

I.T. Xchange Limited

Report and Financial Statements

Year Ended

31 December 2012

Company Number SC213655

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I.T. Xchange Limited

Report and financial statements for the year ended 31 December 2012

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Directors

B N Smith
A W Rupp

Registered office

21A Burnbrae Drive, Linwood Business Park, Paisley, PA3 3BW

Company number

SC213655

Auditors

BDO LLP, 4 Atlantic Quay, 70 York Street, Glasgow, G2 8JX

Solicitors

Wright, Johnston and MacKenzie LLP, 302 St Vincent Street, Glasgow, G2 5RZ

I.T. Xchange Limited

Report of the directors for the year ended 31 December 2012

The directors present their report together with the audited financial statements for the year ended 31 December 2012.

Results and dividends

The profit and loss account is set out on page 7 and shows the loss for the year.

The directors have declared no dividends in respect of the year ended 31 December 2012 (2011: nil).

Prior year comparatives cover the 17 month period ended 31 December 2011.

Principal activities and review of business

The company's principal activity in the year under review was the sale of new end-of-line, surplus and refurbished personal computer products. The results for the company show a pre-tax loss of £588,658 (2011: £128,104) for the year and sales of £5,617,457 (2011: £10,742,648).

The directors closely monitor the company's sales and margins, customer satisfaction, quality, investment performance and employee matters.

Principal risks and uncertainties of the business concern funding, economic conditions and competition.

Future developments

As the group is now in the advanced stages of financial restructuring, the directors are confident of more opportunities to grow the business.

Financial instruments

Details of the accounting policy for measurement of financial instruments are contained in note 1 to the financial statements.

Post balance sheet events

On 31 July 2013, a subsidiary company, Hamilton Rentals Limited, was sold to a third party for US\$ 4.1m and all inter-company balances with Hamilton Rentals Limited were unconditionally waived at that date. As this is a non-adjusting post balance sheet event no provision has been made against the balance of £3,277,075 owed by Hamilton Rentals Limited at 31 December 2012.

The final HSBC Bank debenture, fixed and floating charge over the assets of the company was released on 23 January 2013.

A fixed and floating charge was put in place on 7 January 2013 in favour of the company's funder Callidus Capital Corporation. This is secured on the assets of the company but excludes the property held by its subsidiary. A cross guarantee was also put in place on that date between the company, its subsidiaries (excluding Hamilton Rentals Limited) and its ultimate parent entity, Xchange Technology Group LLC.

On 29 October 2013, the ultimate parent undertaking Xchange Technology Group LLC entered bankruptcy proceedings. No provision has been made for the consequent non-recovery of the balance of £655,816 owed by other group companies at 31 December 2012 as this is a non-adjusting post balance sheet event.

Charitable and political contributions

During the year the company made charitable contributions of £Nil. There were no political contributions.

I.T. Xchange Limited

Report of the directors for the year ended 31 December 2012 (continued)

Employment of disabled persons

The company is committed to a policy of recruitment and promotion on the basis of aptitude and ability without discrimination of any kind. Management actively pursues both the employment of disabled persons whenever a suitable vacancy arises and the continued employment and retraining of employees who become disabled whilst employed by the company. Particular attention is given to the training, career development and promotion of disabled employees with a view to encouraging them to play an active role in the development of the company.

Directors

The directors of the company during the year were:

JJ McFarlane (resigned 19 December 2013)

L McFarlane (resigned 12 December 2012)

A Munro (resigned 10 January 2013)

G Sutherland (resigned 07 June 2012)

A W Rupp and B N Smith were both appointed as directors of the company on 13 November 2013.

Directors' responsibilities

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

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

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

I.T. Xchange Limited

Report of the directors for the year ended 31 December 2012 (*continued*)

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP were appointed as auditors during the year and have expressed their willingness to continue in office. A resolution to re-appoint them will be proposed at the annual general meeting.

