

Registered Number: 5321837

**Xafinity Holdings Limited (formerly Stopbridge
Limited)
Annual report
for the period ended 31 March 2006**



Xafinity Holdings Limited (formerly Stopbridge Limited)

Annual report for the period ended 31 March 2006

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Xafinity Holdings Limited (formerly Stopbridge Limited)

Directors and advisors

Directors

I A Kennedy
A Marnoch
N L J Montagu
C Philipps
T M Robinson
J R Stephenson

Secretary

A Marnoch

Registered office

Sutherland House
Russell Way
Crawley
West Sussex
RH10 1UH

Auditors

PricewaterhouseCoopers LLP
First Point
Buckingham Gate
Gatwick
RH6 0PP

Xafinity Holdings Limited (formerly Stopbridge Limited)

Directors' report for the period ended 31 March 2006

The directors present their report and the audited financial statements of the group for the period since first incorporation to 31 March 2006.

Principal activities

The company was incorporated on 29 December 2004 and changed its name from Stopbridge Limited to Xafinity Holdings Limited on 11 July 2005. On 8 July 2005 the company's wholly owned subsidiary, Xafinity Services Limited (formerly Sprintdrive Limited), acquired the entire share capital of Xafinity Limited (formerly Hogg Robinson Services Limited). The results of the acquired group were consolidated from the date of acquisition.

The principal activities of the Group are the provision of pensions software, consulting and business support services.

Review of business and future developments

Following the acquisition, the Group has performed satisfactorily with the financial performance in line with expectations. A strong cash performance means that the Group will be able to repay £3.2m of bank debt ahead of schedule during 2006/07.

Further profit growth is expected in the coming year as the Group extends its range of services.

Post balance sheet event

On 30 June 2006 the Group agreed to the sale and Lease back of its Crawley offices for £17.9m with completion anticipated in early August 2006. After allowing for costs and tax the balance of approximately £12.9m will be used to reduce Group borrowings.

Results and dividends

The directors do not recommend payment of a dividend.

Donations

Charitable donations made by the Group during the period amounted to £3k. The Group did not make any political donations.

Financial risk management

The company's operations expose it to a variety of financial risks including the effects of changes in interest rates on debt, credit risk and liquidity risk.

The company's principal financial instruments comprise sterling cash and bank deposits, bank loans and overdrafts, other loans together with trade debtors and trade creditors that arise directly from its operations.

Xafinity Holdings Limited (formerly Stopbridge Limited)

Directors' report for the period ended 31 March 2006 (continued)

Price risk

The company has no significant exposure to securities price risk, as it holds no listed equity investments.

Foreign currency risk

The company has no significant exposure to foreign currency risk as the level of dealings in foreign currency is immaterial.

Credit risk

The company's principal financial assets are bank balances, cash, and trade debtors, which represent the company's maximum exposure to credit risk in relation to financial assets.

The company's credit risk is primarily attributable to its trade debtors. Credit risk is managed by monitoring the aggregate amount and duration of exposure to any one customer depending upon their credit rating. The amounts presented in the balance sheet are net of allowances for doubtful debts, estimated by the company's management based on prior experience and their assessment of the current economic environment.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Liquidity risk

The Group's policy is to ensure funding for operations via medium-term loans and additional revolving credit facilities to aid short-term flexibility if required.

Cash flow interest rate risk

Interest bearing assets comprise cash and bank deposits, all of which earn interest at a variable rate.

The interest rates on the bank loans are at market rates and the company's policy is to keep these loans within defined limits to help mitigate the risk that could arise from a significant change in interest rates.

The Group maintains a policy of fixing bank interest rates for the medium term. During the period two thirds of the Group's bank debt was covered by fixed interest rates for varying periods up to three years. The balance of bank debt interest is at current market rates.

The Group's policy is to maintain other borrowings at fixed rates to fix the amount of future interest cash flows.

The directors monitor the overall level of borrowings and interest costs to limit any adverse effects on financial performance of the company.

Other risks

The nature of the Group's services means that occasionally a claim for professional service shortcomings can arise which could result in compensation payable. To mitigate this risk the Group maintains Professional Indemnity insurance across all business units.

Xafinity Holdings Limited (formerly Stopbridge Limited)

Directors' report for the period ended 31 March 2006 (continued)

Employees

Employees are informed of the Group's performance and of any factors affecting their employment. Several employee-generated initiatives have reached fruition during the period having originated from a variety of open communication channels and quality circles.

Fair and full consideration is given to applications for employment from disabled persons having regard to their particular aptitudes and abilities. Efforts are made to continue the employment of those who become disabled whilst working for the company. Training, career development and promotion are, as far as practicable, identical for all employees. The Group consistently seeks to recruit, develop and employ suitably qualified, capable and experienced people in an environment of equal opportunity. The Group aims to maintain a high standard of safe and healthy working conditions comparable with the best practices in the particular industries in which they operate.

