Registered no: 04220073

XCHANGING PROCUREMENT SERVICES LIMITED

Annual report

for the year ended 31 December 2008

XCHANGING PROCUREMENT SERVICES LIMITED

Annual report
for the year ended 31 December 2008

Directors and advisors

Directors

M Batty
S Bouvier
R Houghton
D Rich-Jones

Secretary

A Gallagher

Registered office

13 Hanover Square
London
W1S 1HN

Independent auditors

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

Solicitors

Clifford Chance LLP
10 Upper Bank Street
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E14 5JJ

Bankers

Lloyds TSB
City Office
PO Box 72
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Directors' report
for the year ended 31 December 2008

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

Business review and principal activity

The company is engaged in providing procurement services for indirect spend categories under long term outsourcing contracts.

The results for the company show a pre-tax profit of £11,674,000 (2007: £10,143,000) and sales of £173,927,000 (2007: £145,568,000).

The directors recommend a dividend payment of £8,043,000 per share, amounting to a total dividend of £8,043,000 (2007: £7,134,000 per share, amounting to a total dividend of £7,134,000). The dividend will be submitted for formal approval at a meeting of the Board to be held on 26 March 2009. These financial statements do not reflect this dividend payable, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the year ended 31 December 2009.

Business environment

The Global Procurement outsourcing market is a relatively young but has experienced rapid growth over the past five years. The potential for future growth is high. A 2008 survey* estimated the Global procurement outsourcing market to be worth $2 billion in 2008.

Business strategy

The group is a "Pure Play" BPO provider seeking to differentiate itself from competitors, who often provide outsourcing services alongside consultancy or IT integration.

The group differentiates itself from competitors in the following way:

- Delivers tangible cost reduction benefits to its clients through an innovative gain share structure;
- An emphasis on service performance measurement and management;
- Economies of scale and efficiency; and
- A full service offering including transaction processing capability.

Training and development

The company consistently seeks to recruit and retain the best employees in our market place.

Learning and Development is a key facilitator of both business and individual performance. To this end the company has rolled out Xchanging competency training ("Xcellence Training") and technical training on various aspects of procurement and sourcing ("Sourcing Methodology Training") throughout our organisation.

*IDC, 'Economic Crisis Response: Worldwide and U.S. Business Process Outsourcing Services 2008–2012 Forecast – Market Opportunities by Key Horizontal Business Process Update', Doc#215861, Dec 2008.

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

Research and development

The company continues to invest in new technology platforms and in 2008 has developed an Enhanced Resourcing Service to provide an end to end Order to Cash capability, as well as the purchase and integration of an ESourcing tool and methodology to create further benefits to our customers.

The directors regard the investment in research and development as integral to the continuing success of the business and ensuring that we provide our customers with a full service offering.

Future outlook

A 2008 survey* forecasted that the Global Procurement Outsourcing Market will grow at 16-18% annually up to 2012.

Given the company's current market position and strategy, the directors remain confident that the level of activity will increase over the next year. The current global economic situation should accelerate market demand and create more opportunities as greater numbers of companies look to make savings on non-core processes and costs.

Principal risk and uncertainties

Business risk

The management of the business and the execution of the company's strategy are subject to a number of risks.

The key business risks and uncertainties affecting the company are considered to relate to the failure to achieve new contractual relationships and the continuation of recurring projects, along with the potential loss of key personnel.

Financial risk

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. Weekly credit control reviews are in place to ensure problem debts are identified quickly, recovery strategies put in place and previous issues followed up and escalated where necessary.

*IDC, 'Economic Crisis Response: Worldwide and U.S. Business Process Outsourcing Services 2008–2012 Forecast – Market Opportunities by Key Horizontal Business Process Update', Doc#215861, Dec 2008.

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

Principal risk and uncertainties (continued)

(iv) Liquidity risk
The company actively monitors its cash flows to ensure that it has sufficient funds for operations and expansion. 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 Procurement Services Limited is credit risk.

