

Company Registration No. 06447647

Exchange House Services Limited

Report and Financial Statements

30 April 2013



Exchange House Services Limited

Report and financial statements 2013

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Exchange House Services Limited

Report and financial statements 2013

Officers and professional advisers

Directors

David Willis (resigned 27 November 2012)
Sonya Leydecker (resigned 27 November 2012)
Ian Cox
Jonathan Scott (resigned 27 November 2012)
Malcolm Hitching
Norman Patrick Mitchell (resigned 27 November 2012)
Helen Anthony (appointed 27 November 2012)
Scott Cochrane (appointed 27 November 2012)
Donald Rowlands (appointed 27 November 2012)

Secretary

Clare Wilson

Registered Office

Exchange House
Primrose Street
London
EC2A 2EG

Auditor

Deloitte LLP
Chartered Accountants and Statutory Auditor
London

Exchange House Services Limited

Directors' report

The directors present their annual report on the affairs of the Company, together with the financial statements and auditor's report, for the year ended 30 April 2013

Principal activities

The sole activity of the Company is as a service company, to provide Herbert Smith Freehills LLP with the services necessary for the conduct of its business

Business review

The directors expect that the present level of activity will be sustained for the foreseeable future

Given that the Company is solely engaged in the supply of staff and services, the Company's directors believe that further key performance indicators are not necessary or appropriate for an understanding of the development, performance or position of the business

Results and dividends

The results of the Company for the year ended 30 April 2013 are set out in the profit and loss account on page 7. The directors do not recommend the payment of a dividend (2012: no dividend paid)

On 1 October 2012, Herbert Smith and Freehills merged, creating a new firm, Herbert Smith Freehills. This merger is one of the legal sector's largest ever mergers, having created the world's eighth biggest law firm and the largest fully integrated law firm in the Asia Pacific.

Financial risk management

Funding for all subsidiaries of the immediate parent undertaking, Herbert Smith Freehills LLP, including Exchange House Services Limited, is arranged centrally. Due to the nature of the Company's business and the assets and liabilities contained within the Company's balance sheet, the main financial risk the directors consider relevant to this Company is liquidity risk. This risk is mitigated by the central funding provided by Herbert Smith Freehills LLP.

Directors

The directors, who served throughout the year, except as noted, are set out on page 1.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee consultation

The Company places considerable value on the involvement of its employees and keeps them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through formal and informal meetings and the Company intranet. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Exchange House Services Limited

Directors' report (continued)

Auditor

Each of the persons who is a director at the date of approval of this report confirms that

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director 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 auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

Approved by the Board and signed on its behalf by

A handwritten signature in black ink, appearing to be 'Ian Cox', written over a circular stamp or seal.

Ian Cox
Director

3 September 2013

Exchange House Services Limited

Directors' responsibilities statement

The directors are responsible for preparing the annual 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,
- state whether applicable UK Accounting Standards have been followed, and
- 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 to 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.

Independent auditor's report to the members of Exchange House Services Limited

We have audited the financial statements of Exchange House Services Limited for the year ended 30 April 2013 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes 1 to 12. 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 auditor

As more fully explained in the Directors' Responsibilities Statement, 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 Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 April 2013 and of its result 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.

Opinion on matter prescribed by the Companies Act 2006

In our opinion the information in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditors' report to the members of Exchange House Services Limited (continued)

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or 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, or
- we have not received all the information and explanations we require for our audit



Peter Saunders (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
3 September 2013

Exchange House Services Limited

Profit and loss account Year ended 30 April 2013

	Notes	2013 £'000	2012 restated £'000
Turnover	1	156,684	162,670
Operating expenses		<u>(156,684)</u>	<u>(162,670)</u>
Operating result on ordinary activities before taxation	3	-	-
Tax on result on ordinary activities	6	<u>-</u>	<u>-</u>
Result on ordinary activities after taxation		<u>-</u>	<u>-</u>

There were no movements in shareholders' funds during either year. Accordingly, no reconciliation of movements in shareholders' funds has been presented.

All results arise from continuing activities.