Directors and their interests

The directors of the company who held office during the period and up to the date of signing the Annual Report are listed below:

A Levy	(appointed 29 December 2004, resigned 29 March 2005)
D J Pudge	(appointed 29 December 2004, resigned 29 March 2005)
J P Belkin	(appointed 29 March 2005, resigned 8 July 2005)
T A Lebus	(appointed 29 March 2005, resigned 8 July 2005)
T J B Scott	(appointed 29 March 2005, resigned 8 July 2005)
P L Taylor	(appointed 29 March 2005, resigned 8 July 2005)
M L K Herbst	(appointed 8 July 2005, resigned 25 April 2006)
F S Jones	(appointed 8 July 2005, resigned 14 March 2006)
D L Meades	(appointed 8 July 2005, resigned 31 May 2006)
J R Stephenson	(appointed 8 July 2005)
N L J Montagu	(appointed 29 November 2005)
T M Robinson	(appointed 1 February 2006)
I A Kennedy	(appointed 24 April 2006)
C Philipps	(appointed 25 April 2006)
A Marnoch	(appointed 2 June 2006)

The interests of the Directors in the shares of the company at the end of the period are disclosed below. No Director held shares or had any other beneficial interests in the shares of any other group company during the period.

	Class of Shares	31 March 2006 Number
T M Robinson	£0.01 A Ordinary shares	153,845
J R Stephenson	£0.01 A Ordinary shares	31,238

Xafinity Holdings Limited (formerly Stopbridge Limited)

Directors' report for the period ended 31 March 2006 (continued)

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period that 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. The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the period ended 31 March 2006 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that 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 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 and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the Board



A Marnoch
Secretary

Date: 21 July 2006 .

Xafinity Holdings Limited (formerly Stopbridge Limited)

Independent auditors' report to the members of Xafinity Holdings Limited

We have audited the consolidated financial statements of Xafinity Holdings Limited for the period from 29 December 2004 to 31 March 2006 which comprises the consolidated Profit and Loss Account, the Balance Sheets, the consolidated Cash Flow Statement, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also 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.

Xafinity Holdings Limited (formerly Stopbridge Limited)

Independent auditors' report to the members of Xafinity Holdings 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 group's affairs as at 31 March 2006 and of its loss and cash flows for the period from 29 December 2004 to 31 March 2006;
- 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
Gatwick

21 July 2006

Xafinity Holdings Limited (formerly Stopbridge Limited)

Consolidated profit and loss account for the period ended 31 March 2006

	Note	Period ended 31 March 2006 £'000
Turnover	2	62,173
Staff costs	5	(28,801)
Depreciation of tangible fixed assets		(1,201)
Amortisation of intangible fixed assets		(4,383)
Other operating charges		(19,723)
Exceptional items	7	(2,028)
Operating profit	3	6,037
Net Interest payable and similar charges	6	(11,300)
Loss on ordinary activities before taxation		(5,263)
Tax charge on loss on ordinary activities	8	(321)
Loss for the financial period	21	(5,584)

The loss for the period as stated above all relates to continuing operations.

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

Statement of total recognised gains and losses for the period ended 31 March 2006

	Note	2006 £'000
Loss for the period		(5,584)
Actuarial Pension gain	19	563
Deferred tax asset movement re pension liability		(89)
Total recognised losses		(5,110)

Xafinity Holdings Limited (formerly Stopbridge Limited)

Consolidated balance sheet as at 31 March 2006

	Note	2006 £'000
Fixed Assets		
Intangible assets	11	98,083
Tangible assets	10	6,048
		104,131
Current assets		
Debtors	13	25,629
Cash at bank and in hand		11,685
		37,314
Creditors – Amounts falling due within one year	14	(21,048)
Net current assets		16,266
Total assets less current liabilities		120,397
Creditors – Amounts falling due after more than one year	15	(114,122)
Provisions for liabilities and charges	18	(5,346)
Net assets excluding pension liability		929
Pension liability	19	(3,188)
Net liabilities including pension liability		(2,259)
Capital and reserves		
Called up share capital	20	29
Share Premium		2,822
Profit and loss account (deficit)	21	(5,110)
Total shareholders' deficit	23	(2,259)

The financial statements on pages 8 to 33 were approved by the board of directors on 21 July 2006 and were signed on its behalf by:



A Marnoch
Director


Date: 21 July 2006

Xafinity Holdings Limited (formerly Stopbridge Limited)

Company balance sheet as at 31 March 2006

	Note	2006 £'000
Fixed Assets		
Investments	12	2,717
		2,717
Current assets		
Debtors	13	134
		134
Creditors – Amounts falling due within one year	14	-
Net current assets		134
Total assets less current liabilities		2,851
Creditors – Amounts falling due after more than one year	15	-
Net assets		2,851
Capital and reserves		
Called up share capital	20	29
Share Premium		2,822
Profit and loss account	22	-
Total shareholders' funds		2,851

The financial statements on pages 8 to 33 were approved by the board of directors on 21 July 2006 and were signed on its behalf by:



A Marnoch
Director

Date: 21 July 2006 .

