Exchange FS Limited

Directors' report and financial statements

Six Months Ended 31 December 2001

Registered number 2596452

Exchange FS Limited

Directors' report and financial statements

Contents	Page

Directors' report for the six months ended 31 December 2001

The directors present their report and the audited financial statements of the company for the six months ended 31 December 2001.

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, Marlborough Stirling 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 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

The company's loss for the period was £712,449 (year ended 30 June 2001: £7,930,652 profit). The directors do not recommend the payment of a dividend (year ended 30 June 2001: £nil).

Research and development

The development of new services and products for the insurance industry is an integral part of the company's business and the company continues to develop in response to user demand and changes in software technology. All such costs are written off to the profit and loss account as incurred.

Directors' report for the six months ended 31 December 2001 (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	
P J Lindsey	Appointed 30 October 2001; Resigned 10 July 2002	*
D W Chislett	Resigned 16 July 2002	
N C Phillips	Resigned 14 June 2002	
N J Prestwich	Appointed 30 October 2001 Resigned 31 May 2002	*
M Catherall	Resigned 12 July 2002	
J Sansom	Resigned 30 November 2001	
G Harrison-Dees	Resigned 30 November 2001	
C R Croft	Resigned 30 November 2001	
J J Gaskin	Resigned 31 December 2001	
G M Whitmore		
G Coxell	Appointed 30 November 2001	
D Edwards	Appointed 30 November 2001	
A P Fritchie	Appointed 30 November 2001	
D R Gales	Appointed 30 November 2001	
A B Klim	Appointed 30 November 2001	
D Power	Appointed 30 November 2001	

* Non-executive directors

None of the directors above hold any interest in the company. At 31 December 2001, Exchange FS Limited was a wholly owned subsidiary of Exchange FS Group plc. On 1 November 2001, Exchange FS Group plc was acquired by Marlborough Stirling plc, which became the ultimate parent entity from this date.

The interests of Messrs Whitmore, Coxell, Gales, Klim and Power who are directors of the ultimate parent company, Marlborough Stirling plc, are shown in the annual report of that company.

Messrs, Lindsey, Chislett, Phillips, Prestwich and Fritchie had no interest in the shares of the company or any other company within the Marlborough Stirling plc group.

Mr M Catherall holds 171,750 (30 June 2001: nil) ordinary shares of 1p each in Marlborough Stirling plc and had no interests in the shares of any other company within the Marlborough Stirling plc group.
Mr D Edwards holds 250 (30 June 2001: nil) ordinary shares of 1p each in Marlborough Stirling plc and had no interests in the shares of any other company within the Marlborough Stirling plc group.

Share options held under the Marlborough Stirling plc share option scheme for Messrs Whitmore, Coxell, Gales, Klim and Power who are directors of the ultimate parent company, Marlborough Stirling plc, are shown in the annual report of that company.

Messrs Lindsey, Chislett, Phillips and Prestwich had no options held under the Marlborough Stirling plc share option scheme at 31 December 2001.

Directors' report for the six months ended 31 December 2001 (continued)

Directors and their interests (continued)

Share options held under the Marlborough Stirling plc share option scheme for Messrs Edwards and Fritchie are set out below:

	Exercise price	Date of grant	Number at 1 July 2001	Issued in year	Exercised in period	Number at 31 December 2001
D Edwards	£0.140	23 February 1998	315,000	-	-	315,000
	£0.140	25 November 1998	261,900	-	-	261,900
	£0.190	23 February 1998	161,700	-	-	161,700
	£0.255	25 November 1998	391,020	-	-	391,020
	£1.100	5 April 2000	400,000	-	-	400,000
A P Fritchie	£0.190	23 February 1998	181,770	-	-	181,770
	£0.255	25 November 1998	333,620	-	-	333,620
	£1.100	5 April 2000	503,630	-	-	503,630
	£2.000	16 January 2001	250,000	-	-	250,000
M Catherall	£2.6458	30 June 2000	11,338	-	-	11,338
	£2.6458	30 June 2000	15,591	-	-	15,591
	£1.0862	27 December 2000	26,929	-	-	26,929
	£0.7102	29 June 2001	26,929	-	-	26,929

