

Exchange House Services Limited

Registered number 06447647

Exchange House Services Limited

**ANNUAL REPORT AND FINANCIAL STATEMENTS
30 APRIL 2018**

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Exchange House Services Limited

COMPANY INFORMATION

DIRECTORS

Helen Anthony
Scott Cochrane
Ian Cox
Donald Rowlands

COMPANY SECRETARY

Clare Wilson

REGISTERED NUMBER

06447647

REGISTERED OFFICE

Exchange House
Primrose Street
London EC2A 2EG

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
London WC2N 6RH

**STRATEGIC REPORT
YEAR ENDED 30 APRIL 2018**

The directors present the strategic report for Exchange House Services Limited (the "company") for the year ended 30 April 2018.

BUSINESS REVIEW AND KEY PERFORMANCE INDICATORS

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.

PRINCIPAL RISKS AND UNCERTAINTIES

Given that the Company is solely engaged in the supply of staff and services, the Company's directors believe that the Company does not face any principal risks and uncertainties except the financial risk detailed in the Directors' Report on page 3.

This report was approved by the board on **31 July 2018** and signed on its behalf by:

A handwritten signature in black ink, consisting of a series of loops and strokes, representing the signature of Donald Rowlands.

**Donald Rowlands
Director**

Exchange House Services Limited

DIRECTORS' REPORT YEAR ENDED 30 APRIL 2018

The directors present their annual report and the audited financial statements for Exchange House Services Limited (the "Company") for the year ended 30 April 2018. The Company is a private limited company and is incorporated and domiciled in the United Kingdom.

PRINCIPAL ACTIVITY

The principal 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.

RESULTS AND DIVIDENDS

The profit for the financial year amounted to £11,187,000 (2017: £10,977,000).

The directors declared a final dividend of £5,476,801 on 27 September 2017 in respect of the year ended 30 April 2017. During the year the directors also declared and settled interim dividends of £5,500,000 in respect of the year ended 30 April 2018.

FUTURE DEVELOPMENTS

The future developments of the Company are discussed in the Business Review on page 2.

DIRECTORS

The directors who served during the year and up to the date of signing the financial statements were:

Helen Anthony

Scott Cochrane

Ian Cox

Donald Rowlands

DIRECTORS' INDEMNITIES

The Company has made qualifying third party indemnity provisions for the benefit of most of its Directors which existed during the year and remain in force as at the date of this report.

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 statement of financial position, 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.

Currency volatilities also have an impact on reported performance given the Company's reliance on overseas based suppliers in some instances. The Company continues to monitor exchange risks as part of wider treasury management in conjunction with Herbert Smith Freehills LLP.

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.

DIRECTORS' REPORT (CONTINUED)
YEAR ENDED 30 APRIL 2018

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.

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

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, comprising FRS 101 "Reduced Disclosure Framework", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors 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.

DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

INDEPENDENT AUDITORS

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on **31 July 2018** and signed on its behalf by:


Donald Rowlands
Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EXCHANGE HOUSE SERVICES LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, Exchange House Services Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 April 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 30 April 2018; the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EXCHANGE HOUSE SERVICES LIMITED (CONTINUED)

Reporting on other information (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 April 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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 in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EXCHANGE HOUSE SERVICES LIMITED (CONTINUED)

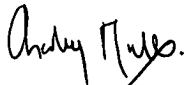
OTHER REQUIRED REPORTING

Companies Act 2006 exception reporting

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

We have no exceptions to report arising from this responsibility.



