

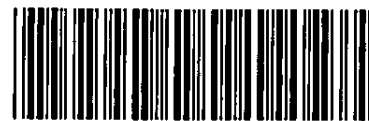
Registered no 05070182

XCHANGING ADVISORY SERVICES LIMITED

Annual Report

for the year ended 31 December 2009

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XCHANGING ADVISORY SERVICES LIMITED

Annual Report for the year ended 31 December 2009

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Directors and advisors

Directors

D Bauernfeind
I Baxter

Registered office

34 Leadenhall Street
London
EC3A 1AX

Independent auditors

PricewaterhouseCoopers LLP
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 2009

The directors present their report and the audited financial statements of the company for the year ended 31 December 2009

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 profits of £313,000 (2008 £776,000) for the year and sales of £3,013,000 (2008 £3,966,000)

The level of business did not meet management's expectations, and a more focussed strategy has been determined for the coming year to improve this and the year end financial position. Therefore the directors are expecting the level of activity to grow over the next year

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 2009 (continued)

Key performance indicators

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

	2009	2008	Definition, method of calculation and analysis
Growth in sales (%)	(24)	3	Fall in sales due to difficult economic conditions
Operating margin (%)	10	19	Operating margin is the ratio of operating profit to sales expressed as a percentage Fall is due to a decline in sales in 2009

Results and dividends

The company's profit after tax for the year was £225,000 (2008 £554,000) No dividends were paid or are proposed (2008 £nil)

Directors

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

Name	Appointment Date	Resignation Date
G Bell		30 April 2009
S Beard		27 February 2009
G Lightfoot	30 April 2009	17 November 2009
D Bauernfeind	30 April 2009	
I Baxter	17 November 2009	

Statement of disclosure of information to auditors

Each 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/she has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information

Director's Report for the year ended 31 December 2009 (continued)

Statement of directors' responsibilities in respect of the annual report and the financial statements

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

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

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- 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 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.

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.

By order of the board



I Baxter
Director
26 March 2010

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 2009 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 Directors' Responsibilities the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit 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.

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 2009 and of the company's 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

**Independent Auditors' Report to the members of
XCHANGING ADVISORY SERVICES LIMITED (continued)**

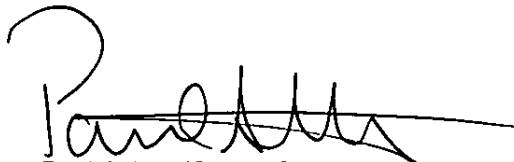
Opinion on other matter prescribed by the Companies Act 2006

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

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 directors' 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
26 March 2010

Profit and Loss Account for the year ended 31 December 2009

	Notes	Year ended 31 December 2009 £'000	Year ended 31 December 2008 £'000
Turnover	2	3,013	3,966
Operating costs	3	<u>(2,715)</u>	<u>(3,212)</u>
Operating profit		298	754
Interest receivable and similar income	6	<u>15</u>	<u>22</u>
Profit on ordinary activities before taxation		313	776
Tax on profit on ordinary activities	7	<u>(88)</u>	<u>(222)</u>
Profit for the financial year		<u>225</u>	<u>554</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

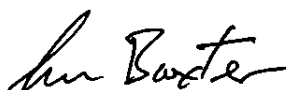
There is no material difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents

All results are in respect of continuing operations

Balance Sheet as at 31 December 2009

	Notes	2009 £'000	2008 £'000
Fixed assets			
Tangible assets	8	1	1
		<u>1</u>	<u>1</u>
Current assets			
Debtors: amounts falling due within one year	9	3,075	2,960
Cash at bank and in hand		<u>1,066</u>	<u>661</u>
		4,141	3,621
Creditors amounts falling due within one year	10	<u>(1,886)</u>	<u>(1,601)</u>
Net current assets		2,255	2,020
Total assets less current liabilities		2,255	2,021
Creditors: amounts falling due after one year	11	<u>(4)</u>	<u>(3)</u>
Net assets		<u>2,251</u>	<u>2,018</u>
Capital and reserves			
Called up share capital	13	1	1
Profit and loss reserve	14	<u>2,250</u>	<u>2,017</u>
Equity shareholder's funds	15	<u>2,251</u>	<u>2,018</u>

The financial statements on pages 7 to 17 were approved by the board of directors on 26 March 2010 and were signed on its behalf by



I Baxter
Director

Xchanging Advisory Services Limited

Company number 05070182

Notes to the financial statements for the year ended 31 December 2009

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 directors believe that preparing the accounts on the going concern basis is appropriate based on budgets and cash flow projections.

Turnover

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

Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any direct costs of acquisition.

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 and cash equivalents

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 2009 (continued)

Principal accounting policies (continued)

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

All turnover was contributed to by the company's principal activity within the United Kingdom.