Creditor payment policy

It is the Company's policy to pay suppliers in accordance with their agreed terms and conditions. Such terms and conditions are agreed with the supplier in advance of each transaction type and the Company aims to comply with such terms once satisfactory performance or service or receipt of goods is achieved. At 31 December 2001 trade creditors of £417,365 (30 June 2001: £1,019,008) represented 54 days' purchases (30 June 2001: 20 days), calculated in accordance with the Companies Act 1985.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution to reappoint PricewaterhouseCoopers as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board and signed on its behalf by

x GMWhitmore x

G M Whitmore
Director

Date: 4/11/02

Allen Jones House
Jessop Avenue
Cheltenham
Gloucestershire
GL50 3SH

Statement of Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and of the profit and loss of the Company for that period. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently with the exception of the changes arising on the adoption of new accounting standards in the year as explained on page 9 under Note 1 'Accounting policies'. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the period ended 31 December 2001 and that applicable accounting standards have been followed.

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

G M Whitmore
Director

Date: 4/11/02

Allen Jones House
Jessop Avenue
Cheltenham
Gloucestershire
GL50 3SH

Independent Auditors' report to the members of Exchange FS Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board.

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 Companies Act 1985. 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 directors 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 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 31 December 2001 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Uxbridge

Date:

Profit and loss account for the six months ended 31 December 2001

	Note	**Six months ended 31 December 2001 £**	Year ended 30 June 2001 £
Turnover	2	**11,227,213**	20,893,636
Cost of sales		**(1,952,694)**	(8,328,451)
Gross profit		**9,274,519**	12,565,185
Administrative expenses		**(9,148,122)**	(20,220,849)
Operating profit	3	**126,397**	7,655,664
Profit on termination and sale of operations	3	**54,846**	15,211,298
Net interest payable	4	**(365,618)**	(1,144,902)
Loss/(profit) on ordinary activities before taxation	3	**(184,375)**	6,410,732
Tax on profit on ordinary activities	6	**(528,074)**	1,519,920
Retained profit for the financial period	15	**(712,449)**	7,930,652

There are no recognised gains or losses in either period other than the results shown above.

There is no difference between the profit on ordinary activity before taxation and the retained profit for the periods stated above and their historical cost equivalents.

Balance sheet as at 31 December 2001

	Note	31 December 2001		30 June 2001	
		£	£	£	£
Fixed assets					
Intangible assets	7		-		2,279,805
Tangible assets	8		**808,222**		1,393,546
			808,222		3,673,351
Current assets					
Debtors	9	**5,458,137**		7,407,650	
Cash at bank and in hand		**1,352,645**		1,429,780	
			6,810,782		8,837,430
Creditors: Amounts falling due within one year	11		**(4,391,459)**		(9,125,650)
Net current assets / (liabilities)			**2,419,323**		(288,220)
Total assets less current liabilities			**3,227,545**		3,385,131
Creditors: Amounts falling due after more than one year	12		**(10,612,568)**		(12,440,831)
Provisions for liabilities and charges	13		**(2,383,126)**		-
Net liabilities			**(9,768,149)**		(9,055,700)
Capital and reserves					
Called up share capital	14		**10,000**		10,000
Profit and loss account	15		**(9,778,149)**		(9,065,700)
Equity shareholders' funds			**(9,768,149)**		(9,055,700)

The financial statements on pages 6 to 19 were approved by the board of directors and were signed on its behalf by:

x GMW Whitmore x

G M Whitmore
Director

Date 4/11/02

Reconciliation of movements in shareholders' funds for the six months ended 31 December 2001

	Six months ended 31 December 2001 £	Year ended 30 June 2001 £
Profit for the financial period	**(712,449)**	7,930,652
Net addition to shareholders' funds	**(712,449)**	7,930,652
Shareholders' funds as at 1 July	**(9,055,700)**	(16,986,352)
Closing shareholders' funds	**(9,768,149)**	(9,055,700)

Notes to the financial statements

1 Accounting policies

These financial statements are prepared under the historical cost convention. The principal accounting policies set out below have been applied consistently and in accordance with applicable accounting standards.

