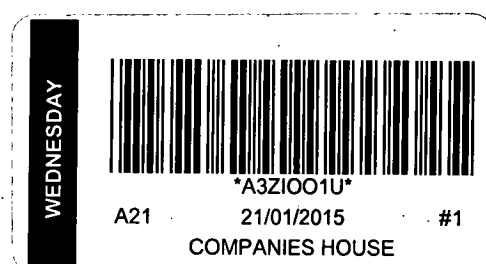


Company Registration No. 06447647

Exchange House Services Limited

Annual Report and Financial Statements

30 April 2014



Exchange House Services Limited

Annual report and financial statements 2014

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Exchange House Services Limited

Annual report and financial statements 2014

Officers and professional advisers

Directors

Helen Anthony
Scott Cochrane
Ian Cox
Malcolm Hitching
Donald Rowlands

Secretary

Clare Wilson

Registered Office

Exchange House
Primrose Street
London
EC2A 2EG

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditor
London

Exchange House Services Limited

Strategic Report

The directors present their strategic report on the company for the year ended 30 April 2014.

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 2014 are set out in the profit and loss account on page 7. The directors recommend the payment of a dividend of £6,499,000 (2013: no dividend paid).

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.

Approved by the Board and signed on its behalf by



Ian Cox
Director

30th July 2014

Exchange House Services Limited

Directors' report

The directors present their annual report on the affairs of the Company, together with the audited financial statements and auditors' report, for the year ended 30 April 2014.

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.

Directors

The directors, who served throughout the year and up to the date of signing the financial statements, 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.

Statement of disclosure of information to auditors

At the date of approval of this report, the directors confirm that:

- so far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information, and to establish that the Company's auditors are 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



Ian Cox
Director

30th July 2014

Exchange House Services Limited

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, 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 prepared 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, subject to any material departures disclosed and explained in the financial statements,
- 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 auditors' report to the members of Exchange House Services Limited

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the company's affairs as at 30 April 2014 and of its profit 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.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The financial statements, which are prepared by Exchange House Services Limited, comprise:

- Balance sheet as at 30 April 2014;
- Profit and loss account and statement of total recognised gains and losses for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). 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 and Financial Statements (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.

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

Opinion on other matters prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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 ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.



David A Snell (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
30th July 2014

Exchange House Services Limited

Profit and loss account Year ended 30 April 2014

| | Notes | 2014 £'000 | 2013 £'000 |
|---|-------|---------------|---------------|
| Turnover | | 192,194 | 156,684 |
| Other operating income | | 212 | - |
| Operating expenses | | (185,907) | (156,684) |
| Operating profit/result on ordinary activities before taxation | 3 | 6,499 | - |
| Tax on profit/result on ordinary activities | 6 | - | - |
| Profit / result for the financial year | | <u>6,499</u> | <u>-</u> |

All results arise from continuing activities.

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

Statement of total recognised gains and losses Year ended 30 April 2014

| | 2014 £'000 | 2013 £'000 |
|---|---------------|---------------|
| Profit/result on ordinary activities after taxation | 6,499 | - |
| Total recognised gains and losses | <u>6,499</u> | <u>-</u> |

Exchange House Services Limited

Balance sheet At 30 April 2014

| | Notes | 2014 £'000 | 2013 £'000 |
|---|-------|---------------|---------------|
| Fixed assets | | | |
| Tangible assets | 8 | 7,824 | 3,876 |
| Current assets | | | |
| Debtors | 9 | 18,362 | 15,493 |
| Creditors: amounts falling due within one year | 10 | (19,687) | (19,369) |
| Net current liabilities | | (1,325) | (3,876) |
| Total assets less current liabilities and net assets | | 6,499 | - |
| Capital and reserves | | | |
| Called-up share capital | 11 | - | - |
| Profit and loss account | 12 | 6,499 | - |
| Total shareholders' funds | | 6,499 | - |

The financial statements of Exchange House Services Limited, registered number 06447647, were approved by the Board of Directors on 30th July 2014.

They were signed on its behalf by:



Ian Cox

Director

Exchange House Services Limited

Notes to the accounts Year ended 30 April 2014

1. Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006 and 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 financial statements 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. The Company relies on support from Herbert Smith Freehills LLP and the directors have received confirmation that the immediate 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 financial statements, that there is a reasonable expectation 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 financial statements.