Statement of total recognised gains and losses Year ended 30 April 2013

	Note	2013 £'000	2012 £'000
Result on ordinary activities after tax		<u>-</u>	<u>-</u>
Total recognised gains and losses		<u>-</u>	<u>-</u>
Prior year adjustment (note 2)	2	<u>(2,133)</u>	
Total gains and losses recognised since last financial statements		<u>(2,133)</u>	

Exchange House Services Limited

Balance sheet At 30 April 2013

	Notes	2013 £'000	2012 restated £'000
Fixed assets			
Tangible assets	8	3,876	5,708
Current assets			
Debtors			
– due within one year	9	15,493	16,649
Creditors: amounts falling due within one year	10	(19,369)	(22,357)
Net current liabilities		(3,876)	(5,708)
Total assets less current liabilities and net assets		-	-
Capital and reserves			
Called-up share capital	11	-	-
Profit and loss account		-	-
Shareholders' funds		-	-

The financial statements of Exchange House Services Limited, registered number 06447647, were approved by the Board of Directors on 3 September 2013

They were signed on its behalf by



Ian Cox
Director

Exchange House Services Limited

Notes to the accounts Year ended 30 April 2013

1. Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom law and accounting standards. The principal accounting policies are summarised below and have been applied consistently throughout the year and the preceding year.

The Company has taken advantage of the exemption available under FRS 1 (Revised) not to prepare a cash flow statement on the grounds that its ultimate parent undertaking, Herbert Smith Freehills Global LLP, a Limited Liability Partnership registered in England and Wales, prepares consolidated accounts that are publicly available.

Turnover

Turnover represents fees charged for the provision of services to Herbert Smith Freehills LLP, the Company's immediate parent undertaking, net of trade discounts, VAT and other sales-related taxes. All turnover is derived in the United Kingdom.

Going concern

The activity of the Company is dependent on activity levels of the immediate parent entity, Herbert Smith Freehills LLP. In common with other businesses, the current economic conditions mean that demand for services of Herbert Smith Freehills LLP could be impacted in the short term. The Company relies on support from Herbert Smith Freehills LLP and the directors have received confirmation that the parent entity will continue to provide that support to enable the repayment of its debts as they fall due for a period of at least 12 months from the date of approving these financial statements. The directors have assessed, and are satisfied, that Herbert Smith Freehills LLP has the ability to provide that support.

After making enquiries, the directors have formed a judgement, at the time of approving the accounts, that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Notwithstanding the current economic conditions and potential uncertainty over the level and timing of future revenues, having considered the Company's forecasts and projections the directors are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason the directors continue to adopt the going concern basis in preparing these accounts.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at historical cost, net of depreciation and any provision for impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Office equipment and computers	- over 3 years
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Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on tax rates and law that have been enacted or substantively enacted by the balance sheet date. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Exchange House Services Limited

Notes to the accounts Year ended 30 April 2013

1. Accounting policies (continued)

Pension costs

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet. The Group contributes to employee pension schemes as required under applicable laws. The funds are managed by independent fund managers and trustees.

2. Prior year adjustment

The directors have chosen to adopt a change in accounting policy in the current year, recognising a liability in respect of the accrual of holiday pay that has not been utilised at the period end. Following the merger of Herbert Smith and Freehills, this change represents the alignment of accounting policies across the new group. The comparative figures in the primary statements and notes have been restated to reflect the new policy.

The effects of the change in policy are summarised below:

	2013 £'000	2012 £'000
Profit and loss account		
Decrease/(increase) in turnover	77	(153)
(Decrease)/increase in operating expenses	(77)	153
	<u> </u>	<u> </u>
Net impact on result for the financial year available for division among members after members' remuneration	<u> </u> -	<u> </u> -
 Balance sheet		
Increase in amount due from parent undertaking	(2,056)	(2,133)
Increase in other creditors	2,056	2,133
	<u> </u>	<u> </u>
Net impact on net assets	<u> </u> -	<u> </u> -

3. Operating result

Operating result is stated after charging:

	2013 £'000	2012 £'000
Depreciation of tangible fixed assets		
– owned	2,861	2,904
	<u> </u>	<u> </u>

Auditor's remuneration of £15,000 (2012: £15,000) was borne by Herbert Smith Freehills LLP. The auditor received no non-audit fees in either period.