The company has complied with the requirements of FRS18 – Accounting Policies and this has not resulted in a change in accounting policy.

Basis of preparation

The company is a wholly owned subsidiary of Marlborough Stirling plc and is included in the consolidated financial statements of Marlborough Stirling 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 (revised 1996).

The company is also exempt under the terms of FRS 8 from disclosing related party transactions with entities that are part of the Marlborough Stirling plc group or investees of the group.

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. Licence revenues are recognised upon delivery if no significant vendor obligations remain

Intangible 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.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation.

Depreciation is provided at rates calculated so as to write off the cost, less the estimated residual value of each asset over its estimated useful life on a straight line basis, as follows:

Computer equipment	-	3 years
Fixtures and fittings	-	5 years

Following the acquisition of the Exchange FS Group plc, the company's parent undertaking, by Marlborough Stirling plc on 1 November 2001, depreciation rates were amended to bring these into line with those of Marlborough Stirling plc. The effect on the charge for the period is not material.

Notes to the financial statements (continued)

1 Accounting policies (continued)

Development expenditure

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

Leasing and hire purchase commitments

When the company enters into a lease, which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account and the capital element which reduces the outstanding obligation for future instalments.

All the other leases are accounted for as operating leases and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

Deferred taxation

Provision is made for deferred taxation on all material timing differences. Deferred tax assets are recognised where their recovery is considered more likely than not.
Deferred tax assets and liabilities have not been discounted.

Provisions

Provisions for liabilities are made on the basis that the business has a constructive or legal obligation arising from a past event.

Pension costs

The company makes contributions to defined contribution pension schemes on behalf of its employees. The amount charged against profits represents the contributions payable in respect of the accounting period.

Financial instruments

The group does not use derivatives to manage its exposure to interest rates. Financial instruments are recognised in the balance sheet at historic 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.

2 Turnover

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

All of the company's turnover is classified as FSA regulated.

Notes to the financial statements (continued)

3a) Profit on ordinary activities

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

	Six months ended 31 December 2001 £	Year ended 30 June 2001 £
Staff costs (note 5)	**3,588,517**	9,121,643
Auditors' remuneration – audit services	**45,000**	6,000
Auditors' remuneration – other services	**24,000**	-
Depreciation of owned tangible fixed assets	**656,104**	942,305
Amortisation of goodwill and intellectual property rights	**115,433**	346,300
Impairment of goodwill and intellectual property rights	**2,164,372**	-
Re-organisation costs	**1,126,951**	-
(Profit)/loss on sale of fixed assets	**(20,336)**	279,671
Operating lease rentals	**892,514**	1,813,504

3b) Profit on termination and sale of operations

	Six months ended 31 December 2001 £	Year ended 30 June 2001 £
Consideration	**300,000**	25,400,000
Cost of investment	**-**	(8,632,511)
Disposal and termination costs	**(200,000)**	(1,341,221)
Net assets disposed	**(45,154)**	(214,970)
Net profit on termination and sale of operations	**54,846**	15,211,298
Net tax attributable to profit on termination and sale	**-**	-

The profit on termination and sale of operations relates to the disposal of the Company's insurance business. In the prior period the exceptional item relates to the sale of the Consumer channel business and the termination of the Homepages business.

