

Registered number 05070182

XCHANGING ADVISORY SERVICES LIMITED

Annual Report

for the year ended 31 December 2011

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XCHANGING ADVISORY SERVICES LIMITED

Annual Report for the year ended 31 December 2011

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XCHANGING ADVISORY SERVICES LIMITED

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Director and advisers

Director

A Bligh

Registered office

34 Leadenhall Street
London
EC3A 1AX

Independent auditors

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

Solicitors

Clifford Chance LLP
10 Upper Bank Street
London
E14 5JJ

Bankers

Lloyds TSB Bank plc
PO Box 72
Bailey Drive
Gillingham Business Park
Kent
ME8 0LS

Director's report for the year ended 31 December 2011

The director presents his report and the audited financial statements of the company for the year ended 31 December 2011

Principal activity

The principal activity of the company is the provision of business support advisory services to insurers and brokers

Review of business and future developments

The results of the company show pre-tax loss of £85,000 (2010 profit of £79,000) for the year and sales of £1,516,000 (2010 £2,257,000)

The directors are reviewing the strategic options for the business, specifically whether to merge it into another Xchanging Group business, the decision has been deferred pending decisions surrounding the Application Development road-map and how best to move forward. Once this is clear we will make a decision, which should take place during 2012

Principal risks and uncertainties

Business risk

The management of the business and the execution of the company's strategy are subject to a number of risks

The key business risks and uncertainties affecting the company are considered to relate to failure to achieve new contractual relationships and continuation of recurring projects along with the loss of key personnel

Financial risk

The company is exposed to a variety of financial risks which are reviewed on a regular basis in order to limit the adverse effects on the financial performance of the company

(i) **Credit risk**

The company has a concentration of credit risk with respect to trade receivables due to the nature and structure of its customer base. Credit risk assessments are performed when signing up new customers and regular credit control reviews are performed to monitor the collection of debt

(ii) **Liquidity risk**

The company actively monitors that it has sufficient funds for operations as part of the Xchanging plc group's cash management policies. The company does not currently make use of any financing arrangements but this will be continually reviewed as the business develops and matures

**Director's report
for the year ended 31 December 2011 (continued)****Key performance indicators (KPI)**

The board measures the company's progress based on the KPI's below

	2011	2010	Definition, method of calculation and analysis
Growth in sales (%)	(33)	(25)	Fall in sales due to difficult economic conditions and reduced staffing
Operating margin (%)	(6)	3	Operating margin is the ratio of operating profit to sales expressed as a percentage Fall is due to a decline in sales in 2011

Results and dividends

The company's loss after tax for the year was £90,000 (2010 profit after tax £34,000) No dividends were paid or are proposed (2010 £nil)

Directors

The directors who held office during the year and up to the date of signing the financial statements were

Name	Appointed	Resigned
D Bauernfeind		30/06/2011
P Byrne		21/12/2011
I Baxter		17/06/2011
A Bligh	20/02/2012	

Statement of disclosure of information to auditors

The director of the company, in office at the time of approval of this report, acknowledges that so far as the director is aware

- there is no relevant audit information of which the company's auditors are unaware, and
- he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

**Director's report
for the year ended 31 December 2011 (continued)**

Statement of director's responsibilities

The director is responsible for preparing the Director's report and the financial statements in accordance with applicable law and regulations

Company law requires the director 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 director 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 director is required to

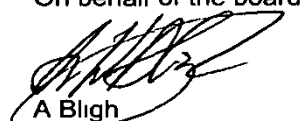
- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is 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. He is 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

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office. The company has elected to dispense with the requirement to appoint auditors annually, therefore, in the absence of a notice proposing that the appointment be terminated, PricewaterhouseCoopers LLP will continue as auditors to the company.

On behalf of the board


A Bligh
Director
Date 8th May 2012

Independent auditors' report to the members of XCHANGING ADVISORY SERVICES LIMITED

We have audited the financial statements of Xchanging Advisory Services Limited for the year ended 31 December 2011 which comprise the profit and loss account, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the statement of director's responsibilities set out on page 4 the director is 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 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.

