	-	13,497	-	13,497	207.0p	24/10/04	24/10/14
	-	15,000	-	15,000	207.0p	19/12/04	19/12/14

Company name

The company changed its name from Shillingclose Limited to Pro-cur Holdco Limited on 15 June 2001.

Auditors

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office, and a resolution that they be reappointed will be proposed at the annual general meeting.

Statement of directors' responsibilities


Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and group as at the end of the financial year 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 accounting standards have been followed;
- 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and group to enable them to ensure that the financial statement comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the board


D Rich-Jones
Director

Independent auditors' report to the members of PRO-CUR HOLDCO LIMITED

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards 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 United Kingdom Auditing Standards issued by the Auditing Practices Board.

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 if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

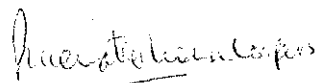
Basis of audit opinion

We conducted our audit in accordance with auditing standards 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 judgements 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 of the state of affairs of the company and the group at 31 December 2001 and of the profit and cash flows of the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London

1st October 2002

**Consolidated profit and loss account
for the period ended 31 December 2001**

	Notes	21 May 2001 to 31 December 2001 £'000
Turnover – continuing operations	2	198
Operating costs	3	<u>(196)</u>
Operating profit – continuing operations		<u>2</u>
Profit on ordinary activities before taxation		2
Tax on profit on ordinary activities	6	(1)
Retained profit for the financial period	12	<u>1</u>

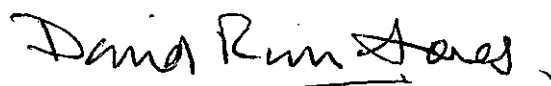
The group had no gains or losses other than those included in the profit above, therefore no separate statement of total recognised gains and losses has been presented.

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

Balance sheets
At 31 December 2001

	Notes	Group 2001 £'000	Company 2001 £'000
Fixed assets			
Tangible assets	7	3	-
Investments	8	-	-
		<u>3</u>	<u>-</u>
Current assets			
Debtors	9	15	201
Cash at bank and in hand		429	-
		<u>444</u>	<u>201</u>
Creditors: amounts falling due within one year	10	<u>(246)</u>	<u>(5)</u>
Net current assets		<u>198</u>	<u>196</u>
Total assets less current liabilities		<u>201</u>	<u>196</u>
Net assets		<u>201</u>	<u>196</u>
 Capital and reserves			
Called up share capital	11	20	20
Share premium account	12	180	180
Profit and loss account	12	1	(4)
Total shareholders' funds	13	<u>201</u>	<u>196</u>

The financial statements on pages 7 to 17 were approved by the board of directors on 23 October 2002 and were signed on its behalf by:


D Rich-Jones
Director

**Consolidated cash flow statement
for the period ended 31 December 2001**

	Notes	2001 £'000
Net cash inflow from operating activities		232
Capital expenditure and financial investment		
Purchase of tangible fixed assets		(3)
Financing		
Issue of share capital		200
Increase in cash in the period	14	<u>429</u>

**Reconciliation of operating profit to net cash
inflow from operating activities**

	2001 £'000
Operating profit	2
Increase in debtors	(15)
Increase in creditors	245
Net cash inflow from continuing operating activities	<u>232</u>

**Notes to the financial statements
for the period ended 31 December 2001****1 Principal accounting policies**

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

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

Basis of consolidation

The group financial statements represent the consolidation of the results of the company and all its subsidiaries.

Turnover

Turnover is recognised only when it is probable that the economic benefits associated with a transaction will flow to the group.

Turnover, which is stated exclusive of value added tax, comprises amounts receivable for services provided, net of guaranteed rebates to customers.

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:

Plant and machinery	25%
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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.

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, with the following exception:

On the basis of all available evidence, deferred tax assets are recognised only to the extent that 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

The group participates in funded defined benefit schemes operated by BAE SYSTEMS plc. As these are multi-employer schemes, the group accounts for its contributions to the schemes as if they were defined contribution schemes as it is not possible to identify the group's share of the underlying assets and liabilities of the schemes on a consistent and reasonable basis. Actuarial valuations by external professional actuaries are carried out triennially to determine the payments to be made to the schemes. The latest valuations were made as at 5 April 1999 and, in accordance with FRS 17, were updated as at 31 December 2001. The results of these valuations and the effect on the group are included in note 16. Accordingly, contributions made to the schemes are charged to the profit and loss account in the period in which they arise.

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. Other transactions are disclosed in note 18.

2 Turnover

Turnover consists entirely of sales made in the United Kingdom.

3 Operating costs

Operating costs comprise:	2001
	£'000
Staff costs:	
Wages and salaries	111
Social security costs	9
Other pension costs	3
	<u>123</u>
Other operating costs	63
Auditors' remuneration - audit services	10
	<u>196</u>

The audit fee of the company was £5,000.

4 Directors' emoluments

	2001
	£'000
Aggregate emoluments	<u>17</u>

Other than the recharge above, director's emoluments are borne by related companies. Details are included in note 18.