Xafinity Holdings Limited (formerly Stopbridge Limited)

Consolidated cash flow statement for the period ended 31 March 2006

	Note	2006 £'000
Net cash inflow from operating activities	28	16,345
Returns on investment and servicing of finance	26	(4,979)
Tax paid		-
Capital expenditure	26	(2,050)
Net cash inflow from returns on investments and servicing of finance		9,316
Acquisitions net of cash acquired	26	(111,446)
Net cash outflow before use of liquid resources and financing		(102,130)
Financing	26	113,815
Increase in cash in the period		11,685
Reconciliation of net cash flow to movement in net debt		
Increase in cash in the period		11,685
Increase in loans		(110,964)
Other non-cash changes		(5,742)
Change in net debt		(105,021)
Net debt at beginning of the period	27	-
Net debt at end of the period	27	(105,021)

Xafinity Holdings Limited (formerly Stopbridge Limited)

Notes to the financial statements for the period ended 31 March 2006

1 Accounting policies

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards.

Although the Group is in a net liability position at the end of the period, the Group continues to trade strongly and the directors are confident about the future prospects. As a result these financial statements have been prepared on a going concern basis.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements comprise the accounts of the company and its subsidiary undertakings. The profits and losses of subsidiary undertakings are consolidated as from the effective date of acquisition or to the effective date of disposal. Hogg Robinson Services Ltd (now Xafinity Limited) and its subsidiaries were included in the consolidated financial statements from 8 July 2005.

The Group uses the acquisition method of accounting to account for the acquisition of subsidiaries. The cost of the acquisition is measured as the fair value of assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated in the consolidated accounts.

Turnover

Turnover, which excludes valued added tax, represents the invoiced value of services and software supplied. In the case of period contracts, turnover is recognised proportionately as the contract is performed. Amounts recognised as turnover but not yet billed are reflected in the balance sheet as accrued income. Amounts billed in advance of work performed are deferred in the balance sheet as deferred income.

Investments

Investments held as fixed assets are stated at cost less any provision for impairment in value.

Tangible fixed assets

Tangible fixed assets are stated in the balance sheet at cost less accumulated depreciation. Depreciation is calculated to write off the cost of fixed assets over their estimated useful lives using the straight-line basis using the following rates:

Furniture, fixtures and fittings	-	12.5%-33%
Computer hardware and software	-	20%-33%

Freehold land is not depreciated.

Xafinity Holdings Limited (formerly Stopbridge Limited)

Notes to the financial statements for the period ending 31 March 2006

1 Accounting policies (continued)

Intangible Fixed assets

(a) Goodwill

Goodwill arising on acquisitions, being the excess of the purchase price over the fair value of the net assets at the date of acquisition, is amortised through the profit and loss account over its useful life, which is assessed for each acquisition but generally considered to be 20 years.

(b) Software development costs

Software development costs represent the cost of salaries and a proportion of appropriate overheads incurred on the design of systems and programmes for new applications. Costs are only capitalised when they meet the criteria under SSAP 13 and where the company is confident that the costs will produce future economic benefits. Such expenditure is written off at a rate of 33% per annum, or over the estimated economic life of the product if this is shorter than three years.

Deferred taxation

Provision is made for deferred tax liabilities and assets, using full provision accounting, otherwise known as the incremental liability method, when an event has taken place by the balance sheet date which gives rise to an increased or reduced tax liability in the future in accordance with FRS 19.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis. *Deferred tax assets are only recognised when it is likely that the benefit will crystallise in the foreseeable future.*

Pensions

Employees who are members of a Group pension scheme are either members of the Paymaster Pension Scheme, which is a defined benefit scheme or the Xafinity Pension Scheme, a defined contribution scheme.

(a) Paymaster Pension Scheme

The Paymaster Pension Scheme is a scheme for Paymaster employees only and therefore is separately disclosable. The assets of the Paymaster Pension Scheme are measured at their fair value at the balance sheet date and compared to the liabilities of the scheme at the same date, measured on an actuarial basis using the projected unit method. The discount rate used is the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The extent to which the scheme's assets exceed/fall short of its liabilities is shown as a surplus/deficit in the balance sheet to the extent that a surplus is recoverable by the company or that a deficit represents an obligation of the company. The surplus/deficit is shown net of the effect of deferred taxation.

Xafinity Holdings Limited (formerly Stopbridge Limited)

Notes to the financial statements for the period ending 31 March 2006 (continued)

1 Accounting policies (continued)

The increase in the present value of pension scheme liabilities arising from employee service in the current period is charged to operating profit. The increase in the present value of pension scheme liabilities relating to employee service in prior periods but arising in the current period as a result of benefit improvements is charged to operating profit over the period during which such improvements vest.