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 |
|--------------------------------|----------------|

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 2014

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 chose to adopt a change in accounting policy in the prior year, recognising a liability in respect of the accrual of holiday pay that had 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 effects of the change in policy are summarised below:

| | 2014 £'000 | 2013 £'000 |
|---|---------------|---------------|
| Profit and loss account | | |
| Decrease in turnover | - | 77 |
| Decrease in operating expenses | - | (77) |
| 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) |
| Increase in other creditors | - | 2,056 |
| Net impact on net assets | <u>-</u> | <u>-</u> |

3. Operating profit/result

Operating profit/result is stated after charging:

| | 2014 £'000 | 2013 £'000 |
|--|---------------|---------------|
| Depreciation of tangible fixed assets: | | |
| – owned | <u>2,829</u> | <u>2,861</u> |

Auditors' remuneration of £15,000 (2013: £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 2014

4. Staff costs

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

| | 2014 No. | 2013 No. |
|-------------------|--------------|--------------|
| Company | | |
| Fee-earning staff | 771 | 732 |
| Other staff | 621 | 625 |
| | <u>1,392</u> | <u>1,357</u> |

| | 2014 £'000 | 2013 £'000 |
|---|----------------|----------------|
| Their aggregate remuneration comprised: | | |
| Salaries | 98,054 | 94,937 |
| Social security costs | 10,321 | 10,246 |
| Pension costs | 5,125 | 4,927 |
| | <u>113,500</u> | <u>110,110</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 2014

6. Tax on profit/result on ordinary activities

The tax charge comprises:

| | 2014 £'000 | 2013 £'000 |
|--|---------------|---------------|
| Current tax | | |
| UK corporation tax at 22.83 % (2013: 23.92%) | - | - |
| Deferred tax | | |
| Timing differences, origination and reversal | (165) | 138 |
| Liability assumed by Herbert Smith Freehills LLP | 96 | (480) |
| Adjustment in respect of prior years | 69 | 342 |
| | - | - |

Factors affecting tax charge for the current period

The tax assessed for the period is lower than (2013: equal to) that resulting from applying the standard rate of corporation tax in the UK of 22.83% (2013: 23.92 %).

The differences are explained below:

| | 2014 £'000 | 2013 £'000 |
|---|---------------|---------------|
| Profit / result on ordinary activities before taxation | 6,499 | - |
| Tax at 22.83% (2013: 23.92 %) thereon: | 1,484 | - |
| Effects of: | | |
| Tax on transfer pricing adjustment | 996 | 2,714 |
| Expenses not deductible for tax purposes | - | (3) |
| Capital allowances less than (in excess of) depreciation | (120) | 107 |
| Liability to be assumed by Herbert Smith Freehills LLP | (2,321) | (2,853) |
| Prior period adjustments | (39) | 35 |
| Current tax charge for period | - | - |

Exchange House Services Limited

Notes to the accounts Year ended 30 April 2014

7. Deferred taxation

| | 2014 £'000 | 2013 £'000 |
|---|---------------|---------------|
| Movement on deferred taxation balance in the period | | |
| Opening balance | 1,441 | 961 |
| (Debit) / Credit to the profit and loss statement | (96) | 480 |
| Closing deferred tax asset | <u>1,345</u> | <u>1,441</u> |

8. Tangible fixed assets

| | Office equipment and computers £'000 |
|---------------------------------|--|
| Cost | |
| At 1 May 2013 | 35,088 |
| Additions | 6,861 |
| Disposals | (193) |
| Transfers in | 4 |
| At 30 April 2014 | <u>41,760</u> |
| Accumulated Depreciation | |
| At 1 May 2013 | 31,212 |
| Charge for the period | 2,829 |
| Disposals | (109) |
| Transfers in | 4 |
| At 30 April 2014 | <u>33,936</u> |
| Net book value | |
| At 30 April 2014 | <u>7,824</u> |
| At 30 April 2013 | <u>3,876</u> |

Exchange House Services Limited

Notes to the accounts Year ended 30 April 2014

9. Debtors: amounts due within one year:

| | 2014 £'000 | 2013 £'000 |
|-------------------------------------|---------------|---------------|
| Prepayments | 5,451 | 4,432 |
| Amounts due from group undertakings | 10,829 | 8,843 |
| Deferred tax asset | 1,345 | 1,441 |
| Other debtors | 737 | 777 |
| | <u>18,362</u> | <u>15,493</u> |

10. Creditors: amounts falling due within one year

| | 2014 £'000 | 2013 £'000 |
|-----------------|---------------|---------------|
| Accruals | 13,091 | 11,688 |
| Corporation tax | 970 | 1,620 |
| Other creditors | 5,626 | 6,061 |
| | <u>19,687</u> | <u>19,369</u> |

11. Called-up share capital

| | 2014 £ | 2013 £ |
|---|------------|------------|
| 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. Reconciliation of movement in shareholders' funds

| | 2014 £ | 2013 £ |
|-----------------------------------|--------------|-----------|
| Opening shareholders' fund | - | - |
| Profit for the financial year | <u>6,499</u> | <u>-</u> |
| Closing shareholders' fund | <u>6,499</u> | <u>-</u> |

Exchange House Services Limited

Notes to the accounts Year ended 30 April 2014

13. 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.