Notes to the financial statements (continued)

4 Net interest payable

	Six months ended 31 December 2001 £	Year ended 30 June 2001 £
Bank interest receivable	**23,594**	60,955
Interest payable to group undertakings	**(389,212)**	(1,205,857)
Net interest payable and similar charges	**(365,618)**	(1,144,902)

5 Directors' emoluments and staff costs

The emoluments of Messrs Whitmore, Coxell, Gales, Klim and Power are paid by the ultimate parent company, Marlborough Stirling plc, and are disclosed in that company's financial statements. The emoluments of Messrs Fritchie and Edwards are paid by Marlborough Stirling Group plc, a fellow subsidiary company, which makes no recharge to the company. The emoluments of the remaining directors for services to Exchange FS Limited are as follows:

	Six months ended 31 December 2001 £	Year ended 30 June 2001 £
Aggregate emoluments	**451,443**	681,296
Fees	**53,789**	54,545
Company contributions to money purchase schemes	**19,506**	36,134
	524,738	771,975

Retirement benefits accrued to 5 (year ended 30 June 2001: 9) directors under defined contribution schemes. No directors were granted or exercised share options in the company or received shares under long-term incentive schemes during the year. Details of share options in respect of Marlborough Stirling plc are disclosed in the Directors' report.

Highest paid director

	Six months ended 31 December 2001 £	Year ended 30 June 2001 £
Aggregate emoluments	**155,037**	213,442
Fees	-	-
Company contributions to money purchase schemes	**7,650**	6,971
	162,687	220,413

Notes to the financial statements (continued)

5 Directors' emoluments and staff costs (continued)

Staff numbers and costs

The average number of persons employed by the company (including directors) during the period analysed by category was as follows:

	Number of employees	
	Six months ended 31 December 2001 £	Year ended 30 June 2001 £
Management and administration	**41**	44
Business development	**23**	36
Product development	**19**	26
Customer support	**91**	100
	174	206

The aggregate payroll costs (including directors' emoluments) of these persons were as follows:

	Six months ended 31 December 2001 £	Year ended 30 June 2001 £
Wages and salaries	**3,071,712**	7,772,470
Social security costs	**336,042**	887,708
Pension costs	**180,763**	461,465
	3,588,517	9,121,643

Notes to the financial statements (continued)

6 Tax on profit on ordinary activities

	Six months ended 31 December 2001 £	Year ended 30 June 2001 £
Corporation tax charge for the period at 30% (2000: 30%)	-	-
Deferred tax (charge)/credit	**(528,074)**	1,519,920
	(528,074)	1,519,920
Unprovided deferred tax assets of £4,510,873 (2000: £4,217,445) comprise		
Carried forward tax losses	**4,510,873**	4,217,445

The company may receive or provide group relief to fellow group undertakings in the future. Unprovided carried forward tax losses represent restricted tax losses that the group currently does not anticipate utilising.

7 Intangible Fixed Assets

	Intellectual property rights £	Purchased goodwill £	Total £
Cost			
At 1 July 2001 and 31 December 2001	2,000,000	1,462,996	3,462,996
Amortisation			
At 1 July 2001	683,333	499,858	1,183,191
Provided in the period	66,667	48,766	115,433
Impairment charge	1,250,000	914,372	2,164,372
At 31 December 2001	2,000,000	1,462,996	3,462,996
Net book value			
At 31 December 2001	-	-	-
At 30 June 2001	1,316,667	963,138	2,279,805

The impairment of intangible fixed assets relate to the write off of these assets upon the acquisition of Exchange FS Group plc by Marlborough Stirling plc, the company's ultimate parent.

Notes to the financial statements (continued)

8 Tangible Fixed Assets

	Fixtures & Fittings £	Computer equipment £	Total £
Cost			
At 1 July 2001	1,432,110	2,322,654	3,754,764
Additions	9,033	104,913	113,946
Disposals	(23,411)	(445,181)	(468,592)
At 31 December 2001	1,417,732	1,982,386	3,400,118
Depreciation			
At 1 July 2001	330,430	2,030,788	2,361,218
Provided in the period	499,421	156,683	656,104
Eliminated on disposal	(6,781)	(418,645)	(425,426)
At 31 December 2001	823,070	1,768,826	2,591,896
Net book value			
At 31 December 2001	**594,662**	**213,560**	**808,222**
At 30 June 2001	1,101,680	291,866	1,393,546