The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities arising from the passage of time are included in other finance income. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

(b) Xafinity Pension Scheme

The Xafinity Pension Scheme is a defined contribution scheme and therefore contributions paid by the Group are charged to the profit and loss account as incurred.

Leases

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the periods of the leases.

Foreign currencies

Trading transactions denominated in foreign currencies are translated into sterling at the exchange rate ruling on the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Exchange gains or losses are charged to the profit and loss account in the period in which they arise.

Related party transactions

The company under the terms of FRS 8 'Related party transactions', has taken advantage of the exemption not to disclose transactions with other Group companies.

2 Turnover

Turnover is almost entirely attributable to the United Kingdom. The directors monitor the Group's activities over its three business segments Claybrook, Entegria and Paymaster:

	2006 £'000
Claybrook	10,880
Entegria	20,712
Paymaster	32,465
Revenue between segments	(1,884)
	62,173

Xafinity Holdings Limited (formerly Stopbridge Limited)

Notes to the financial statements for the period ending 31 March 2006 (continued)

2 Turnover (continued)

Claybrook

Claybrook is a leading pensions' systems supplier to a wide range of schemes within the UK's private and public sectors as well as third party administration companies. Claybrook's range of pensions software covers Defined Benefits, Defined Contributions and hybrid scheme administration, payroll and actuarial valuation.

Entegria

Entegria is an employee benefits consultancy specialising in pensions consulting, actuarial, investment and administration services to sponsoring employers and trustees. In addition the company includes the complementary businesses of Remedi, a leading third party healthcare administrator, and HR Trustees which specialises in statutory and professional trustee appointments.

Paymaster

Paymaster is one of the largest providers of outsourced financial services in the UK, covering pensions administration, pensions payroll and annuity services.

3 Operating profit

	2006 £'000
Operating profit is stated after charging/(crediting):	
Depreciation of tangible fixed assets – owned assets	1,201
Amortisation of software development costs	446
Amortisation of goodwill	3,937
Operating lease rentals	1,221
Rental and other income	(908)
Auditors' remuneration	
- group audit services	79
- non-audit services	900

Non audit services fees paid to the group auditors include £895,000 in relation to acquisition due diligence services provided at the time of the acquisition of subsidiary companies – see note 12.

Xafinity Holdings Limited (formerly Stopbridge Limited)

Notes to the financial statements for the period ending 31 March 2006 (continued)

4 Directors' emoluments

	2006 £'000
Aggregate emoluments (including benefits in kind)	1,126

Highest paid director	2006 £'000
Emoluments	448

Included in aggregate emoluments above is an amount of £205,000 paid as compensation for loss of office.

One director was a member of the Xafinity pension scheme during the period. Pension contributions made on his behalf amounted to £6,500.

The cost of the directors is borne by Xafinity Limited, an indirectly owned subsidiary of the company, and is included in the staff costs of that entity. No costs have been recharged to Xafinity Holdings Limited.

5 Employee information

	2006 £'000
Staff costs	
Wages and salaries	23,854
Social security costs	2,594
Pension costs:	
- Defined contribution scheme	1,184
- Current Service cost of Defined benefit schemes	736
	28,368
Other costs	433
Total staff costs	28,801

Xafinity Holdings Limited (formerly Stopbridge Limited)

Notes to the financial statements for the period ending 31 March 2006 (continued)

The Group had no employees until the acquisition of Hogg Robinson Services Limited and its subsidiaries on 8 July 2005. The acquired trading subsidiaries had employees before 8 July 2005 but they did not form part of the Group until this point. The average monthly number of persons (including executive directors) employed by the Group during the period 8 July 2005 to 31 March 2006 was as follows:

By activity	2006 Number
Operational	898
Administration	130
	1,028

6 Net Interest payable and similar charges

	2006 £'000
Interest payable and similar charges on bank loans	(5,950)
Interest payable on other loans	(4,057)
Interest payable on consideration for Hogg Robinson Services Limited	(531)
Amortisation of debt issue costs	(945)
Other finance charges	(48)
Total interest and similar charges payable	(11,531)
Bank interest receivable	231
Net interest payable and similar items	(11,300)

7 Exceptional items

The exceptional charge of £2,028,000 comprises £293,000 of exceptional costs in connection with the set up of new borrowing facilities and £1,735,000 of exceptional first period operating costs following the acquisition of Hogg Robinson Services Limited and its subsidiaries, relating to systems changes, payments to employees and other costs.

