

EXCHANGE FS LIMITED
(formerly The Insurance Trading Exchange Limited)
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2000

Company Number: 2596452



Exchange FS Limited

**FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2000**

INDEX	PAGE
Directors' report	2 - 3
Statement of directors' responsibilities	4
Auditors' report	5
Profit and loss account	6
Balance sheet	7
Notes to the financial statements	8-15

Exchange FS Limited

DIRECTORS' REPORT

The directors present their report and the audited financial statements of the company for the six month period from 1 January to 30 June 2000.

Principal activity

The company is principally engaged in facilitating the development of electronic trading in the insurance industry.

Going concern

The directors have received written confirmation from the parent company, Exchange FS Group PLC, that it intends to provide such financial support to the company as is necessary, for the foreseeable future, and at least for the next 12 months to enable it to continue in operation without any significant curtailment and to meet its liabilities as they fall due.

Review of business and future developments

On 1 January 2000 the trade and assets of FS Connexions UK Limited and on 1 April 2000 the trade and assets of Homepages Limited were transferred to Exchange FS Limited.

On 27 December 2000 the company's ownership was transferred from eX Holdings Limited to the group's parent company Exchange FS Group PLC. The company also sold its consumer online services business to Great Western Financial Services Limited on this date.

On 16 February 2001 the company changed its name from The Insurance Trading Exchange Limited to Exchange FS Limited.

On 1 November 2001, Exchange FS Group PLC was acquired by Marlborough Stirling PLC, which became the ultimate parent entity from this date.

The profit and loss account for the period is set out on page 6. Continued growth in quote volumes was as a result of further growth in the active user base and the introduction of new services.

The directors are satisfied with the performance of the company during the period and are confident of the company's future prospects.

Results and dividends

During the period the company made a loss after tax of £ 9,520,265 (year ended 31 December 1999: £7,377,048). The directors do not recommend the payment of a dividend (year ended 31 December 1999: £nil).

Development

The company continued its development of new services and products for the insurance industry.

Exchange FS Limited

DIRECTORS' REPORT (continued)

Directors and their interests

The directors who held office during the period and up to the date of signing this report are given below:

Name	Date Appointed	Date Resigned
P J Lindsey	24 May 1991	31 March 2001
P J Lindsey	30 October 2001	
D W Chislett	3 February 1998	
N C Phillips	3 February 1998	
N J Prestwich	3 February 1998	31 March 2001
N J Prestwich	30 October 2001	
M Catherall	16 September 1998	
J Sansom	15 October 1998	30 November 2001
D R Hill	21 May 1999	6 September 2000
C W Jones	21 May 1999	17 May 2001
N J Mitchell	21 May 1999	3 May 2000
G Harrison-Dees	1 April 2001	30 November 2001
G M Whitmore	1 April 2001	
C R Croft	2 April 2001	30 November 2001
J J Gaskin	30 April 2001	
G Coxell	30 November 2001	
D Edwards	30 November 2001	
A P Fritchie	30 November 2001	
D R Gales	30 November 2001	
A B Klim	30 November 2001	
D Power	30 November 2001	

None of the directors above hold any interest in the company. Exchange FS Limited is a wholly owned subsidiary of Exchange FS Group plc. The interests of the directors in the shares of the ultimate parent company are shown that company's financial statements.

Auditors

The auditors PricewaterhouseCoopers have indicated their willingness to continue in office and a resolution that they be reappointed will be put to the members at the Annual General Meeting

Exchange FS Limited

DIRECTORS' REPORT
(continued)

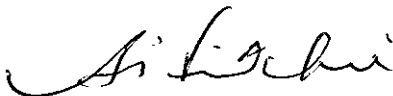
Statement of Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period that 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 those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable 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 proper accounting records that 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 1985. 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.

By order of the board and signed on its behalf by



A P Fritchie
Secretary

28 January 2002

Exchange FS Limited

**AUDITORS' REPORT TO THE MEMBERS OF
EXCHANGE FS LIMITED**

We have audited the financial statements on pages 6 to 15.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 4, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 30 June 2000 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
West London

28 January 2002

Exchange FS Limited

**PROFIT AND LOSS ACCOUNT
FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2000**

	Notes	Six months ended 30/06/00 £	Year ended 31/12/99 £
Turnover		9,421,665	17,764,265
Cost of sales		(5,126,697)	(8,309,164)
Gross profit		4,294,968	9,455,101
Operating expenses		(13,152,028)	(15,875,668)
Operating loss		(8,857,060)	(6,420,567)
Interest receivable and similar income		23,989	52,284
Interest payable and similar charges	3	(687,194)	(1,008,765)
Loss on ordinary activities before taxation		(9,520,265)	(7,377,048)
Tax on loss on ordinary activities	5	-	-
Loss for the financial period transferred to reserves	13	(9,520,265)	(7,377,048)

All activities are derived from continuing operations.

