

EXCHANGE MORTGAGES LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD FROM INCORPORATION ON 19th JANUARY 1999
TO 31ST DECEMBER 1999

Company Number: 03697097



Exchange Mortgages Limited

DIRECTORS' REPORT

The directors present their annual report, together with the financial statements for the year ended 31st December 1999.

The Company was incorporated on 19th January 1999. Accordingly these financial statements cover the period from 19th January 1999 to 31st December 1999.

The issued share capital was acquired by Exchange FS Group plc on 12th October 1999. During the above financial year the Company has not traded and there has been no income or expenditure and therefore no change in the Company's position has arisen.

Directors

The directors who served during the year were:

	Date of Appointment	Date of Resignation
London Law Services Limited	19 th January 1999	11 th March 1999
P J Lindsey	11 th March 1999	-
J A Sansom	11 th March 1999	-

The directors' interests in the Company's holding company Exchange FS Group plc are:

P J Lindsey	24,588,720 ordinary shares of 1p each
J A Sansom	320,000 ordinary shares of 1p each

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:

Exchange Mortgages Limited

DIRECTORS' REPORT (continued)

- 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for maintaining 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 for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

In accordance with sections 250 and 388A of the Companies Act 1985, a resolution has been passed to dispense with the requirement to appoint an auditor due to the dormant status of the Company.

By order of the board



C R Croft
Secretary

.....15/11/2001.....~~2000~~

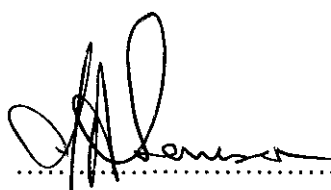
Exchange Mortgages Limited

BALANCE SHEET AS AT DECEMBER 31ST 1999

	Note	1999 £
CURRENT ASSETS		
Debtors	3	<u>2</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2</u>
CAPITAL AND RESERVES		
Called up share capital		<u>2</u>

The accounts were approved by the Directors on15/1/2001.....~~2000~~

The company remained dormant throughout 1999.


.....Director
J A Sansom

The notes on page 5 form part of these financial statements.

Exchange Mortgages Limited

CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31ST 1999

	Note	1999 £
NET CASH OUTFLOW FROM OPERATING ACTIVITIES		-
NET CASH OUTFLOW BEFORE FINANCING		-
DECREASE IN CASH AND CASH EQUIVALENTS		-

The notes on page 5 form part of these financial statements.

Exchange Mortgages Limited

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of financial statements

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

2. Employees and directors

There were no employees during the year.

The director did not receive any remuneration directly for their services to Exchange Mortgages Limited (1999 £nil).

	1999
3. Debtors	£
Amounts due from group undertakings	<u>2</u>
4. Share Capital Authorised	
Ordinary shares of £1 each	<u>100</u>
	<u>100</u>
Allotted, issued and fully paid	
Ordinary shares of £1 each	<u>2</u>
	<u>2</u>

5. Holding Company

The Company's holding company is Exchange FS Group plc, a company incorporated in Great Britain and registered in England.