Xafinity Holdings Limited (formerly Stopbridge Limited)

Notes to the financial statements for the period ending 31 March 2006 (continued)

8 Tax on loss on ordinary activities

	2006 £'000
Current tax:	
UK corporation tax at 30%	254
Total current tax charge	254
Deferred tax:	
Origination and reversal of timing differences	67
Tax charge on loss on ordinary activities	321

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

	2006 £'000
Loss on ordinary activities before tax	(5,263)
Loss on ordinary activities before tax multiplied by the standard rate in the UK 30%	(1,579)
Effects of:	
Accelerated capital allowances and other short term timing differences	(67)
Goodwill amortisation	1,181
Expenses not deductible for tax purposes	719
Current tax charge for the period	254

9 Loss for the financial period

As permitted by Section 230 of the Companies Act 1985, the Company's profit and loss account has not been included in these financial statements. The Company had no profit or loss for the period.

Xafinity Holdings Limited (formerly Stopbridge Limited)

Notes to the financial statements for the period ending 31 March 2006 (continued)

10 Tangible assets

Group	Freehold land £'000	Furniture fixtures & fittings £'000	Computer hardware & software £'000	Total £'000
Cost				
At 29 December 2004	-	-	-	-
Assets acquired	1,623	2,606	12,015	16,244
Additions	-	613	1,178	1,791
At 31 March 2006	1,623	3,219	13,193	18,035
Accumulated depreciation				
At 29 December 2004	-	-	-	-
Assets acquired	-	2,132	8,654	10,786
Charge for the period	-	244	957	1,201
At 31 March 2006	-	2,376	9,611	11,987
Net book amount				
At 31 March 2006	1,623	843	3,582	6,048

Xafinity Holdings Limited (formerly Stopbridge Limited)

Notes to the financial statements for the period ending 31 March 2006 (continued)

11 Intangible assets

Group	Goodwill £'000	Software development costs £'000	Total £'000
Cost			
At 29 December 2004	-	-	-
Assets acquired	1,870	1,586	3,456
Additions	101,045	259	101,304
At 31 March 2006	102,915	1,845	104,760
Accumulated amortisation			
At 29 December 2004	-	-	-
Assets acquired	1,634	660	2,294
Charge for the period	3,937	446	4,383
At 31 March 2006	5,571	1,106	6,677
Net book amount			
At 31 March 2006	97,344	739	98,083

12 Investments in subsidiary undertakings

Investments in group undertakings are held at cost. The company directly owns 100% of the share capital of Xafinity Group Limited (formerly Sprintvale Limited) which is stated at cost of £2,717,000. The company, through its subsidiary companies indirectly holds 100% of the share capital in the following group undertakings:

Atticus Limited

Claybrook Computing Limited

Claybrook Holdings Limited

Entegria Limited

HR Trustees Limited

Paymaster (1836) Limited

Xafinity Consulting Limited (formerly Chantbright Limited)

Xafinity Limited (formerly Hogg Robinson Services Limited)

Xafinity Services Limited (formerly Sprintdrive Limited)

Xafinity Software Limited (formerly Claybrook Property Limited)

Xafinity Holdings Limited (formerly Stopbridge Limited)

Notes to the financial statements for the period ending 31 March 2006 (continued)

12 Investments in subsidiary undertakings (continued)

On 8 July 2005, the Group acquired the Hogg Robinson Services Group for a cash consideration paid in the period of £110,556,000 reduced by a working capital adjustment of £3,431,000 receivable at the period end. A further £5,000,000 of deferred consideration is payable, contingent on achieving certain levels of business up to 31 March 2007. Costs associated with the acquisition amounted to £1,400,000.

The total adjustments required to the book values of the assets and liabilities of the companies acquired in order to present the net assets of those companies at fair values amounted to £419,000.

The fair value adjustments include adjustments to increase creditors for certain claims to reflect their likely final settlement. These adjustments are provisional and will be finalised in the financial statements for the period ending 31 March 2007. The acquisition has been accounted for under the acquisition method.

The acquired group contributed £16,813,000 to net operating cashflow, utilised £2,050,000 for capital expenditure and received £181,000 in respect of interest.

In its last financial year to 31 March 2005, the aggregated company accounts of the acquired group show a profit before tax of £8,762,000. No tax was chargeable as the profits were offset by losses elsewhere in the former group. For the period since that date to the date of acquisition the aggregated management accounts show:

	£'000
Turnover	17,423
Profit after taxation	734

The net assets acquired at 8 July 2005 were as follows:

	Book value	Fair value adjustment	Provisional fair value
	£'000	£'000	£'000
Intangible fixed assets	1,162	-	1,162
Tangible fixed assets	5,458	-	5,458
Debtors	18,952	-	18,952
Creditors	(10,394)	(419)	(10,813)
Pension liability	(3,315)	-	(3,315)
Deferred tax	526	-	526
Cash	510	-	510
Net assets acquired	12,899	(419)	12,480
Goodwill			101,045
Net consideration including directly associated costs			113,525

Xafinity Holdings Limited (formerly Stopbridge Limited)

Notes to the financial statements for the period ending 31 March 2006 (continued)

12 Investments in subsidiary undertakings (continued)

The net consideration is analysed as follows:

	Settled by cash during the financial period £'000	Accrued/ provided at 31 March 2006 £'000	Total consideration £,000
Settled in cash during the financial period	110,556	-	110,556
Receivable from vendor at 31 March 2006	-	(3,431)	(3,431)
Total cash consideration	110,556	(3,431)	107,125
Deferred consideration	-	5,000	5,000
Costs attributable to the acquisition	1,400	-	1,400
Net consideration including directly associated costs	111,956	1,569	113,525

13 Debtors

	Group 2006 £'000	Company 2006 £'000
Trade debtors	11,357	-
Prepayments and accrued income	9,407	-
Amounts due from parent / group undertakings	-	134
Other debtors	4,406	-
Deferred tax (note 17)	459	-
	25,629	134

Xafinity Holdings Limited (formerly Stopbridge Limited)

Notes to the financial statements for the period ending 31 March 2006 (continued)

14 Creditors – Amounts falling due within one year

	Group 2006 £'000	Company 2006 £'000
Trade creditors	2,928	-
Corporation tax	449	-
Other taxation and social security	3,468	-
Accruals and deferred income	11,203	-
Other creditors	416	-
Current portion of loans and other borrowings (see note 16)	2,584	-
	21,048	-

15 Creditors – Amounts falling due after more than one year

	Group 2006 £'000	Company 2006 £'000
Non current portion of loans and other borrowings (note 16)	114,122	-
	114,122	-

16 Loans and other borrowings

	Group 2006 £'000	Company 2006 £'000
Current portion of bank borrowings	3,875	-
Less: deferred issue costs	(1,291)	-
Total loans and other borrowings due within one year	2,584	-
Non current portion of bank borrowings	76,865	-
Fixed rate guaranteed secured loan note	5,567	-
Fixed rate unsecured loan	34,273	-
Less: deferred issue costs	(2,583)	-
Total loans and other borrowings due after one year	114,122	-
Total loans and other borrowings	116,706	-

Xafinity Holdings Limited (formerly Stopbridge Limited)

Notes to the financial statements for the period ending 31 March 2006 (continued)

16 Loans and other borrowings (continued)

The bank borrowings are repayable between one and nine years and bear interest at LIBOR plus a margin determined by the loan agreements. The LIBOR element of the interest has been fixed by a contract to 8 July 2008 which covers two thirds of the bank borrowings outstanding. The company together with its subsidiary Xafinity Services Limited (formerly Sprintdrive Limited) act as guarantors under the loan agreements secured with a fixed and floating charge over their assets. The facilities comprise two term loans of £60 million and £20 million. In addition to the term loans, the facilities include a revolving credit facility of £7.5 million available until 8 April 2012. No amount was drawn under the revolving credit facility at 31 March 2006.

The fixed rate guaranteed secured loan note is repayable in 2015 and bears interest at 15.5%.

The fixed rate unsecured loan note is repayable in 2015 and bears interest at 15.5%.

The balances are shown inclusive of rolled up accrued interest and net of unamortised deferred issue costs as follows. Issue costs are amortised over 3.75 years:

	Principal amount 2006 £'000	Rolled up accrued interest 2006 £'000	Deferred issue costs 2006 £'000	Net balance 2006 £'000
Bank borrowings	80,000	739	(2,568)	78,171
Fixed rate guaranteed secured loan note net of issue costs	5,000	567	(63)	5,504
Amounts owed to parent / group undertakings	30,783	3,490	(1,242)	33,031
Total loans and other borrowings	115,783	4,796	(3,873)	116,706

Debt maturities net of deferred issue costs are as follows:

	Principal amount 2006 £'000	Rolled up accrued interest 2006 £'000	Deferred issue costs 2006 £'000	Net balance 2006 £'000
Within one year, or on demand	3,875	-	(1,291)	2,584
In more than one year but not more than two years	3,375	-	(1,291)	2,084
In more than two years but not more than five years	12,625	-	(1,291)	11,334
In more than five years	95,908	4,796	-	100,704
Total loans and other borrowings	115,783	4,796	(3,873)	116,706

Xafinity Holdings Limited (formerly Stopbridge Limited)

Notes to the financial statements for the period ending 31 March 2006 (continued)

17 Deferred tax

	Group 2006 £'000	Company 2006 £'000
Deferred taxation assets recognised in the accounts comprise:		
Accelerated capital allowances	394	-
Short term timing differences	65	-
Deferred tax	459	-

The movement of the deferred tax asset is as follows:

	Group 2006 £'000	Company 2006 £'000
Balance at 29 December 2004	-	-
Deferred tax balance acquired	526	-
Charged to the profit and loss account (note 8)	(67)	-
Balance at 31 March 2006	459	-

18 Provisions for liabilities and charges

	Group 2006 £'000	Company 2006 £'000
Balance at 29 December 2004	-	-
Provision for deferred consideration	5,000	-
Provision for interest on deferred consideration	346	-
Balance at 31 March 2006	5,346	-

The deferred consideration plus accrued interest is payable to the vendors of the Hogg Robinson Services Group on achievement of certain levels of business by 31 March 2007.