Charles Mirrington (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

1 August 2018

Exchange House Services Limited

**STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 30 APRIL 2018**

	Note	2018 £000	2017 £000
Turnover	3	<u>236,849</u>	<u>246,541</u>
Gross profit		236,849	246,541
Administrative expenses		<u>(223,442)</u>	<u>(232,586)</u>
Other operating income		<u>-</u>	<u>-</u>
Operating profit and profit on ordinary activities before taxation	4	13,407	13,955
Tax on profit on ordinary activities	8	<u>(2,220)</u>	<u>(2,978)</u>
Profit for the financial year		<u>11,187</u>	<u>10,977</u>
Total comprehensive income for the year		<u>11,187</u>	<u>10,977</u>

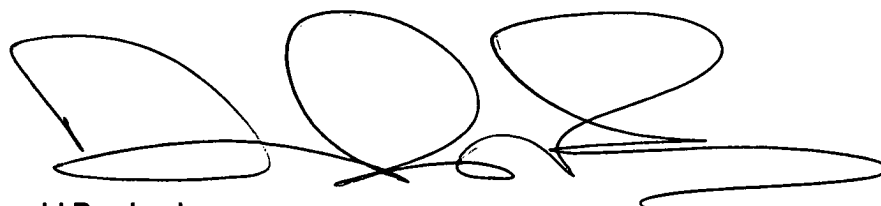
The notes on pages 11 to 24 form part of these financial statements.

EXCHANGE HOUSE SERVICES LIMITED
REGISTERED NUMBER 06447647

STATEMENT OF FINANCIAL POSITION
AS AT 30 APRIL 2018

	Note	30 April 2018 £000	30 April 2017 £000
Fixed assets			
Intangible assets	10	29,016	25,084
Tangible assets	11	<u>5,159</u>	<u>4,960</u>
		34,175	30,044
Current assets			
Debtors	12	<u>9,311</u>	<u>10,302</u>
		9,311	10,302
Creditors: Amounts falling due within one year	13	<u>(37,799)</u>	<u>(34,869)</u>
Net current liabilities		(28,488)	(24,567)
Total assets less current liabilities		5,687	5,477
Net assets		5,687	5,477
Equity			
Ordinary shares	15	-	-
Retained earnings		<u>5,687</u>	<u>5,477</u>
Total shareholders' funds		5,687	5,477

The financial statements were authorised for issue by the Board on **31 July 2018** and were signed on its behalf by:



Donald Rowlands
Director

The notes on pages 11 to 24 form part of these financial statements.

Exchange House Services Limited

**STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 30 APRIL 2018**

	Ordinary shares £000	Retained earnings £000	Total shareholders' funds £000
As at 1 May 2017	-	5,477	5,477
Profit for the financial year	-	11,187	11,187
Total comprehensive income for the year	-	11,187	11,187
Dividends paid	-	(10,977)	(10,977)
Total transactions with owners recognised directly in equity	-	(10,977)	(10,977)
As at 30 April 2018	-	5,687	5,687

YEAR ENDED 30 APRIL 2017

	Ordinary shares £000	Retained earnings £000	Total shareholders' funds £000
As at 1 May 2016	-	3,393	3,393
Profit for the financial year	-	10,977	10,977
Total comprehensive income for the year	-	10,977	10,977
Dividends paid	-	(8,893)	(8,893)
Total transactions with owners recognised directly in equity	-	(8,893)	(8,893)
As at 30 April 2017	-	5,477	5,477

The notes on pages 11 to 24 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 APRIL 2018**

1. ACCOUNTING POLICIES

General information

Exchange House Services Limited is a private limited company incorporated and domiciled in the United Kingdom. The address of its registered office is Exchange House, Primrose Street, London EC2A 2EG. Its principal activities are the provision of business services, primarily in the United Kingdom.

Basis of preparation of financial statements

The financial statements have been prepared under the historical costs convention and in accordance with the Companies Act 2006 as applicable to companies using Financial Reporting Standard 100 'Application of Financial Reporting Requirements' and Financial Reporting Standard 101 'Reduced Disclosure Framework'.

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all years presented unless otherwise stated.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 2).