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2000**

	Notes	Six months ended 30/06/00 £	Year ended 31/12/99 £
Loss on ordinary activities after taxation		(9,520,265)	(7,377,048)
Prior year adjustment	6	-	2,058,015
Total gains and losses recognised		(9,520,265)	(5,319,033)

The notes on pages 8 to 15 form part of these financial statements.

Exchange FS Limited

BALANCE SHEET AS AT 30 JUNE 2000

	Notes	30/06/00 £	31/12/99 £
FIXED ASSETS			
Intangible assets	7	2,626,105	2,799,255
Tangible assets	8	2,180,312	1,151,094
		<u>4,806,417</u>	<u>3,950,349</u>
CURRENT ASSETS			
Debtors	9	6,843,734	4,205,683
Cash at bank and in hand		294,623	815,165
		<u>7,138,357</u>	<u>5,020,848</u>
Creditors: amounts falling due within one year	10	(21,290,296)	(8,796,454)
NET CURRENT LIABILITIES		<u>(14,151,939)</u>	<u>(3,775,606)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(9,345,522)</u>	<u>174,743</u>
Creditors: amounts falling due after more than one year	11	(7,640,830)	(7,640,830)
NET ASSETS		<u>(16,986,352)</u>	<u>(7,466,087)</u>
CAPITAL AND RESERVES			
Called up share capital	12	10,000	10,000
Profit and loss account	13	(16,996,352)	(7,476,087)
Equity Shareholders funds		<u>(16,986,352)</u>	<u>(7,466,087)</u>

The financial statements on pages 6 to 15 were approved by the board of directors on 28 January 2002 and were signed on its behalf by

.....  Director

D Gales

The notes on pages 8 to 15 form part of the financial statements.

Exchange FS Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2000

1. Accounting policies

These financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards. Group financial statements have not been presented as the company is a wholly owned subsidiary of Exchange FS Group plc, a company incorporated in Great Britain and registered in England and Wales, and as such is exempt under section 228 of the Companies Act 1985, as amended by the Companies Act 1989. The financial results of the company are included in the financial statements of Exchange FS Group plc for the year ended 31 December 2000.

a) Turnover

Turnover represents the invoiced value of sales made by the company to third parties during the period net of value added tax and is adjusted to include annual subscriptions and similar turnover on a straight-line basis. Revenue not currently recognised under this policy is classified as deferred income in the balance sheet. License revenues are recognised upon delivery if no significant vendor obligations remain.

b) Depreciation

Depreciation is provided at rates calculated to write off the cost of each asset over its expected life on a straight line basis as follows:

Computer equipment (excluding network servers)	50% per annum
Network servers	33% per annum
Fixtures and fittings	20% per annum

c) Intangible fixed assets

Intellectual property rights are recorded at purchased cost and amortised over their useful economic lives of 10 years.

Purchased goodwill is capitalised and written off on a straight line basis over its useful economic life of 10 years.

d) Development expenditure

Expenditure in respect of development and enhancement of services is written off in the period in which it is incurred.

e) Deferred taxation

Deferred taxation is provided using the liability method in respect of all timing differences to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

f) Leased assets

Rentals applicable to operating leases where substantially all of the risks and rewards of ownership remain with the lessor are charged against profits as incurred.

g) Investments

Investments are included at cost less amounts written off.

h) Financial instruments

The group does not use derivatives to manage its exposure to interest rates. Financial instruments are recognised in the balance sheet at historical cost with long term instruments discounted to their present value. Income and expenses arising from financial instruments are recognised as and when they are earned or fall due.

Exchange FS Limited

1. Accounting policies (continued)

i) Contributions to pension funds

The company operates a defined contribution scheme.

The pension costs charged against profits represent the amount of contributions payable to the scheme in respect of the accounting period.

j) Cash flow statement

The company has taken advantage of the exemption from preparing a cash flow statement under the provisions of Financial Reporting Standard No. 1 as it is ultimately a wholly owned subsidiary of a parent undertaking, which is itself required to prepare a consolidated cash flow statement and whose financial statements are publicly available.

2. Turnover and loss on ordinary activities before taxation

Turnover and loss on ordinary activities for the period arose entirely from the company's principal activity within the United Kingdom.