9 Debtors

	31 December 2001 £	30 June 2001 £
Debtors falling due within one year:		
Trade debtors	**2,150,774**	2,714,725
Amounts owed by group undertakings	**1,712,174**	551,767
Other debtors	**40,011**	151,255
Prepayments and accrued income	**563,332**	2,469,983
Deferred taxation (note 10)	**991,846**	1,519,920
	5,458,137	7,407,650

Notes to the financial statements (continued)

10 Deferred taxation

	31 December 2001 £	30 June 2001 £
At 1 July	**1,519,920**	-
(Charged) / credited in the current period	**(528,074)**	1,519,920
	991,846	1,519,920
The deferred tax asset at 31 December comprises:		
Accelerated capital allowances	**830,041**	451,645
Tax losses	**161,805**	1,067,645
	991,846	1,519,920

Unprovided deferred tax (note 6), all relating to tax losses, at 31 December 2001 amounted to £4,510,873 (30 June 2001: £4,217,445).

11 Creditors: amounts falling due within one year

	31 December 2001 £	30 June 2001 £
Trade creditors	**417,365**	1,019,008
Amounts due to group undertakings	**-**	2,398,864
Taxation and social security	**1,000,002**	261,370
Accruals and deferred income	**2,974,092**	5,446,408
	4,391,459	9,125,650

12 Creditors: amounts falling due after more than one year

	31 December 2001 £	30 June 2001 £
Amounts due to group undertakings	**10,440,830**	12,440,831
Accruals and deferred income	**171,738**	-
	10,612,568	12,440,831

Amounts due to group undertakings included in creditors falling due after more than one year represent a loan from the parent company, Exchange FS plc. There is no fixed repayment schedule and the loan bears interest at rates agreed between the companies.

Notes to the financial statements (continued)

13 Provisions for liabilities and charges

	31 December 2001 £	30 June 2001 £
Property provisions (i)	**1,427,851**	-
Other provisions (ii)	**955,275**	-
	2,383,126	-

Property provisions (i)	£
At 1 July 2001	-
Charge to profit and loss account	**1,427,851**
At 31 December 2001	**1,427,851**

Property provisions relate to leasehold dilapidations and onerous leases and are expected to be utilised within the next year.

Other provisions (ii)	£
At 1 July 2001	-
Charge to profit and loss account	**955,275**
At 31 December 2001	**955,275**

Other provisions relate to various harmonisation and re-organisation costs and are expected to be utilised within the next year.

14 Called up share capital

	31 December 2001 £	30 June 2001 £
Authorised, allotted, called up and fully paid		
6,700 (30 June 2001: 6,700) A ordinary shares of £1 each	**6,700**	6,700
3,300 (30 June 2001: 3,300) B ordinary shares of £1 each	**3,300**	3,300
	10,000	10,000

Notes to the financial statements (continued)

15 Reserves

	Profit and loss account £
At 1 July 2001	(9,065,700)
Profit for the period	(712,449)
At 31 December 2001	(9,778,149)

16 Financial commitments

	31 December 2001		30 June 2001	
	Land and buildings £	Other £	Land and buildings £	Other £
Operating leases which expire:				
In less than one year	-	67,387	-	64,709
In the second to fifth years inclusive	-	260,171	-	161,690
Over five years	374,334	6,090	374,334	-
	374,334	333,648	374,334	226,399

17 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 £642,228 (year ended 30 June 2001: £461,465). Outstanding contributions of £15,055 (30 June 2001: £47,367) are included in period end creditors.

18 Related party transactions

The company has taken advantage of the exemption available under FRS 8 - "Related party disclosures" not to disclose transactions or balances with other wholly owned group companies as it is a wholly owned subsidiary of Marlborough Stirling plc.

Notes to the financial statements (continued)

19 Ultimate parent company

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

On 1 November 2001, Exchange FS Group plc was acquired by Marlborough Stirling plc, also incorporated in England and Wales, which became the ultimate parent entity from this date.

These financial statements were consolidated into Marlborough Stirling plc financial statements, copies of which can be obtained from the Company Secretary at Allen Jones House, Jessop Avenue, Cheltenham GL50 3SH.