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.

Scope of the audit of the 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. 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 31 December 2011 and of the company's loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice,
- and have been prepared in accordance with the requirements of the Companies Act 2006

XCHANGING ADVISORY SERVICES LIMITED

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Independent auditors' report to the members of XCHANGING ADVISORY SERVICES LIMITED

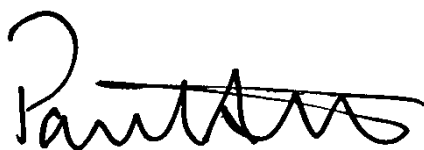
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements

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 by the company, or returns adequate for our audit have not been received from branches not visited by us, or
- the company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of director's remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Paul Aitken (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London 9/5/2012

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Profit and Loss Account for the year ended 31 December 2011

	Notes	2011 £'000	2010 £'000
Turnover	2	1,516	2,257
Operating costs	3	<u>(1,601)</u>	<u>(2,183)</u>
Operating (loss)/profit		(85)	74
Interest receivable and similar income	6	<u>-</u>	<u>5</u>
(Loss)/profit on ordinary activities before taxation		(85)	79
Tax on (loss) / profit on ordinary activities	7	(5)	(45)
(Loss)/profit for the financial year		<u>(90)</u>	<u>34</u>

The company had no gains or losses other than those included in the results above, therefore no separate statement of total recognised gains and losses has been presented

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

All results are in respect of continuing operations

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Balance sheet as at 31 December 2011

	Note	2011 £'000	2010 £'000
Fixed assets			
Tangible assets	8	3	5
		<u>3</u>	<u>5</u>
Current assets			
Debtors amounts falling due within one year	9	1,975	1,774
Cash at bank and in hand		1,002	1,623
		<u>2,977</u>	<u>3,397</u>
Creditors amounts falling due within one year	10	(692)	(1,095)
Net current assets		<u>2,285</u>	<u>2,302</u>
Total assets less current liabilities		<u>2,288</u>	<u>2,307</u>
Creditors amounts falling due after one year	11	(3)	(3)
Net assets		<u>2,285</u>	<u>2,304</u>
Capital and reserves			
Called up share capital	13	1	1
Profit and loss account	14	2,284	2,303
Total shareholders' funds	15	<u>2,285</u>	<u>2,304</u>

The financial statements on pages 7 to 17 were approved by the board of directors on 8th May 2012 and were signed on its behalf by


A Bligh
Director

Company Number. 05070182

Notes to the financial statements**for the year ended 31 December 2011 (continued)****1 Principal accounting policies**

The financial statements have been prepared in accordance with the Companies Act 2006 and applicable Accounting Standards in the United Kingdom. A summary of the more significant accounting policies, which, unless otherwise stated, have been applied consistently with the prior year, is set out below.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

Going concern

The director believes that preparing the accounts on the going concern basis is appropriate based on budgets and cash flow projections.

Turnover

Turnover represents amounts receivable for services provided in the normal course of business, net of trade rebates, value added tax and other sales related taxes. Turnover from the provision of technical services is recognised on a time and material basis.

Tangible fixed assets

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight-line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Computer equipment	33%
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Cash at bank and in hand

Cash includes cash in hand and demand deposits which are readily convertible to cash and are subject to minimal risk of changes in value. Cash held in foreign currencies is recognised at the exchange rate ruling on the balance sheet date, with any foreign exchange differences recognised in the profit and loss account.

Pensions

The costs of providing defined contribution pensions and related benefits are charged to the profit and loss account as incurred.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or a right to pay less, tax in the future have occurred at the balance sheet date. However, deferred tax assets are regarded as recoverable and therefore recognised, only when, on the basis of all available evidence, the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Notes to the financial statements

for the year ended 31 December 2011 (continued)

Deferred taxation (Continued)

Deferred tax is measured on a non-discounted basis at the rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Related party transactions

The company has taken advantage of the exemption available in FRS 8 not to disclose transactions with related parties that are 100% owned by the Xchanging plc group. All other related party transactions are disclosed in note 18.