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- IFRS 7 'Financial Instruments: Disclosures'
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
 - i. paragraph 79 (a) (iv) of IAS 1;
 - ii. paragraph 73 (e) of IAS 16 Property, plant and equipment;
- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10 (d): statement of cash flows,
 - 10 (f): a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements,
 - 16: statement of compliance with all IFRS,
 - 38 A: requirement for minimum of two primary statements, including cash flow statements,
 - 38 B-D: additional comparative information,
 - 40A-D: requirements for a third statement of financial position
 - 111: cash flow statement information, and
 - 134-136: capital management disclosures
- IAS 7, 'Statement of cash flows'
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 30 APRIL 2018

1. ACCOUNTING POLICIES (CONTINUED)

Basis of preparation of financial statements (continued)

- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

Adoption of new and revised Standards

(a) New standards, amendments and interpretations that are effective

No new standards, amendments or interpretations that are effective for the first time for the financial year beginning after 1 May 2017 have had a material impact on the Company.

(b) New and revised Standards in issue but not yet effective

A number of new standards, amendments and interpretations are effective for financial periods beginning after 1 January 2018. These have not been applied in preparing the financial statements. None of the standards, amendments or interpretations is expected to have a significant effect on the financial statements in future periods, except as noted below:

- The Company will apply IFRS 9 *Financial Instruments* from 1 May 2018. The Company has elected not to restate comparatives on initial application of IFRS 9. The full impact of adopting IFRS 9 on the Company's financial statements will depend on the financial instruments that the Company has during the financial year commencing on 1 May 2018 as well as on economic conditions and judgements made as at the year end. The Company has performed a preliminary assessment of potential impact of adopting IFRS 9 based on the financial instruments and hedging relationships as at the date of initial application of IFRS 9 (1 May 2018) and it anticipates that the classification and measurement basis for its financial assets and liabilities will be largely unchanged by adoption of IFRS 9.

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost; fair value through other comprehensive income; and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristic of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income, not recycling. An expected credit losses model replaces the incurred loss impairment model used in IAS 39.

For financial liabilities, there are no changes to classification and measurement, except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright-line hedge effectiveness tests. To qualify for hedge accounting, it requires an economic relationship between the hedged item and hedging instrument, and for the 'hedged ratio' to be the same as the one that management actually uses for risk management purposes. Contemporaneous documentation is still required, but it is different from that currently prepared under IAS 39. There is an accounting policy choice to continue accounting for all hedges under IAS 39. IFRS 9 became effective for accounting periods beginning on or after 1 January 2018.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 30 APRIL 2018

1. ACCOUNTING POLICIES (CONTINUED)

Adoption of new and revised Standards (continued)

- IFRS 15 *Revenue from contracts with customers* establishes a single comprehensive model to use in accounting for revenue arising from contracts with customers. IFRS 15 superseded the previous revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction contracts*, and the related interpretations when it became effective for accounting periods beginning on or after 1 January 2018.

The Company recognises revenue from the provision of business services. The Company is required to adopt IFRS 15 for the year ending 30 April 2019 and will adopt the modified retrospective approach without restatement of comparatives. To this end, the Company is currently carrying out a review of existing contractual arrangements. Pending the finalisation of the review, it is difficult to estimate the financial impact of the new Standard on the opening balance sheet at 1 May 2018.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a five step approach to revenue recognition:

Step 1: Identify the contract with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In April 2016, the IASB issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

- IFRS 16 *Leases*, which has not yet been endorsed by the EU, introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 *Leases* and the related interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The Company currently expects to adopt IFRS 16 for the year ending 30 April 2020 and a cumulative catch up approach will be adopted for transition to the new Standard on 1 May 2019.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 30 APRIL 2018

1. ACCOUNTING POLICIES (CONTINUED)

Adoption of new and revised Standards (continued)

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected because operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease. Furthermore, extensive disclosures are required under IFRS 16.

At 30 April 2018, the Company had non-cancellable operating lease commitments of £210m. IAS 17 does not require the recognition of any right-of-use asset or liability for future payments for these leases; instead, certain information is disclosed as operating lease commitments in note 18. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Company will recognise a right-of-use asset and a corresponding liability in respect of all these leases. The new requirement to recognise a right-of-use asset and a related lease liability is expected to have a significant impact on the amounts recognised in the Company's financial statements. In future periods, the operating lease charges would be replaced by a depreciation charge that, whilst lower over the life of the lease than the current operating lease charge, is not expected to be materially different. The Company has in place processes and controls for the review of contracts on a regular basis to identify any additional lease arrangements that would need to be recognised under IFRS 16.