5 Employees

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

	2001
	Number
By activity	
Management and administration	<u>6</u>

6 Tax on profit on ordinary activities

	2001
	£'000
Taxation on the profit for the period	
UK corporation tax at 30% - current	<u>1</u>

7 Tangible fixed assets

Group	Plant and machinery £'000	Total £'000
Cost		
Additions	3	3
At 31 December 2001	<u>3</u>	<u>3</u>
Depreciation		
Charge for the period	-	-
At 31 December 2001	<u>-</u>	<u>-</u>
Net book value		
At 31 December 2001	<u>3</u>	<u>3</u>

The company does not hold any fixed assets.

8 Investments

The following are wholly owned subsidiaries of Pro-cur Holdco Limited:

Name	Country of Incorporation	Principal activity
Pro-cur Services Limited	United Kingdom	Support services

9 Debtors

	Group 2001 £'000	Company 2001 £'000
Amounts falling due within one year:		
Other debtors	8	-
Called up share capital not paid	-	200
Prepayments and accrued income	7	-
Corporation tax	-	1
	<u>15</u>	<u>201</u>

10 Creditors: amounts falling due within one year

	Group	Company
	2001	2001
	£'000	£'000
Amounts owed to group undertakings	126	-
Taxation and social security	34	-
Corporation tax	1	-
Accruals and deferred income	85	5
	<u>246</u>	<u>5</u>

Amounts owed to group undertakings are unsecured, interest free and have no fixed date of repayment.

11 Called up share capital

	Group	Company
	2001	2001
	£'000	£'000
Authorised		
200,000 ordinary shares of 10p each	<u>20</u>	<u>20</u>
Allotted, called up and fully paid		
Allotted in period - 200,000 ordinary shares of 10p each	<u>20</u>	<u>20</u>

12 Reserves

Group	Share premium account £'000	Profit and loss account £'000
Premium on shares issued in period	180	-
Profit for the period	-	1
At 31 December 2001	180	1

Company	Share premium account £'000	Profit and loss account £'000
Shares issued in period	180	-
Loss for the period	-	(4)
At 31 December 2001	180	(4)

The company's profit and loss account has not been included in these financial statements as permitted by section 230 of the Companies Act 1985. The company's loss for the period was £4,000.

13 Reconciliation of movements in shareholders' funds

	Group 2001 £'000	Company 2001 £'000
Profit/(loss) for the period	1	(4)
Net proceeds of issue of ordinary share capital	200	200
Closing shareholders' funds	201	196

14 Reconciliation of net cash inflow to movement in net funds

	2001 £'000
Increase in cash in the period	429
Net funds at beginning of period	-
Net funds at end of period	<u>429</u>

15 Reconciliation of movement in net funds

	21 May 2001 £'000	Cash inflow £'000	31 December 2001 £'000
Cash	<u>-</u>	<u>429</u>	<u>429</u>

16 Pensions

The group participates in the defined benefit schemes run for the employees of BAE SYSTEMS plc. An actuarial valuation by external professional actuaries is carried out triennially to determine the payments to be made to the schemes. The latest actuarial valuation of the main scheme was made as at 5 April 1999, and in accordance with the transitional arrangements of FRS 17 was updated as at 31 December 2001, the details of which are included in the accounts of BAE SYSTEMS plc, which are publicly available.

At 31 December 2001 the schemes had a pension liability of £650m. This does not have any effect on the contributions paid by the group for the employees that are members of those schemes. Pension costs of £3,000 were charged in the profit and loss account in the period.

17 Parent undertaking and ultimate controlling party

The company is jointly owned by BAE SYSTEMS plc and XUK Holdco (No.2) Limited. Both companies are incorporated in the United Kingdom. XUK Holdco (No.2) Limited is a wholly owned subsidiary of Xchange BV, a company incorporated in the Netherlands, and in whose consolidated accounts the results of Pro-cur Holdco Limited are included.

The directors consider Xchange BV to be the ultimate controlling party, as a result of its operational and financial control of the company. Copies of the consolidated accounts of Xchange BV may be obtained from Xchange BV, Locatellikade 1, Parnassustoren, 1076 AZ, Amsterdam, Netherlands.

18 Related party transactions

During the period the group provided procurement services to BAE SYSTEMS plc, a related party through virtue of its 50% holding in the group. The total income in the year amounted to £198,000 and £nil was outstanding at the period end.

Three of the directors are employees of BAE SYSTEMS plc. The emoluments of these directors were borne by BAE SYSTEMS plc and BAE SYSTEMS charged £17,000 for the secondment of one director to the group during the financial period. The outstanding accrued balance at the period-end was £17,000.

Four of the directors are employees of a related company, Xchanging Limited. Xchanging Limited is a related party through virtue of the common control of Xchange BV, a company incorporated in the Netherlands. The emoluments of the directors were borne by Xchanging Limited and no recharge was made to the group. Through an apportionment of the directors' salaries this amounts to services totalling £260,000.

Xchanging Limited invested £717,000 in the acquisition of a contract and £761,000 in the implementation of the contract on behalf of the group. These amounts have been retained in the books of Xchanging Limited, as it will receive royalties in the future from the group.

Other management services and functions were performed by Xchanging Limited, on behalf of the group. No recharge was made for these services as it is not possible to accurately determine the financial value of them.