Cash flow statement

The company is a wholly-owned subsidiary of Xchanging plc and is included in the consolidated financial statements of Xchanging plc, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1.

Foreign currencies

Transactions denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities are translated at the rates of exchange ruling on the balance sheet date and any differences arising are taken to the profit and loss account.

2 Turnover

The principal activity of the company is the provision of business support advisory services to insurers and brokers.

	2011 £'000	2010 £'000
Turnover by Destination:		
United Kingdom	1,430	1,631
Europe	-	191
Rest of World	86	435
	<u>1,516</u>	<u>2,257</u>

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Notes to the financial statements

for the year ended 31 December 2011 (continued)

3 Operating costs

Operating costs comprise:	2011	2010
	£'000	£'000
Staff costs:		
Wages and salaries	274	292
Social security costs	33	44
Share based payments	71	19
	<u>378</u>	<u>355</u>
Other operating costs	1,223	1,828
	<u>1,601</u>	<u>2,183</u>
Depreciation	2	1
Auditors' remuneration – audit services	<u>15</u>	<u>18</u>

4 Director emoluments

	2011	2010
	£'000	£'000
Director emoluments		
Aggregate emoluments	649	-
Amounts paid to related parties for directors services	-	62
	<u>649</u>	<u>62</u>

Included in director emoluments for the prior year were fees totalling £62,000 that were paid to another Xchanging group company during the year as the director was an employee of that Xchanging group company. No such fees were paid in 2011. Emoluments in the current year were all borne by the employing company of the directors. During the year no directors (2010: one director) exercised options over ordinary shares of Xchanging plc, the ultimate parent company (2010: 5p). There are no directors with retirement benefits accruing under defined contribution or defined benefit schemes.

Notes to the financial statements

for the year ended 31 December 2011 (continued)

5 Employees

The average number of persons (including executive directors) employed by the company during the year was

	2011 Number	2010 Number
By activity		
Service delivery	2	2
Administration	-	1
	<u>2</u>	<u>3</u>

6 Interest receivable and similar income

	2011 £'000	2010 £'000
Short term deposits	-	5
	<u>-</u>	<u>5</u>

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Notes to the financial statements

for the year ended 31 December 2011 (continued)

7 Tax charge on profit on ordinary activities

	2011 £'000	2010 £'000
Current tax:		
UK corporation tax on profits of the year	(21)	40
Total current tax	(21)	40
Deferred tax:		
Reversal of temporary differences	26	5
Total deferred tax (note 12)	26	5
Total tax charge for the current year	5	45

The current tax assessed for the year is higher than (2010 higher than) the standard rate of corporation tax in the UK (26.5%) (2010 28%). The differences are explained below

	2011 £'000	2010 £'000
(Loss) / profit on ordinary activities before tax	(85)	79
(Loss) / profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 26.5% (2010 28.0%)	(23)	22
Adjustments in respect of prior years	(17)	13
Expenses not deductible for tax purposes	19	-
Performance share plan	-	5
Current tax (credit)/charge for the year	(21)	40

The Finance Act 2011, which was substantively enacted on 5 July 2011, included legislation reducing the main rate of corporation tax to 25 per cent from 1 April 2012. Further reductions to the main rate are proposed to reduce the rate to 23 per cent by 1 April 2014. These further changes had not been substantively enacted at the balance sheet date and are therefore not included in these Financial Statements.