On behalf of the board



A W Rupp

Director

23 April 2014

I.T. Xchange Limited

Independent auditor's report

To the members of I.T. Xchange Limited

We have audited the financial statements of I.T. Xchange Limited for the year ended 31 December 2012 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

I.T. Xchange Limited

Independent auditor's report (continued)

Bases for qualified opinion on financial statements

- *Non-consolidation in respect of subsidiaries*

The company has not prepared group financial statements, which is contrary to the provisions of the Companies Act 2006 and the requirements of FRS 2 'Accounting for subsidiary undertakings. As further explained in note 1, the financial statements have not been consolidated on the grounds that the information necessary for the preparation of consolidated financial statements cannot be obtained without disproportionate expense or undue delay.

- *Insufficient evidence on amounts owed to/from group undertakings opening and closing balances*

Insufficient audit evidence is available to us in respect of the amounts owed from group undertakings of £3,932,891 (2011 - £8,420,010) and to group undertakings of £4,416,112 (2011 - £10,313,221). This is due to a lack of available information for a significant trading subsidiary that was sold after the year end and hence is no longer under the control of the directors and for which the previous auditor has not provided access to their working papers for period ended 31 December 2011. This affects the balance sheet position at 31 December 2011 and 31 December 2012. Consequently we were unable to obtain satisfactory and appropriate evidence that:

- the profit and loss accounts for years ended 31 December 2011 and 2012 do not contain material misstatements;
- the balance sheets at 31 December 2011 and 2012 do not contain material misstatements; and
- the appropriate accounting policies were consistently applied in years ended 31 December 2011 and 2012

Qualified opinion on financial statements

In our opinion, except for the effects of the matters described in the bases for qualified opinion paragraphs, the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter - going concern

In forming our opinion on the financial statements, which is not modified due to this matter, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the company's ability to continue as a going concern.

The company is reliant on the continued support of the ultimate parent company and its funder. There is however no guarantee that the ultimate parent company will be able to continue to provide support. These conditions indicate the existence of material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

I.T. Xchange Limited

Independent auditor's report (*continued*)

Matters on which we are required to report by exception

In respect solely of the limitation of our work referred to above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- adequate accounting records have not been kept.

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

- returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made.

BDO LLP

Mark McCluskey (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Glasgow
United Kingdom

30 April 2014

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

I.T. Xchange Limited

Profit and loss account for the year ended 31 December 2012

	Note	Year ended 31 December 2012 £	17 months ended 31 December 2011 £
Turnover	2	5,617,457	10,742,648
Cost of sales		5,144,081	8,326,488
Gross profit		473,376	2,416,160
Administrative expenses		991,002	2,468,498
Operating loss	3	(517,626)	(52,338)
Interest payable and similar charges	6	(71,032)	(75,766)
Loss on ordinary activities before taxation		(588,658)	(128,104)
Taxation on loss on ordinary activities	7	(25,828)	18,785
Loss on ordinary activities after taxation		(614,486)	(109,319)

All amounts relate to continuing activities.

All recognised gains and losses in the current year and prior period are included in the profit and loss account.

The notes on pages 10 to 21 form part of these financial statements.

I.T. Xchange Limited

Balance sheet at 31 December 2012

Company number SC213655	Note	31 December 2012 £	31 December 2012 £	31 December 2011 £	31 December 2011 £
Fixed assets					
Tangible assets	8		5,438		14,265
Fixed asset investments	9		1		1
			<u>5,439</u>		<u>14,266</u>
Current assets					
Stocks	10	201,969		1,630,308	
Debtors	11	4,616,983		9,802,344	
Cash at bank and in hand		2,684		54,745	
		<u>4,821,636</u>		<u>11,487,397</u>	
Creditors: amounts falling due within one year	12	<u>5,210,978</u>		<u>11,271,080</u>	
Net current (liabilities)/assets			<u>(389,342)</u>		<u>216,317</u>
Total assets less current liabilities			<u>(383,903)</u>		<u>230,583</u>
Capital and reserves					
Called up share capital	14		1		1
Profit and loss account	15		(383,904)		230,582
Shareholders' (deficit)/funds	16		<u>(383,903)</u>		<u>230,583</u>

The financial statements were approved by the board of directors and authorised for issue on 23 April 2014.