Contributions to turnover by geographical destination are

	2009 £'000	2008 £'000
United Kingdom	2,060	2,118
Europe	406	1,848
Rest of World	547	-
	<u>3,013</u>	<u>3,966</u>

Notes to the financial statements for the year ended 31 December 2009 (continued)

3 Operating costs

Operating costs comprise:	2009	2008
	£'000	£'000
Staff costs:		
Wages and salaries	1,005	728
Social security costs	133	87
Share based payments	9	28
	<u>1,147</u>	<u>843</u>
Other operating costs	1,568	2,369
	<u>2,715</u>	<u>3,212</u>
 Operating profit is stated after charging:		
Depreciation	-	1
Impairment of trade receivables	-	-
Auditors' remuneration – audit services	18	18
	<u>18</u>	<u>18</u>

4 Directors' emoluments

	2009	2008
	£'000	£'000
Directors' emoluments		
Aggregate emoluments	150	150
Amounts paid to related parties for directors services	13	8
	<u>163</u>	<u>158</u>

Included in directors emoluments above are fees totalling £13,000 (2008 £8,000) that were charged by another Xchanging group company during the year as the directors are employees of that Xchanging group company. During the year no director exercised options over 5p ordinary shares of Xchanging plc, the ultimate parent company (2008 1). 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 2009 (continued)

5 Employees

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

	2009 Number	2008 Number
By activity		
Service delivery	4	4
Selling and distribution	1	1
Administration	1	1
	<u>6</u>	<u>6</u>

6 Interest receivable and similar income

	2009 £'000	2008 £'000
Bank interest	15	22
	<u>15</u>	<u>22</u>

Notes to the financial statements for the year ended 31 December 2009 (continued)

7 Tax charge on profit on ordinary activities

	2009 £'000	2008 £'000
Current tax		
UK corporation tax on profits of the year	90	230
Total current tax	90	230
Deferred tax		
Reversal of temporary differences	(2)	(8)
Total deferred tax	(2)	(8)
Total tax charge for the current year	88	222

The current tax assessed for the period is higher than (2008 higher than) the standard rate of corporation tax in the UK (28%) (2008 28.5%). The differences are explained below

	2009 £'000	2008 £'000
Profit on ordinary activities before tax	313	776
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2008 28.5%)	88	222
Short term temporary differences	2	8
Current tax charge for the year	90	230

The standard rate of corporation tax in the UK changed from 30% to 28% with effect from 1 April 2008. Accordingly the company's profits for the year ended 31 December 2008 were taxed at an effective rate of 28.5%.

Deferred tax has been calculated using a tax rate of 28% (2008 28%).

Notes to the financial statements for the year ended 31 December 2009 (continued)

8 Tangible fixed assets

	Computer equipment £'000	Total £'000
Cost		
At 1 January 2009	2	2
At 31 December 2009	2	2
Depreciation		
At 1 January 2009	1	1
At 31 December 2009	1	1
Net book amount		
At 31 December 2009	1	1
At 31 December 2008	1	1

9 Debtors: amounts falling due within one year

	2009 £'000	2008 £'000
Trade debtors	-	150
Amounts owed by group undertakings	2,849	2,399
Other debtors	36	18
Deferred tax (note 12)	10	8
Corporation tax	147	80
Prepayments and accrued income	33	305
	3,075	2,960

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

Notes to the financial statements for the year ended 31 December 2009 (continued)

10 Creditors: Amount falling due within one year

	2009 £'000	2008 £'000
Trade creditors	-	13
Amounts owed to group undertakings	987	1,133
Group relief payable	514	281
Taxation and social security	66	-
Other creditors	7	9
Accruals and deferred income	312	165
	<u>1,886</u>	<u>1,601</u>

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

11 Creditors: Amounts falling due after more than one year

	2009 £'000	2008 £'000
Tax and social security	<u>4</u>	<u>3</u>

12 Deferred tax

	2009 £'000	2008 £'000
Deferred tax asset comprises:		
Reversal of temporary differences and transfer pricing	10	8
Deferred tax asset at end of year	<u>10</u>	<u>8</u>
At 1 January	8	-
Amount credited to the profit and loss (note 7)	2	8
Deferred tax asset at 31 December	<u>10</u>	<u>8</u>

There is no unprovided deferred tax (2008 £nil)

Notes to the financial statements for the year ended 31 December 2009 (continued)

13 Called up share capital

	2009 £'000	2008 £'000
Authorised		
1000 (2008 1000) Ordinary shares of £1 each	<u>1</u>	<u>1</u>
Allocated, called up and fully paid		
1000 (2008 1000) Ordinary shares of £1 each	<u>1</u>	<u>1</u>

14 Reserves

	Profit and loss reserve £'000
At 1 January 2009	2,017
Retained profit for the financial year	225
Share options	8
At 31 December 2009	<u>2,250</u>

15 Reconciliation of movements in equity shareholder's funds

	2009 £'000	2008 £'000
Opening equity shareholder's funds	2,018	1,439
Profit for the financial year	225	554
Share options	8	25
Closing equity shareholder's funds	<u>2,251</u>	<u>2,018</u>

Notes to the financial statements for the year ended 31 December 2009 (continued)

16 Share based payments

An award has been granted under the Performance Share Plan to one director of the company (2008 – 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 accounts, copies of which may be obtained from Xchanging plc, 13 Hanover Square, London, W1S 1HN, United Kingdom. Xchanging plc is the only undertaking to include the results of the company in its consolidated accounts.

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 2009, are set out in the table below.

Related Party	Services provided by the company	Revenue		Receivable	
		2009	2008	2009	2008
		£'000	£'000	£'000	£'000
Xchanging Ins-sure Services Group	- Secondees	486	349	38	150
Xchanging Claims Services Group	- Secondees and other recharges	403	646	40	139
Xchanging Broking Services	- Secondees	523	493	43	45