Xafinity Holdings Limited (formerly Stopbridge Limited)

Notes to the financial statements for the period ending 31 March 2006 (continued)

19 Pension commitments

Paymaster Pension Scheme

The Paymaster Pension Scheme is a defined benefit pension scheme operated for ex public sector employees with assets held in an independently administered fund.

The calculations have been produced by an actuary who is an employee of a fellow Group company and are based on a valuation as at 31 March 2006 carried out specifically for FRS 17 'Retirement Benefits' (FRS17).

The major assumptions used by the actuary were:

	2006	2005	2004
Rate of increase in salaries	4.05%	4.05%	4.05%
Rate of increase in Final Pensionable Salary	4.05%	4.05%	4.05%
Rate of increase in pension in payment	2.75%	2.75%	2.75%
Discount rate	4.90%	5.30%	5.40%
Inflation assumption	2.75%	2.75%	2.75%

The assets in the scheme and the expected rates of return were:

	Value at 31/03/06 £'000	Long Term Rate of Return Expected At 31/03/06 %	Value at 31/03/05 £'000	Long Term Rate of Return Expected At 31/03/05 %	Value at 31/03/04 £'000	Long Term Rate of Return Expected At 31/03/04 %
Equities	11,635	7.0%	8,990	7.5%	7,600	7.50%
Property	1,649	7.0%	1,108	7.5%	600	7.50%
Indexed Linked Bonds	1,708	4.3%	1,516	4.75%	2,700	4.75%
Fixed Interest Bonds	1,597	4.6%	1,383	5.1%	-	-
Cash	-		222	4.5%	700	4.00%
Total Market value of assets	16,589		13,219		11,600	
Present value of scheme liabilities	(21,143)		(18,070)		(15,296)	
Deficit in the scheme	(4,554)		(4,851)		(3,696)	
 Related deferred tax asset	 1,366		 1,455		 1,109	
 Net pension liability	 (3,188)		 (3,396)		 (2,587)	

Xafinity Holdings Limited (formerly Stopbridge Limited)

Notes to the financial statements for the period ending 31 March 2006 (continued)

19 Pension commitments (continued)

A Analysis of the amount charged to operating profit

	Note	2006 £'000
Defined contribution Schemes		1,184
Current Service cost of Defined Benefit Schemes:		
- Paymaster Scheme		736
Total operating charge	5	1,920

The Group has no significant exposure to other post-retirement benefits obligations. The contribution rates for 2006/2007 will be 13.5% (2005/2006: 13.5%) of pensionable salaries of members of the Paymaster Pension Scheme.

B Analysis of the amount debited to other finance charges

	Note	2006 £'000
Expected return on pension scheme assets		910
Interest on pension scheme liabilities		(958)
Net Return	6	(48)

C Amount recognised in the statement of total recognised gains and losses (STRGL)

	2006 £'000
Actual return less expected return on pension scheme assets	2,111
Experience gains and losses arising on the scheme liabilities	53
<i>Changes in assumptions underlying the present value of the scheme liabilities</i>	<i>(1,601)</i>
Actuarial gain/(loss) recognised in STRGL	563

D Movement in deficit during the period

	2006 £'000
Deficit in scheme on acquisition	(4,770)
Current service cost	(736)
Past Service Cost	-
Contributions	437
Other finance charges	(48)
Actuarial loss in STRGL	563
Deficit in scheme at end of the period	(4,554)

Xafinity Holdings Limited (formerly Stopbridge Limited)

Notes to the financial statements for the period ending 31 March 2006 (continued)

19 Pension commitments (continued)

E History of experience gains and losses		2006	2005
Difference between actual and expected returns on asset amount (£'000)		2,111	700
% of scheme assets		12.7%	5.3%
Experience gains and losses on liabilities amount (£'000)		53	(316)
% of scheme liabilities		-0.2%	1.7%
Total actuarial gain/(loss) recognised in STRGL amount (£'000)		563	(816)
% of scheme liabilities		-2.7%	4.5%

	2004	2003	2002
Difference between actual and expected returns on asset amount (£'000)	822	800	(277)
% of scheme assets	7.1%	8.8%	(3.8%)
Experience gains and losses on liabilities amount (£'000)	(1,063)	303	(200)
% of scheme liabilities	6.95%	2.7%	2.4%
Total actuarial gain/(loss) recognised in STRGL amount (£'000)	(699)	203	(1,077)
% of scheme liabilities	4.6%	(1.8%)	12.9%

Amounts stated for 2002-2005 were reflected in the financial statement disclosure of the acquired subsidiaries.