A W Rupp

Director



B N Smith

Director



The notes on pages 10 to 21 form part of these financial statements.

I.T. Xchange Limited

Cashflow statement for the year ended 31 December 2012

	Note	Year ended 31 December 2012 £	17 months ended 31 December 2011 £
Net cash (outflow)/inflow from operating activities	22	(46,258)	25,379
Taxation			
Corporation tax paid		-	(80,263)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(5,803)	(418)
Decrease in cash	23	<u>(52,061)</u>	<u>(55,302)</u>

The notes on pages 10 to 21 form part of these financial statements.

I.T. Xchange Limited

Notes forming part of the financial statements for the year ended 31 December 2012

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards, except for the non-compliance with FRS 2 "Accounting for subsidiary undertakings" as explained below.

The following principal accounting policies have been applied:

Going concern

At 31 December 2012 the company had a net deficiency of £383,903 and made a loss for the year of £614,486. The company's funder has however continued to support the business.

The directors' understanding is that the company can rely on continued support from Xchange Technology Group LLC and its funder Callidus Capital Corporation. As Xchange Technology Group LLC is currently undergoing bankruptcy proceedings, which the directors are confident will be short-term, there is however no guarantee that it can provide this support.

The conditions described above indicate the existence of material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. However, as the directors consider that ongoing support will be provided by Xchange Technology Group LLC and Callidus Capital Corporation the financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

Consolidated financial statements

For the year ended 31 December 2012, none of the subsidiary undertakings have been consolidated on the grounds that the information necessary for the preparation of consolidated financial statements for primary trading entities cannot be obtained without disproportionate expense or undue delay.

The directors believe it is not possible to complete the preparation and the audit of the consolidated accounts due to a lack of available information as a material subsidiary is no longer under the control of the directors. A consolidation, if feasible, would result in substantial additional costs and delays which the directors believe would outweigh the benefits to the shareholders and stakeholders in the group. Consequently, the company has not consolidated the results, assets and liabilities of any of its subsidiary undertakings in these financial statements which is contrary to the provisions of the Companies Act 2006 and the requirements of FRS 2 "Accounting for subsidiary undertakings" Accordingly these financial statements present information about the individual company and not the group.

Where information is available regarding subsidiary undertakings in respect of capital and reserves and profit/loss after tax attributable to the group, this is set out in note 9 to these financial statements.

Turnover

Turnover comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the company's activities.

Turnover, which excludes value added tax and trade discounts, represents the net invoiced value of goods and services supplied and is recognised when the goods are shipped or the services are supplied to customers.

Fixed asset investments

Investments held as fixed assets are stated at cost less any provision for impairment. Investments held as current assets are stated at the lower of cost and net realisable value.

I.T. Xchange Limited

Notes forming part of the financial statements for the year ended 31 December 2012 *(continued)*

1 Accounting policies *(continued)*

Tangible fixed assets

Tangible fixed assets are stated at their purchase price, together with any incidental expenses of acquisition.

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets evenly over their expected useful lives. It is calculated at the following rates:

Leasehold improvements	- 5 years
Plant and machinery	- 5 years
Fixtures and fittings	- 5 years
Computer equipment	- 2 to 5 years

Stocks

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost is determined on an average cost basis and includes transport and handling costs; in the case of manufactured products, cost includes all direct expenditure. Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the costs of realisation and, where appropriate, the cost of conversion from their existing state to a finished condition. Provision is made, where appropriate, for obsolete, slow moving and defective stocks.

Foreign currency

Foreign currency transactions are translated into sterling at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Any differences are taken to the profit and loss account.

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

Financial instruments

Financial instruments are measured initially and subsequently at cost.

Pension costs

Contributions to the company's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable.