Key performance indicators

The directors of Xchanging Procurement Services Limited use a range of key performance indicators (KPIs) to measure the business. The set of KPIs is constantly reviewed and changes over time with the development of the business. The range of measures includes customer and procurement category profitability and customer satisfaction levels.

	2008	**2007**	**Definition, method of calculation and analysis**
Growth in sales (%)	20	26	Year on year sales growth expressed as a percentage. 20% year on year sales growth in 2008 is due to continued strong trading conditions in the procurement outsourcing market.
Operating margin (%)	7	7	Operating margin is the ratio of operating profit to revenue. 2008 operating margin % is consistent with prior year.
Employee numbers	170	150	The average monthly number of persons (including executive directors) employed by the company during the year. Growth in employee numbers is driven by additional service delivery staff to deliver growth in outsourcing revenue.
Revenue per employee (£m)	1.0	1.0	Turnover divided by average employee numbers. 2008 Revenue per employee is consistent with prior year.

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

Directors

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

Name	Date of appointment	Date of resignation
D Andrews		31 January 2008
M Batty	27 February 2009	
S Bouvier		
R Houghton		
D Rich-Jones		
P Rushton		27 February 2009

Charitable contributions

During the year the company made donations in the UK for charitable purposes of nil (2007: £500).

Statement of disclosure of information to auditors

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

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

Creditor payment policy

The company aims to pay suppliers in accordance with the suppliers' contract terms. At the year end the company had 32 days purchases (2007: 32 days) outstanding in trade creditors during 2008.

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

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

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable laws and regulations.

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

S Bouvier
Director
26 March 2009

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF XCHANGING PROCUREMENT SERVICES LIMITED

We have audited the financial statements of Xchanging Procurement Services Limited for the year ended 31 December 2008 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

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

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

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

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

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

Basis of audit opinion

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF XCHANGING PROCUREMENT SERVICES LIMITED
(continued)

Opinion

In our opinion:

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

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
27 March 2009

Profit and loss account
for the year ended 31 December 2008

	Notes	2008 £'000	2007 £'000
Turnover	2	**173,927**	145,568
Operating costs	3	**(162,522)**	(135,622)
Operating profit		**11,405**	9,946
Interest receivable and similar income	6	**269**	205
Interest payable and similar charges	7	**-**	(8)
Profit on ordinary activities before taxation		**11,674**	10,143
Tax charge on profit on ordinary activities	8	**(3,631)**	(3,009)
Profit on ordinary activities after taxation	19	**8,043**	7,134

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.

All results stated relate to continuing operations.

Balance sheet
as at 31 December 2008

	Notes	2008	2007
		£'000	£'000
Fixed assets			
Intangible assets	10	1,472	1,943
Tangible assets	11	1,813	861
Investments	12	-	-
		3,285	2,804
Current assets			
Debtors: amounts falling due within one year	13	31,106	30,593
Debtors: amounts falling due after more than one year	13	1,463	1,913
		32,569	32,506
Cash at bank and in hand		9,899	6,075
		42,468	38,581
Creditors: amounts falling due within one year	15	(37,457)	(34,100)
Net current assets		5,011	4,481
Total assets less current liabilities		8,296	7,285
Creditors: amounts falling due after one year	16	(11)	-
Provisions for liabilities and charges	17	(29)	(27)
Net assets		8,256	7,258
Capital and reserves			
Called up share capital	18	-	-
Profit and loss reserve	19	8,256	7,258
Total equity shareholders' funds	20	8,256	7,258

The financial statements on pages 9 to 23 were approved by the board of directors on 26 March 2009 and were signed on its behalf by:

S Bouvier
Director

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

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.

Basis of accounting

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

Cash flow statement

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).

Going concern

The directors believe that preparing the accounts on the going concern basis is appropriate based on projections for the foreseeable future.

Turnover

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

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

For categories where the company acts as an agent for its customers, turnover represents commissions earned during the financial period. Where the company transacts directly with suppliers and bears the associated risks and rewards, the entire transaction value is recorded as turnover when the service is performed.