Xafinity Holdings Limited (formerly Stopbridge Limited)

Notes to the financial statements for the period ending 31 March 2006 (continued)

20 Called-up share capital

	Group & Company 2006 £'000
Authorised:	
534,789 ordinary A shares of 1p each	5
2,578,990 ordinary B shares of 1p each	26
720,872 deferred shares of 1p each	7
46,857 warrants over ordinary B shares of 1p each	1
Total authorised	39
Issued and called up:	
515,187 ordinary A shares of 1p each	5
2,542,133 ordinary B shares of 1p each	25
Total issued	30
Less issued not called up:	
153,845 ordinary A shares of 1p each	(1)
Total issued and called up	29

During the period, the Company issued a total of 515,187 ordinary A shares with an aggregate nominal value of £5,152 and 2,542,133 ordinary B shares with an aggregate nominal value of £25,421. The consideration received during the period in respect of the A shares and B shares was £374,000 and £2,477,000 respectively.

21 Reserves - Group

	Share Premium Reserve £'000	Profit and Loss Account Reserve £'000
Loss for the financial period	-	(5,584)
Actuarial Pension gain/(loss)	-	563
Deferred tax asset movement re pension liability	-	(89)
Premium on issue of share capital	2,822	
At 31 March 2006	2,822	(5,110)

Xafinity Holdings Limited (formerly Stopbridge Limited)

Notes to the financial statements for the period ending 31 March 2006 (continued)

22 Reserves – Company

	Share Premium Reserve £'000	Profit and Loss account Reserve £'000
Loss for the financial period	-	-
Premium on issue of share capital	2,822	-
At 31 March 2006	2,822	-

23 Reconciliation of movements in group shareholders' funds

	2006 £'000
Loss for the financial period	(5,584)
Actuarial Pension gain	563
Deferred tax asset movement re pension liability	(89)
Issue of share capital	2,851
Closing shareholders' funds (deficit)	(2,259)

24 Financial commitments

At 31 March 2006 the company had annual commitments under non-cancellable operating leases expiring as follows:

	Land and Buildings 2006 £'000	Other operating leases 2006 £'000
Within one year	1	216
Within two to five years	-	781
After five years	-	-
	1	997

Xafinity Holdings Limited (formerly Stopbridge Limited)

Notes to the financial statements for the period ending 31 March 2006 (continued)

25 Related party transactions

The Group made the following transactions which are disclosed in accordance with Financial Reporting Standard No. 8 "Related party disclosures" with its controlling party Duke Street Capital V Limited

	2006 £'000
Financial Arrangement fee paid to Duke Street Capital V Limited	1,150
Fees & expenses payable to Duke Street Capital V Limited	110
	1,260

	2006 £'000
Balances with related parties at 31 March 2006 are disclosed below:	
Amounts owed to Duke Street Capital V Limited	18
	18

Xafinity Holdings Limited (formerly Stopbridge Limited)

Notes to the financial statements for the period ending 31 March 2006 (continued)

26 Gross cash flows

		Group 2006 £'000
Returns on investments and servicing of finance		
Interest received		231
Interest paid		(5,210)
		(4,979)
Capital Expenditure		
Payments relating to capitalised software development costs		(259)
Payments to acquire Tangible Fixed Assets		(1,791)
		(2,050)
Acquisitions		
Consideration net of expenses	12	111,956
Cash Acquired		(510)
		111,446
Financing		
Issue of ordinary share capital		2,851
Increase in Loans	16	115,783
Loan set up fees		(4,819)
		113,815

27 Analysis of change in net debt

	At 29 December 2004 £'000	Cash Flow £'000	At 31 March 2006 £'000
Cash at bank and in hand	-	11,685	11,685
Debt due within one year	-	(2,584)	(2,584)
Debt due after one year	-	(114,122)	(114,122)
Net debt	-	(105,021)	(105,021)

Xafinity Holdings Limited (formerly Stopbridge Limited)

Notes to the financial statements for the period ending 31 March 2006 (continued)

28 Reconciliation of operating profit and net cash inflow from operating activities

	2006 £'000
Operating profit	6,037
Adjustment for non cash items	299
Depreciation charge	1,201
Amortisation of intangible fixed assets	4,383
Increase in debtors	(2,789)
<i>Increase in creditors within one year</i>	<i>7,214</i>
Net cash inflow from operating activities	16,345

The cash inflow from operating activities includes exceptional outflows of £293,000 in respect of costs incurred in relation to obtaining debt finance and £1,460,000 in respect of current period other exceptional operating items. The full exceptional charge for the period amounts to £2,028,000 (note 7) and the remaining £275,000 will generate a cash outflow during the next financial period.

29 Post Balance Sheet Event

On 30 June 2006 the Group agreed to sell its interest in freehold land for a consideration of £17.9 million with completion anticipated in early August 2006. At this point the Group will enter a 15 year lease agreement for the premises at Sutherland House, Crawley.