I.T. Xchange Limited

Notes forming part of the financial statements for the year ended 31 December 2012 (continued)

1 Accounting policies (continued)

Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account over the shorter of estimated useful economic life and the period of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the period of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

2 Turnover

	Year ended 31 December 2012 £	17 months ended 31 December 2011 £
Analysis by geographical market:		
United Kingdom	1,441,847	1,675,156
Europe	3,093,385	6,553,031
Rest of the world	1,082,225	2,514,461
	<u>5,617,457</u>	<u>10,742,648</u>

Turnover is wholly attributable to the principal activity of the company.

3 Operating loss

	Year ended 31 December 2012 £	17 months ended 31 December 2011 £
This is arrived at after charging/(crediting):		
Depreciation of tangible fixed assets	14,630	7,632
Exchange differences	(175,391)	136,312
Operating lease rentals	125,807	241,841
Auditor's remuneration - audit	7,100	3,525
Auditor's remuneration - other	1,850	2,700
	<u>14,630</u>	<u>241,841</u>

I.T. Xchange Limited

Notes forming part of the financial statements
for the year ended 31 December 2012 (*continued*)

4 Employees

Staff costs (including directors) consist of:

	Year ended 31 December 2012 £	17 months ended 31 December 2011 £
Wages and salaries	778,124	630,525
Social security costs	84,669	114,864
Other pension costs	38,789	37,934
	<u>901,582</u>	<u>783,323</u>

The average number of employees (including directors) during the year/period was as follows:

	Year ended 31 December 2012 Number	17 months ended 31 December 2011 Number
Sales and management	<u>22</u>	<u>23</u>

5 Directors' remuneration

	Year ended 31 December 2012 £	17 months ended 31 December 2011 £
Directors' emoluments	<u>66,000</u>	<u>66,000</u>

There were no directors in the company's defined contribution pension scheme during the year (2011 - nil).

6 Interest payable and similar charges

	Year ended 31 December 2012 £	17 months ended 31 December 2011 £
Loans and overdrafts	<u>71,032</u>	<u>75,766</u>

I.T. Xchange Limited

Notes forming part of the financial statements
for the year ended 31 December 2012 (*continued*)

7 Taxation on loss on ordinary activities

	Year ended 31 December 2012 £	17 months ended 31 December 2011 £
<i>UK Corporation tax</i>		
Current tax on profits of the year/period	-	(19,500)
Adjustment in respect of previous periods	19,500	2,730
Total current tax	19,500	(16,770)
<i>Deferred tax</i>		
Origination and reversal of timing differences	2,693	(2,015)
Adjustment in respect of previous periods	3,635	-
Movement in deferred tax provision	6,328	(2,015)
Taxation on loss on ordinary activities	25,828	(18,785)

The tax assessed for the year/period differs from the standard rate of corporation tax in the UK applied to loss before tax. The differences are explained below:

	Year ended 31 December 2012 £	17 months ended 31 December 2011 £
Loss on ordinary activities before tax	(588,658)	(128,104)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 24.5% (2011 - 28%)	(144,221)	(35,869)
Effect of:		
Expenses not deductible for tax purposes	61,395	1,314
Adjustment to tax charge in respect of previous periods	19,500	2,730
Non taxable income	(22,029)	-
Other	(1,170)	4,918
Losses carried forward	106,025	8,122
Movement in deferred tax	-	2,015
Current tax charge/(credit) for the year/period	19,500	(16,770)

I.T. Xchange Limited

Notes forming part of the financial statements
for the year ended 31 December 2012 (*continued*)

7 Taxation on loss on ordinary activities (*continued*)

Factors that may affect future tax charges

At 31 December 2012, the company had corporation tax losses of £539,505 carried forward subject to agreement with HMRC. The full utilisation of these losses in the foreseeable future is uncertain and consequently no deferred tax asset has been recognised in the financial statements.