Deferred tax liabilities have not been discounted

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Notes to the financial statements

for the year ended 31 December 2011 (continued)

8 Tangible fixed assets

	Computer equipment £'000	Total £'000
Cost		
At 1 January 2011	7	7
Additions	-	-
At 31 December 2011	7	7
Accumulated depreciation		
At 1 January 2011	2	2
Charge for the year	2	2
At 31 December 2011	4	4
Net book value		
At 31 December 2010	5	5
At 31 December 2011	3	3

9 Debtors: amounts falling within one year

	2011 £'000	2010 £'000
Trade debtors	-	23
Amounts owed by group undertakings	1,969	1,599
Other debtors	-	98
Deferred tax (note 12)	1	5
Corporation tax	4	-
Prepayments and accrued income	1	49
	1,975	1,774

Amounts owed by group undertakings are unsecured, interest free and repayable on demand

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Notes to the financial statements

for the year ended 31 December 2011 (continued)

10 Creditors: amounts falling due within one year

	2011 £'000	2010 £'000
Trade creditors	-	55
Amounts owed to group undertakings	412	461
Group relief payable	-	345
Taxation and social security	214	169
Corporation tax	-	19
Accruals and deferred income	66	46
	<u>692</u>	<u>1,095</u>

Amounts owed to group undertakings are unsecured, interest free and are repayable on demand

11 Creditors: amounts falling due after one year

	2011 £'000	2010 £'000
Tax and social security	<u>3</u>	<u>3</u>

12 Deferred Tax

	2011 £'000	2010 £'000
Deferred tax asset comprises:		
Reversal of temporary differences	<u>1</u>	<u>5</u>
Deferred tax asset at end of year	<u>1</u>	<u>5</u>
 At 1 January	5	10
Prior year adjustment	22	-
Amount charged to the profit and loss (note 7)	(26)	(5)
Deferred tax asset at 31 December	<u>1</u>	<u>5</u>

There is no unprovided deferred tax (2010 £nil)

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Notes to the financial statements

for the year ended 31 December 2011 (continued)

13 Called up share capital

	2011 £'000	2010 £'000
Authorised		
1,000 (2010 1,000) ordinary shares of £1 each	<u>1</u>	<u>1</u>
Allotted, and fully paid		
1,000 (2010 1,000) ordinary shares of £1 each	<u>1</u>	<u>1</u>

14 Profit and loss account

	£'000
At 1 January 2010	2,303
Retained loss for the financial year	(90)
Share options	71
At 31 December 2011	<u>2,284</u>

15 Reconciliation of movements in equity shareholder's funds

	2011 £'000	2010 £'000
Opening equity shareholder's funds	2,304	2,251
Retained loss for the financial year	(90)	34
Share options	71	19
Closing equity shareholder's funds	<u>2,285</u>	<u>2,304</u>

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Notes to the financial statements

for the year ended 31 December 2011 (continued)

16 Share based payments

An award has been granted under the Performance Share Plan to one employee of the company (2010 – one). Under the terms of the scheme, conditional awards of shares in Xchanging plc are granted, which will vest at the end of the three year performance. Full details of the scheme are outlined in the accounts of Xchanging plc, the ultimate parent company.

17 Parent undertaking and ultimate controlling party

Xchanging Advisory Services Limited is a wholly owned subsidiary of Xchanging Insurance Professional Services Ltd, a company incorporated in the United Kingdom.

The ultimate parent company is Xchanging plc, a company incorporated in England and Wales. The results of Xchanging Advisory Services Limited are included in the Xchanging plc consolidated financial statements, copies of which may be obtained from Xchanging plc, 34 Leadenhall Street, London, EC3A 1AX, United Kingdom. Xchanging plc is the only undertaking to include the results of the company in its consolidated financial statements.

18 Related party transactions

The companies set out below are considered to be related parties of the company as they all share the same ultimate controlling party, Xchanging plc.

The individual companies, together with a description of the nature of the services provided by the company and the amount receivable in respect of each at 31 December 2011, are set out in the table below.

Related Party	Services provided by the company	Revenue		Receivable	
		2011	2010	2011	2010
		£'000	£'000	£'000	£'000
Xchanging Ins-sure Services Group	- Secondees	-	509	-	284
Xchanging Claims Services Group	- Secondees and other recharges	-	27	-	6
Xchanging Broking Services	- Secondees	-	116	-	40