Intangible fixed assets

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

Costs incurred during the period in the design and implementation of processes and systems that substantially improve those already installed in the business area of the contract are capitalised in accordance with SSAP 13. Costs that are capitalised comprise directly attributable costs that are incremental in nature and incurred during development, including salaries of staff utilised in the development, and third party costs.

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

1 Principal accounting policies (continued)

Intangible fixed assets (continued)

Development costs do not include restructuring costs or allocation of central overheads, which are all expensed to the profit and loss account as incurred.

Prior to capitalisation, the present value of future revenue streams is compared to the development costs to be capitalised. Costs are capitalised only in circumstances where the present value of future revenue streams exceed the development costs.

Costs are amortised over the duration of the contract, from the end of the pre-defined contract streamlining phase, unless specific circumstances indicate that a shorter period is more relevant. Impairment reviews are performed at the end of the first period after capitalisation or when there is a trigger event to ensure that the present value of estimated future revenue streams from the contract exceeds the capitalised costs. Where these are deemed to be impaired the excess is written off to the profit and loss account.

Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition that are directly attributable to the asset.

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%
Software development	20%
Leasehold improvements	25%
Fixtures & fittings	25%

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 cost less provision for impairment.

Pre-contract costs comprise legal and other professional expenses and other directly attributable staff costs incurred in order to secure a relevant contract. Costs that are capitalised are directly attributable to a contract 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 trade and other receivables and are amortised over the life of the contract, starting from the date when the contract commences.

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

1 Principal accounting policies (continued)

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 retranslated at the exchange rate ruling on the balance sheet date.

Creditors

Creditors are stated at fair value and subsequently measured at amortised cost.

Provisions

Provisions are recognised when a present obligation exists as the result of a past event and it is probable that this will result in an outflow of economic benefit, the size of which can be reliably estimated. Where the provision is long term, such as onerous contract provisions where the unavoidable costs of meeting obligations exceed any economic benefits expected to be received, the net cash flows are discounted using an appropriate pre tax discount rate.

Restructuring provisions are only recognised if an obligation exists at the balance sheet date i.e. a formal plan exists and those affected by that plan have a valid expectation that the restructuring will be carried out.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date and 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 BAE Systems plc. The funds are valued every three years by a professionally qualified independent actuary, the rates of contribution being agreed by the trustees and BAE Systems plc after considering actuarial advice. The actuarial assumptions relating to these schemes are included in the financial statements of BAE systems plc.

Under the terms of the contractual agreement with BAE Systems plc, the company's contribution was fixed for five years until November 2007. From this date onwards the company pays contributions at the rate that the respective trustees of the schemes determine to be payable. The pension costs are therefore charged to the profit and loss account on an accruals basis in the year in which they arise. Differences between the funding rate set by the schemes' trustees and the pension cost to the company are borne by BAE Systems plc.

In addition, certain employees of the company participate in a defined contribution scheme operated by Xchanging UK Limited. Contributions made to the scheme are charged to the profit and loss account in the year in which they arise.

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

1 Principal accounting policies (continued)

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 Xchanging plc group. All other related party transactions are disclosed in note 23.

2 Turnover

Contributions to turnover by geographical destination and origin are analysed below:

	By destination 2008 £'000	By destination 2007 £'000
United Kingdom	**172,804**	144,943
Europe	**1,123**	625
	173,927	145,568

3 Operating costs

Operating costs comprise:	**2008 £'000**	2007 £'000
Staff costs:		
Wages and salaries	**8,511**	7,455
Social security costs	**939**	939
Other pension costs	**285**	251
Staff costs capitalised	**(756)**	(616)
Share based payments	**89**	-
	9,068	8,029
Other operating costs	**153,454**	127,593
	162,522	135,622