8 Tangible fixed assets

	Leasehold improvements £	Plant and machinery £	Fixtures and fittings £	Computer equipment £	Total £
<i>Cost or valuation</i>					
At 1 January 2012	6,064	42,355	30,576	60,104	139,099
Additions	2,447	-	1,113	2,243	5,803
At 31 December 2012	8,511	42,355	31,689	62,347	144,902
<i>Depreciation</i>					
At 1 January 2012	6,064	37,316	29,013	52,441	124,834
Provided for the year	163	4,953	2,131	7,383	14,630
At 31 December 2012	6,227	42,269	31,144	59,824	139,464
<i>Net book value</i>					
At 31 December 2012	2,284	86	545	2,523	5,438
At 31 December 2011	-	5,039	1,563	7,663	14,265

I.T. Xchange Limited

Notes forming part of the financial statements
for the year ended 31 December 2012 (continued)

9 Fixed asset investments

	Group undertakings £
<i>Cost</i>	
At 1 January 2012 and 31 December 2012	1

Subsidiary undertakings

The principal undertakings in which the company's interest at the year end is 20% or more are as follows:

	Country of incorporation or registration	Class of share capital held	Proportion of ordinary share capital held	Nature of business
Xchange Technology Rentals Limited (formerly Hamilton Services Group Limited)	United Kingdom	Ordinary shares	100	Holding company
Hire Information Technology Limited	United Kingdom	Ordinary shares	100	Property holding company
Hamilton Rentals Limited	United Kingdom	Ordinary shares	100	Equipment rental
I.T. Xchange Japan LLC	Japan	Ordinary shares	100	Trading company

Unless otherwise stated, the following figures have been extracted from audited financial statements for the year ended 31 December 2012:

	Aggregate share capital and reserves		Profit/(loss) for the year/period	
	31 December 2012 £	31 December 2011 £	31 December 2012 £	31 December 2011 £
Xchange Technology Rentals Limited (formerly Hamilton Services Group Limited)	(7,978,000)	(7,939,000)	(39,000)	(36,000)
Hire Information Technology Limited	4,270,999	4,579,673	(13,988)	(13,988)
Hamilton Rentals Limited	(3,373,000)	753,000	(4,126,000)	(609,000)
I.T. Xchange Japan LLC	(165,933)	(60,181)	(105,752)	30,032

The financial statements for I.T. Xchange Japan LLC for both the period ended 31 December 2011 and year ended 31 December 2012 have not been audited.

I.T. Xchange Limited

Notes forming part of the financial statements
for the year ended 31 December 2012 (continued)

10 Stocks

	31 December 2012 £	31 December 2011 £
Finished goods and goods for resale	201,969	1,630,308

There is no material difference between the replacement cost of stocks and the amounts stated above.

11 Debtors

	31 December 2012 £	31 December 2011 £
Amounts receivable within one year		
Trade debtors	503,060	1,032,053
Corporation tax recoverable	-	19,500
Other debtors	-	291,584
Prepayments and accrued income	3,406	32,869
Deferred taxation	-	6,328
	506,466	1,382,334
Amounts receivable after more than one year		
Amounts owed by group undertakings	4,110,517	8,420,010
Total debtors	4,616,983	9,802,344
		Deferred taxation £
At 1 January 2012		6,328
Released		(6,328)
At 31 December 2012		-

I.T. Xchange Limited

Notes forming part of the financial statements
for the year ended 31 December 2012 (*continued*)

11 Debtors (*continued*)

Deferred taxation

	31 December 2012 £	31 December 2011 £
The amount of deferred tax provided for is as follows:		
Accelerated capital allowances	-	1,317
Other timing differences	-	5,011
	-	6,328

12 Creditors: amounts falling due within one year

	31 December 2012 £	31 December 2011 £
Trade creditors	279,572	589,992
Amounts owed to group undertakings	4,416,112	10,313,221
Other taxation and social security	106,055	7,481
Other creditors	382,755	328,265
Accruals	26,484	32,121
	5,210,978	11,271,080

HSBC Bank holds a debenture, fixed and floating charge over the assets of the company.