In contrast, for any finance leases where the Company might be a lessee, as the Company will have recognised an asset and a related finance lease liability for the lease arrangement, and in cases where the Company might be a lessor (for operating leases), it is not anticipated that the application of IFRS 16 will have a significant impact on the amounts recognised in the financial statements.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 30 APRIL 2018

1. ACCOUNTING POLICIES (CONTINUED)

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.

Intangible assets

Directly attributable costs associated with the development of new systems are recognised as an intangible asset. The company capitalises items where it expects to derive economic benefits from the development costs capitalised in this manner. The capitalised costs are amortised over a period of up to ten years from the date the system comes into productive use. The amortisation for the year is recognised in the Statement of Comprehensive Income under other costs.

Tangible assets

Tangible fixed assets are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to the Statement of Comprehensive Income during the year in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

Office equipment and computers	-	over 3 years
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The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within the Statement of Comprehensive Income.

Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 30 APRIL 2018

1. ACCOUNTING POLICIES (CONTINUED)

Financial instruments

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets

The Company classifies all of its financial assets as loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net; such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the Statement of Comprehensive Income. On confirmation that the trade receivable will not be collected, the gross carrying value of the asset is written off against the associated provision.

Financial liabilities

The Company classifies all of its financial liabilities as liabilities at amortised cost.

Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when the fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when settled. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 30 APRIL 2018

1. ACCOUNTING POLICIES (CONTINUED)

Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid, the Company has no further payment obligations. The contributions are recognised as an expense when they fall due. Amounts not paid are shown in accruals in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 30 APRIL 2018

2. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the financial statements under FRS 101 requires management to use certain critical accounting estimates and make assumptions that affect the reported amounts of revenue, expenses, assets and liabilities. The estimates and judgements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable and constitute management's best judgement at the date of the financial statements. Management will continue to review the assumptions used against actual experience and market data and adjustments will be made in future periods where appropriate. Details of the estimated useful lives of fixed assets are set out in note 1.

3. TURNOVER

The whole of the turnover is attributable to the principal activity of the business.

All turnover arose within the United Kingdom.

4. OPERATING PROFIT AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The operating profit and profit on ordinary activities before taxation is stated after charging/(crediting):

	2018	2017
	£000	£000
Depreciation of tangible assets	2,537	2,070
Amortisation of intangible assets	3,076	512
Exchange (gains)/losses	(240)	1,534
Operating lease charges	19,479	19,773
Defined contribution pension cost	6,375	6,326

5. AUDITORS' REMUNERATION

Audit fees of £15,225 (2017: £15,000) was borne by Herbert Smith Freehills LLP.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 30 APRIL 2018

6. EMPLOYEES

Staff costs were as follows:

	2018	2017
	£000	£000
Wages and salaries	122,936	130,084
Social security costs	11,553	13,024
Other pension costs	6,375	6,326
	<u>140,864</u>	<u>149,434</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2018	2017
	Number	Number
Fee-earning staff	834	952
Other staff	672	696
	<u>1,506</u>	<u>1,648</u>

7. DIRECTORS' REMUNERATION

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 30 APRIL 2018

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2018	2017
	£000	£000
UK corporation tax		
Current tax on profit for the year	2,234	1,854
Adjustments in respect of prior years	(208)	-
Deferred tax		
Origination and reversal of timing differences	207	768
Adjustments in respect of prior years	(13)	356
Total deferred tax	194	1,124
Tax on profit on ordinary activities	2,220	2,978

Factors affecting Tax Charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 19.0% (2017: 19.9%). The differences are explained below:

	2018	2017
	£000	£000
Profit on ordinary activities before taxation	13,407	13,955
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.0% (2017: 19.9%)	2,547	2,770
Effects of:		
Expenses not deductible for tax purposes	36	-
Capital allowances for year in excess of depreciation	(349)	(916)
Adjustments to tax charge in respect of prior years	(221)	768
Origination and reversal of timing differences	207	356
Tax charge for the year	2,220	2,978