Other operating costs include the following:		
Depreciation – owned assets	265	148
Amortisation of intangible assets	429	237
Amortisation of pre-contract costs	612	606
Loss on disposal of fixed assets	16	7
Auditors' remuneration – audit services	97	106
Auditors' remuneration – non-audit services	31	1
(Write back)/Impairment of trade receivables	(74)	84
Foreign exchange (gain)	(183)	

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

4 Directors' emoluments

	2008 £'000	2007 £'000
Aggregate emoluments	689	621
Directors' emoluments	**689**	**621**

	2008	2007
Number of directors with retirement benefits accruing under:		
Defined contribution schemes	1	1

During the year 1 director exercised options over 5p shares of Xchanging plc (2007: 3 directors exercised options over 5p shares of Xchanging plc and Euro 0.01 shares of Xchanging B.V.).

Highest paid director

	2008 £'000	2007 £'000
Emoluments of the highest paid director	355	347

5 Employees

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

	2008 Number	2007 Number
By activity		
Service delivery	126	113
Selling and distribution	5	4
Administration	39	33
	170	150

6 Interest receivable and similar income

	2008 £'000	2007 £'000
Bank interest	269	205

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

7 Interest payable and similar charges

	2008 £'000	2007 £'000
Other interest – other loan	-	8

8 Tax charge on profit on ordinary activities

	2008 £'000	2007 £'000
Current tax:		
UK corporation tax on profits of the year	3,568	2,909
Adjustments in respect of prior years	61	72
Total current tax	3,629	2,981
Deferred tax (note 17):		
Adjustment in respect of the change in tax rate	-	(2)
Depreciation in excess of capital allowances	5	30
Adjustments in respect of prior years	(3)	-
Total deferred tax	2	28
Total tax charge for the current year	3,631	3,009

The current tax assessed for the year is higher (2007: lower) than the standard rate of corporation tax in the UK of 28.5% (2007: 30%). The differences are explained below.

	2008 £'000	2007 £'000
Profit on ordinary activities before tax	11,675	10,143
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28.5% (2007: 30%)	3,327	3,043
Short term temporary differences	(4)	(30)
Share option deduction	(132)	(418)
Expenses not deductible for tax purposes	377	314
Adjustment to tax charge in respect of previous year	61	72
	3,629	2,981

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

9 Equity dividend paid or declared

	2008	2007
	£'000	£'000
Ordinary shares: £7,134,000 per share (2007: £5,390,000 per share)	**7,134**	5,390
	7,134	5,390

The directors are proposing a final dividend in respect of the financial year ending 31 December 2008 of £8,043,000 (2007: £7,134,000).

10 Intangible fixed assets

	Development costs £'000
Cost	
At 1 January 2008	2,473
Transfer to Tangible fixed assets	(42)
At 31 December 2008	**2,431**
Amortisation	
At 1 January 2008	530
Charge for the year	429
At 31 December 2008	**959**
Net book value	
At 31 December 2008	**1,472**
At 31 December 2007	1,943

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

11 Tangible fixed assets

	Computer equipment £'000	Software development £'000	Leasehold improvement £'000	Fixtures & fittings £'000	Total £'000
Cost					
At 1 January 2008	464	609	-	10	1,083
Additions	87	1,084	7	12	1,190
Disposals	(133)	-	-	(1)	(134)
Transfers from Intangible assets	-	42	-	-	42
At 31 December 2008	**418**	**1,735**	**7**	**21**	**2,181**
Depreciation					
At 1 January 2008	174	44	-	4	222
Charge for the year	136	123	1	5	265
Disposals	(117)	-	-	(1)	(118)
At 31 December 2008	**193**	**167**	**1**	**8**	**368**
Net book value					
At 31 December 2008	**226**	**1,568**	**6**	**13**	**1,813**
At 31 December 2007	290	565	-	6	861

12 Investments

The following are wholly owned subsidiaries of Xchanging Procurement Services Limited:

Name	Country of incorporation	Principal activity
Xchanging Procurement Services (Europe) Limited	United Kingdom	Procurement services

Investments comprise equity shares with a cost of £1 (2007: £1).