13 Pensions

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension charge amounted to £38,789 (2011 - £37,934). Contributions amounting to £Nil (2011 - £Nil) were payable to the fund and are included in creditors.

I.T. Xchange Limited

Notes forming part of the financial statements
for the year ended 31 December 2012 (*continued*)

14 Share capital

31 December 2012 £	31 December 2011 £
--------------------------	--------------------------

Allotted, called up and fully paid

1 ordinary share of £1

1

1

15 Reserves

**Profit and
loss account
£**

At 1 January 2012

230,582

Loss for the year

(614,486)

At 31 December 2012

(383,904)

16 Reconciliation of movements in shareholders' (deficit)/funds

31 December 2012 £	31 December 2011 £
--------------------------	--------------------------

Loss for the year/period

(614,486)

(109,319)

Opening shareholders' funds

230,583

339,902

Closing shareholders' (deficit)/funds

(383,903)

230,583

17 Contingent liabilities

The company has pledged a guarantee of £10,000 to HMRC which is indemnified by HSBC bank.

I.T. Xchange Limited

Notes forming part of the financial statements for the year ended 31 December 2012 (continued)

18 Commitments under operating leases

The company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings 31 December 2012 £	Land and buildings 31 December 2011 £
Operating leases which expire:		
Within one year	7,572	92,650

19 Related party disclosures

The company is a wholly owned subsidiary of Xchange Technology Group LLC and has taken advantage of the exemption conferred by Financial Reporting Standard 8 'Related party disclosures' not to disclose transactions with Xchange Technology Group LLC or other wholly owned subsidiaries within the group.

20 Ultimate parent company

The company's ultimate parent undertaking at the balance sheet date was Xchange Technology Group LLC, a Delaware registered company, registered in the USA, at 9241, Globe Center Drive, Morrisville, North Carolina, USA.

21 Post balance sheet events

On 31 July 2013, a subsidiary company, Hamilton Rentals Limited, was sold to a third party for US\$ 4.1m and all inter-company balances with Hamilton Rentals Limited were unconditionally waived at that date. As this is a non-adjusting post balance sheet event no provision has been made against the balance of £3,277,075 owed by Hamilton Rentals Limited at 31 December 2012.

The final HSBC Bank debenture, fixed and floating charge over the assets of the company was released on 23 January 2013.

A fixed and floating charge was put in place on 7 January 2013 in favour of the company's funder Callidus Capital Corporation. This is secured on the assets of the company but excludes the property held by its subsidiary. A cross guarantee was also put in place on that date between the company, its subsidiaries (excluding Hamilton Rentals Limited) and its ultimate parent entity, Xchange Technology Group LLC.

On 29 October 2013, the ultimate parent undertaking Xchange Technology Group LLC entered bankruptcy proceedings. No provision has been made for the consequent non-recovery of the balance of £655,816 owed by other group companies at 31 December 2012 as this is a non-adjusting post balance sheet event.

I.T. Xchange Limited

Notes forming part of the financial statements
for the year ended 31 December 2012 (continued)

22 Reconciliation of operating loss to net cash (outflow)/inflow from operating activities

	Year ended 31 December 2012 £	17 months ended 31 December 2011 £
Operating loss	(517,626)	(52,338)
Depreciation of tangible fixed assets	14,630	7,630
Decrease in stocks	1,428,339	151,331
Decrease/(increase) in debtors	4,867,949	(7,598,936)
(Decrease)/increase in creditors	(5,839,550)	7,517,692
Net cash (outflow)/inflow from operating activities	(46,258)	25,379

23 Reconciliation of net cash flow to movement in net funds

	Year ended 31 December 2012 £	17 months ended 31 December 2011 £
Decrease in cash	(52,061)	(55,302)
Opening net funds	54,745	110,047
Closing net funds	2,684	54,745

24 Analysis of net funds

	At 1 January 2012 £	Cash flow £	At 31 December 2012 £
Cash at bank and in hand	54,745	(52,061)	2,684
Total	54,745	(52,061)	2,684