The loss on ordinary activities is stated after charging/(crediting):

	Six months ended 30/06/00 £	Year ended 31/12/99 £
Staff costs (note 4)	4,292,784	5,890,759
Auditors' remuneration – audit services	45,000	49,963
Auditors' remuneration – other services	24,000	22,685
Depreciation of owned tangible fixed assets	548,248	933,217
Amortisation of goodwill and intellectual property rights	173,150	346,300
Loss/(profit) on sale of fixed assets	108,490	(1,029)
Operating lease rentals	419,054	763,042

3. Interest

a) Interest receivable and similar income

	Six months ended 30/06/00 £	Year ended 31/12/99 £
Bank interest receivable	23,989	52,284

b) Interest payable and similar charges

	Six months ended 30/06/00 £	Year ended 31/12/99 £
Amounts owed to group undertakings	(687,194)	(1,008,765)

Exchange FS Limited

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2000
(continued)**

4. Directors and employees

Staff costs during the period were as follows:

	Six months ended 30/06/00 £	Year ended 31/12/99 £
Wages and salaries	3,658,477	4,998,839
Social security costs	423,244	550,991
Other pension costs	211,063	340,929
	<u>4,292,784</u>	<u>5,890,759</u>

The average number of employees during the period was:

	No.	No.
Management and administration	36	33
Business development	36	27
Product development	31	16
Customer support	98	74
	<u>201</u>	<u>150</u>

Remuneration in respect of directors was as follows:

	Six months ended 30/06/00 £	Year ended 31/12/99 £
Emoluments	506,591	790,217
Fees	127,000	208,034
Pension contributions	40,207	52,752
	<u>673,798</u>	<u>1,051,003</u>

The amount above includes remuneration in respect of the highest paid director as follows:

	Six months ended 30/06/00 £	Year ended 31/12/99 £
Emoluments	-	233,585
Fees	127,000	-
Pension contributions	-	17,707

During the period 8 (year ended 31 December 1999:4) directors participated in the group's money purchase schemes. The highest paid director does not participate in the company pension schemes.

No director was granted or exercised share options during the period.

Exchange FS Limited

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2000
(continued)**

5. Tax on loss on ordinary activities

	30/06/00 £	31/12/99 £
Corporation tax charge for the period at 30% (1999: 30.25%)	-	-
Unrecognised deferred tax consists of:		
Capital allowances	621,435	422,540
Tax losses	4,297,040	1,719,942
Other	40,669	20,180
	<u>4,959,144</u>	<u>2,162,662</u>

6. Prior year adjustment

Financial Reporting Standard (FRS) No.12 "Provisions, Contingent Liabilities and Contingent Assets" became effective for accounting periods ending on or after 23 March 1999. The effect on continuing operation of implementing this accounting policy was to reduce provision and to reduce trading loss for the prior year by £2,058,015 and to increase the value of reserves at 1 January 1999 by £2,058,018. The prior year adjustment has had no tax effect.

7. Intangible fixed assets

	Intellectual Property Rights £	Purchased Goodwill £	Total £
Cost			
At 1 January 2000 and 30 June 2000	<u>2,000,000</u>	<u>1,462,996</u>	<u>3,462,996</u>
Amortisation			
At 1 January 2000	383,333	280,408	663,741
Provided in the period	100,000	73,150	173,150
At 30 June 2000	<u>483,333</u>	<u>353,558</u>	<u>836,891</u>
Net book value at 30 June 2000	<u>1,516,667</u>	<u>1,109,438</u>	<u>2,626,105</u>
Net book value at 31 December 1999	<u>1,616,667</u>	<u>1,182,588</u>	<u>2,799,255</u>

Exchange FS Limited

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2000
(continued)

8. Tangible fixed assets

	Fixtures & Fittings £	Computer Equipment £	Total £
Cost			
At 1 January 2000	700,239	2,941,464	3,641,703
Additions	1,212,501	290,798	1,503,299
Transfers from other group companies	14,465	104,261	118,726
Disposals	-	(20,519)	(20,519)
At 30 June 2000	<u>1,927,205</u>	<u>3,316,004</u>	<u>5,243,209</u>
Depreciation			
At 1 January 2000	500,210	1,990,399	2,490,609
Transfers from other group companies	6,692	35,461	42,153
Provided in the period	76,053	472,195	548,248
Eliminated on disposals	-	(18,113)	(18,113)
At 30 June 2000	<u>582,955</u>	<u>2,479,942</u>	<u>3,062,897</u>
Net book value at 30 June 2000	<u>1,344,250</u>	<u>836,062</u>	<u>2,180,312</u>
Net book value at 31 December 1999	<u>200,029</u>	<u>951,065</u>	<u>1,151,094</u>

9. Debtors

	30/06/00 £	31/12/99 £
Trade debtors	1,892,997	2,653,845
Amounts owed by group undertakings	1,158,887	333,626
Other debtors	872,694	47,209
Prepayments and accrued income	2,919,156	1,171,003
	<u>6,843,734</u>	<u>4,205,683</u>

Prepayments and accrued income include £57,269 (31 December 1999: £41,649) falling due after more than one year. Amounts owed by group undertakings are unsecured and have no fixed date of repayment.