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

13 Debtors

	2008	2007
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	**11,368**	11,406
Amounts owed by group undertakings	**1,450**	713
Other debtors	**640**	2,231
Prepayments and accrued income	**16,997**	15,430
Pre-contract costs (note 14)	**651**	813
	31,106	30,593
Amounts falling due after more than one year:		
Pre-contract costs (note 14)	**1,463**	1,913

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

14 Pre-contract costs

	2008	2007
	£'000	£'000
Net book value at 1 January	**2,726**	3,130
Pre-contracts costs deferred in year	**-**	202
	2,726	3,332
Amortisation charge for the year	**(612)**	(606)
Net book value at 31 December	**2,114**	2,726

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

15 Creditors: amounts falling due within one year

	2008 £'000	2007 £'000
Trade creditors	**10,881**	11,456
Amounts owed to group undertakings	**4,571**	4,831
Consortium relief payable	**1,872**	5
Corporation tax	**307**	1,292
Taxation and social security	**902**	1,875
Other creditors	**11,045**	8,534
Accruals and deferred income	**7,879**	6,107
	37,457	34,100

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

16 Creditors: amounts falling due after one year

	2008 £'000	2007 £'000
Taxation and social security	**11**	-
	11	-

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

17 Deferred tax

	2008 £'000	2007 £'000
Deferred tax liability comprises:		
Accelerated capital allowances	(29)	(27)
	(29)	(27)
At 1 January	(27)	1
Amount charged to profit and loss (note 8)	(2)	(28)
Deferred tax liability at year end	(29)	(27)

18 Called up share capital

	2008 £	2007 £
Authorised		
100 ordinary shares of £1 each (2007: 100)	100	100
	100	100
Allotted, called up and fully paid		
1 ordinary share of £1 (2007: 1)	1	1
	1	1

19 Reserves

	Profit and loss reserve £'000
At 1 January 2008	7,258
Profit for the financial year	8,043
Dividend	(7,134)
Share options issued	89
At 31 December 2008	8,256

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

20 Reconciliation of movements in equity shareholders' funds

	2008	2007
	£'000	£'000
Opening equity shareholders' funds	7,258	5,514
Profit for the financial year	8,043	7,134
Dividend	(7,134)	(5,390)
Share options issued	89	-
Closing equity shareholders' funds	**8,256**	7,258

21 Pensions

The majority of employees participate in a defined contribution scheme operated by Xchanging UK Limited. Pension costs of £201,000 (2007: £173,000) were charged to the profit and loss account in the year.

The company has 5 employees (2007: 6 employees) who participate in a number of defined benefit schemes run for the employees of BAE Systems plc.

As these are multi-employer schemes, the company accounts for its contributions to the schemes as if they were defined contribution schemes, as it is not possible to identify the company's share of the underlying assets and liabilities of the schemes on a consistent and reasonable basis.

Pension costs of £84,000 (2007: £78,000) relating to these schemes were charged in the profit and loss account in the year.

There were no outstanding or prepaid contributions at the balance sheet date (2007: Nil).

22 Parent undertaking and ultimate controlling party

The company's immediate parent is Xchanging Procurement Services (Holdco) Limited.

Xchanging plc, a company incorporated in England and Wales is the ultimate parent undertaking. The results of Xchanging Procurement Services 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.

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

23 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 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 2008, are set out in the table below:

Related Party	Services provided by/(to) the company	Revenue/(charge) 2008	2007	Receivable/ (payable) 2008	2007
		£'000	£'000	£'000	£'000
Xchanging Ins-sure Services Limited	- Procurement services	266	205	135	46
	- (Secondees and other recharges)	(5)	-	-	-
London Processing Centre Limited	- Procurement services	14	14	3	9
Xchanging Claims Services Group	- Procurement services	19	142	3	29
	- (Secondees and other recharges)	-	(1)	-	(1)
Xchanging Transaction Bank Gmbh	- (Secondees and other recharges)	(40)	-	-	-