Factors that may affect future Tax Charges

The main rate of UK Corporation Tax will reduce to 17.0% from 1 April 2020. This change was not effective as at the balance sheet date and therefore its effect has not been included in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 30 APRIL 2018

9. DEFERRED TAXATION

	2018	2017
	£000	£000
Deferred tax (liability)/asset:		
(Liability)/asset at 1 May	(239)	885
Charged to the Statement of Comprehensive Income	(194)	(1,124)
Liability at 30 April	(433)	(239)

The deferred tax liability is made up as follows:

	2018	2017
	£000	£000
Accelerated capital allowances	(433)	(239)
	(433)	(239)

10. INTANGIBLE ASSETS

	Computer software £000
Cost	
At 1 May 2016	21,090
Additions	13,158
At 1 May 2017	34,248
Additions	6,178
At 30 April 2018	40,426
Accumulated amortisation	
At 1 May 2016	8,652
Amortisation	512
At 1 May 2017	9,164
Amortisation	2,246
At 30 April 2018	11,410
Net book value	
At 30 April 2018	29,016
At 30 April 2017	25,084

Included within computer software is £30.3m, being the cost of a new business system implemented during the 2017/18 financial year. The carrying value at 30 April 2018 of the said asset amounted to £28.2m which will be amortised over the next 9.5 years.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 30 APRIL 2018

11. TANGIBLE ASSETS

	Office equipment and computers £000
Cost	
At 1 May 2016	35,355
Additions	1,528
Disposals	(690)
At 1 May 2017	36,193
Additions	2,736
At 30 April 2018	38,929
Accumulated depreciation	
At 1 May 2016	29,853
Charge for the year	2,070
Disposals	(690)
At 1 May 2017	31,233
Charge for the year	2,537
At 30 April 2018	33,770
Net book value	
At 30 April 2018	5,159
At 30 April 2017	4,960

12. DEBTORS

	2018 £000	2017 £000
Due within one year		
Other debtors	657	895
Prepayments and accrued income	8,654	9,407
	9,311	10,302

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 30 APRIL 2018

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018	2017
	£000	£000
Corporation tax	2,686	2,738
Deferred tax liability	433	239
Amounts due to group companies	8,903	6,796
Taxation and social security	4,934	5,240
Other creditors	1,781	2,552
Accruals and deferred income	19,062	17,304
	37,799	34,869

Amounts due to group companies are unsecured, interest free and repayable on demand.

14. FINANCIAL INSTRUMENTS

	2018	2017
	£000	£000
Financial assets		
Financial assets that are debt instruments measured at amortised cost	657	895
Financial liabilities		
Financial liabilities measured at amortised cost	37,366	34,630

15. ORDINARY SHARES

	2018	2017
	£000	£000
Allotted, called up and fully paid		
2 (2017: 2) ordinary shares of £1 (2017: £1) each	-	-

16. DIVIDENDS

	2018	2017
	£000	£000
Interim dividend equivalent to £2,750,000 (2017: £2,750,000) per £1 share	5,500	5,500
Final dividend equivalent to £2,738,400 (2017: £1,696,278) per £1 share	5,477	3,393
	10,977	8,893

17. PENSION COMMITMENTS

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 £6,375,000 (2017: £6,326,000). At the year-end, contributions of £1,102,024 (2017: £1,029,579) were outstanding.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 30 APRIL 2018

18. COMMITMENTS UNDER OPERATING LEASES

At 30 April the Company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2018	2017
	£000	£000
Not later than 1 year	18,203	18,203
Later than 1 year and not later than 5 years	67,718	69,566
Later than 5 years	124,279	140,643
	<u>210,200</u>	<u>228,412</u>

19. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

Herbert Smith Freehills LLP is the immediate parent undertaking of Exchange House Services Limited. 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, is the only company that 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.