10. Creditors: amounts falling due within one year

	£	£
Trade creditors	1,273,983	1,465,945
Amounts due to group undertakings	14,042,091	1,838,493
Taxation and social security	306,288	233,137
Accruals and deferred income	5,667,934	5,258,879
	<u>21,290,296</u>	<u>8,796,454</u>

The amounts due to group undertakings are unsecured and have no fixed date of repayment.

Exchange FS Limited

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2000
(continued)

11. Creditors: amounts falling due after more than one year

	30/06/00	31/12/99
	£	£
Amounts due to group undertakings	<u>7,640,830</u>	<u>7,640,830</u>

The amounts due to group undertakings are unsecured, bearing interest at rates agreed between the companies.

12. Called up share capital

	£	£
Authorised, allotted, called up and fully paid		
6,700 ordinary A shares of £1 each	6,700	6,700
3,300 ordinary B shares of £1 each	<u>3,300</u>	<u>3,300</u>
	<u>10,000</u>	<u>10,000</u>

13. Profit and loss account

	£
As at 1 January 2000	(7,476,087)
Loss for the period	<u>(9,520,265)</u>
As at 30 June 2000	<u>(16,996,352)</u>

14. Reconciliation of movements in shareholders' funds

	30/06/00	31/12/99
	£	£
Loss for the period	(9,520,265)	(7,377,048)
Net decrease in shareholders' funds	<u>(9,520,265)</u>	<u>(7,377,048)</u>
Shareholders' funds as at 1 January 2000	(7,466,087)	(89,039)
Shareholders' funds as at 30 June 2000	<u>(16,986,352)</u>	<u>(7,466,087)</u>

Exchange FS Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2000 (continued)

15. Pensions

The company operates a defined contribution pension scheme for the benefit of the employees and directors. The assets of the scheme are administered by trustees in a fund independent from those of the company. In addition, the company contributes to senior executive personal pension plans. The amount charged against profits represents the contributions payable to these funds in respect of the accounting period and amounted to £211,063 (year ended 31 December 1999: £335,631). Outstanding contributions of £82,991 (31 December 1999: £46,395) are included in period end creditors.

16. Leasing commitments

At 30 June 2000 the company had annual commitments under non-cancellable operating leases expiring as follows:

	30/06/00		31/12/99	
	Land and Buildings £	Other £	Land and Buildings £	Other £
In one year or less	13,000	57,294	173,961	27,832
Between one and five years	-	301,916	26,000	278,366
In five years or more	213,194	-	213,194	-
	<u>226,194</u>	<u>359,210</u>	<u>413,155</u>	<u>306,198</u>

17. Other commitments

The company has entered into agreements, which expire over the next year, to secure certain network carrier and facility management services under which minimum payments are required. The amounts which will fall due are negotiable each year in advance. The amounts payable within one year are £1,500,000 (31 December 1999: £2,000,000).

18. Related party transactions

The immediate parent company at period end was eX Holdings Limited. The ultimate parent company during the period was Exchange FS Group plc (formerly Moneyextra plc), which is incorporated in England and Wales.

The company has taken advantage of the exemption from additional disclosures required by FRS 8 ("Related Party Transactions") of transactions and balances with group companies as it is a wholly owned subsidiary of Exchange FS Group plc (formerly Moneyextra plc). Copies of Exchange FS Group plc consolidated financial statements can be obtained from Munro House, Portsmouth Road, Cobham, Surrey KT11 1TE.

Exchange FS Limited

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2000
(continued)**

19. Subsequent events

On 16 February 2001, the company changed its name from The Insurance Trading Exchange Limited to Exchange FS Limited.

On 27 December 2000, the ownership of the company was transferred from eX Holdings Limited to the group's parent company Exchange FS Group PLC.

On 1 November 2001, Exchange FS Group PLC was acquired by Marlborough Stirling PLC, which became the ultimate parent entity of the company from that date.