Exchange House Services Limited

Notes to the accounts Year ended 30 April 2013

4. Staff costs

The average monthly number of employees (including executive directors) was

Company	2013 No.	2012 No.
Fee-earning staff	732	746
Other staff	625	697
	<u>1,357</u>	<u>1,443</u>

	2013 £'000	2012 restated £'000
Their aggregate remuneration comprised		
Salaries	94,937	99,501
Social security costs	10,246	10,572
Pension costs	4,927	4,986
	<u>110,110</u>	<u>115,059</u>

5. Directors' remuneration

None of the directors received any remuneration during the current or prior financial year for their services to the Company

Exchange House Services Limited

Notes to the accounts Year ended 30 April 2013

6. Tax on profit on ordinary activities

The tax charge comprises

	2013 £'000	2012 £'000
Current tax		
UK corporation tax at 23.92% (2012: 25.84%)	-	-
Deferred tax		
Timing differences, origination and reversal	138	(106)
Liability assumed by Herbert Smith Freehills LLP	(480)	(62)
Adjustment in respect of prior years	342	168
	-	-

Factors affecting tax charge for the current period

The tax assessed for the period is lower than that resulting from applying the standard rate of corporation tax in the UK of 23.92% (2012: 25.84%)

The differences are explained below

	2013 £'000	2012 £'000
Result on ordinary activities before tax		
Tax at 23.92% (2012: 25.84%) thereon	-	-
Effects of		
Tax on transfer pricing adjustment	2,714	2,918
Expenses not deductible for tax purposes	(3)	(5)
Capital allowances in excess of depreciation	107	25
Liability to be assumed by Herbert Smith Freehills LLP	(2,853)	(2,930)
Prior period adjustments	35	(8)
Current tax charge for period	-	-

Exchange House Services Limited

Notes to the accounts Year ended 30 April 2013

7. Deferred taxation

	2013 £'000	2012 £'000
Movement on deferred taxation balance in the period		
Opening balance	961	899
Credit to the profit and loss statement	480	62
Closing deferred tax asset	<u>1,441</u>	<u>961</u>

8. Tangible fixed assets

	Office equipment and computers £'000
Cost	
At 1 May 2012	34,298
Additions	1,031
Disposals	(241)
At 30 April 2013	<u>35,088</u>
Depreciation	
At 1 May 2012	28,590
Charge for the period	2,861
Disposals	(239)
At 30 April 2013	<u>31,212</u>
Net book value	
At 30 April 2013	<u>3,876</u>
At 30 April 2012	<u>5,708</u>

Exchange House Services Limited

Notes to the accounts Year ended 30 April 2013

9. Debtors: amounts due within one year:

	2013 £'000	2012 restated £'000
Prepayments	4,432	4,958
Amounts due from group undertakings	8,843	9,990
Deferred tax asset	1,441	961
Other debtors	777	740
	<u>15,493</u>	<u>16,649</u>

10. Creditors: amounts falling due within one year

	2013 £'000	2012 restated £'000
Accruals	11,688	14,750
Corporation tax	1,620	1,252
Other creditors	6,061	6,355
	<u>19,369</u>	<u>22,357</u>

11. Called-up share capital

	2013 £	2012 £
Authorised		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted, called-up and fully-paid		
2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

12. Related party transactions and ultimate controlling party

The Company has taken advantage of the exemption granted by paragraph 3(c) of FRS 8, 'Related Party Disclosures', not to disclose transactions with wholly owned entities within the Herbert Smith Freehills Global LLP Group which are related parties

Herbert Smith Freehills LLP (formerly Herbert Smith LLP) is the immediate parent undertaking of Exchange House Services Limited. From 1 May 2012 to 30 September 2012, Herbert Smith LLP was the ultimate parent undertaking and the ultimate controlling party of Exchange House Services Limited. From 1 October 2012, Herbert Smith Freehills Global LLP represents the ultimate parent undertaking and the ultimate controlling party of Exchange House Services Limited.

Herbert Smith Freehills Global LLP, a Limited Liability Partnership incorporated in the United Kingdom, prepares consolidated financial statements. The address from which copies of the consolidated financial statements can be obtained is Exchange House, Primrose Street, London, EC2A 2EG.