

INTERMEDIATION GROUP LIMITED

Company No. 3245756

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31ST DECEMBER 1999



Intermediation Group Limited

Company Information

Directors

Mr P.D. Ashdown-Barr
Mr J.D. Gunner
Mr F. Varela
Mr D.M. Mills

Secretary

BBR Secretaries Limited

Registered Office

128 Cheapside
London
EC2V 6BT

Intermediation Group Limited

Report of the Directors

The directors have pleasure in presenting their report and financial statements for the year ended 31st December 1999.

Principal activity and business review

The principal activity of the company throughout the year was that of dispute resolution services.

During the above period, the company was actively engaged in preparing the building blocks for launching its ADR services. In particular it was developing its systems, building contracts in the market and actively talking to groups of investors who recognised the great value of ADR, the unique makeup of InterMediation's approach and the commitment of the people behind it.

We are very pleased to report that the company has since successfully concluded a private investment Placing (see note 10 to the financial statements) and has undergone a formal public launch. Its activities have attracted considerable attention within the legal media, as well as the attention of the national media and government.

The company commenced trading in November 1999 and has since attracted a panel of over 100 accredited mediators. These mediators have many years of experience between them which gives the company a deep resource in delivering ADR services. InterMediation has since gained accreditation from the Law Society for Mediator training from the Market ADR Commitment (MAC) for conducting ADR in Professional Negligence claims. It was also selected by the Law Society Commerce and Industry Group as national partner for 2000 and has been invited to renew this partnership for 2001.

The company looks forward to continuing to develop its services into profitable income streams, and to increasing both the awareness and use of ADR by a wider public.

Results and dividend

The results for the year are set out on page 3.

The directors do not recommend the payment of a dividend as the funds of the company are fully employed.

Share Capital

On 22nd November 1999, the ordinary shares of £1 each were subdivided into 100 'A' ordinary shares of 1 pence each.

Directors and their interests

The directors who served the company throughout the year together with their interests (including family interests) in the shares of the company, at the beginning and end of the year, were as follows:

| | 'A' Ordinary shares of 1p each 31st December 1999 | Ordinary shares of £1 each 31st December 1998 |
|---|---|---|
| Mr P.D. Ashdown-Barr | 85,000 | 1,000 |
| Mr J.D. Gunner | - | - |
| Mr F. Varela (appointed 22nd November 1999) | 5,000 | - |
| Mr D.M. Mills (appointed 5th November 1999) | 10,000 | - |
| Mr K. Brown (resigned 25th February 1999) | - | - |

By Order of the Board

Mr P.D. Ashdown-Barr
Director

128 Cheapside
London
EC2V 6BT

Date: 31st January 2001

Intermediation Group Limited

Directors' Responsibilities and Report of the Auditors

Statement of Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial year which 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 and prepare the financial statements on a going concern basis unless it is inappropriate to assume that the company will continue in business.

The directors are responsible for keeping proper accounting records which 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.

Auditors' Report to the Members of Intermediation Group Limited

We have audited the financial statements on pages 3 to 7 which have been prepared under the historical cost convention and the accounting policies set out on page 5.

Respective Responsibilities of Directors and Auditors

As described above the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of 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.

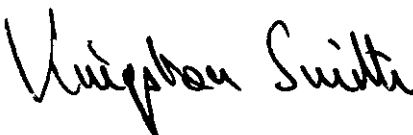
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with significant evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

Going Concern

In forming our opinion, we have considered the adequacy of the disclosures made in note 1 of the financial statements concerning the company's reliance on new income streams and the provision of working capital by a director. In view of the significance of these we consider that they should be drawn to you attention, but our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31st December 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Kingston Smith
Chartered Accountants
and Registered Auditors

Devonshire House
60 Goswell Road
London EC1M 7AD

Date: 31st January 2001

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500-359

Intermediation Group Limited
Profit and Loss Account
For the year ended 31st December 1999

| | Note | 1999 £ | 1998 £ |
|---|------|------------------------|-----------------------|
| Administrative expenses | 3 | <u>(28,105)</u> | <u>(9,543)</u> |
| (Loss) on ordinary activities before taxation | | (28,105) | (9,543) |
| Taxation | | <u>-</u> | <u>-</u> |
| Retained (loss) transferred from reserves | 8 | <u><u>(28,105)</u></u> | <u><u>(9,543)</u></u> |

All amounts relate to continuing activities.

There are no recognised gains or losses in the year other than the loss for the year.

Intermediation Group Limited

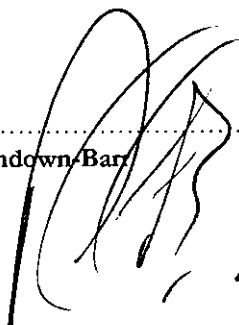
Balance Sheet at 31st December 1999

| | Note | 1999 £ | 1999 £ | 1998 £ | 1998 £ |
|---|------|------------------|-----------------|-----------------|-----------------|
| Fixed Assets | | | | | |
| Investments | 4 | | 99 | | 99 |
| Current Assets | | | | | |
| Debtors | 6 | 91,732 | | 2,866 | |
| Cash at bank and in hand | | <u>12,414</u> | | <u>-</u> | |
| | | 104,146 | | 2,866 | |
| Creditors: Amounts falling due within one year | 7 | <u>(152,329)</u> | | <u>(22,944)</u> | |
| Net Current Liabilities | | | <u>(48,183)</u> | | <u>(20,078)</u> |
| | | | <u>(48,084)</u> | | <u>(19,979)</u> |
| Capital and Reserves | | | | | |
| Called up share capital | 8 | | 1,000 | | 1,000 |
| Profit and loss account - equitable interest | 8 | | <u>(49,084)</u> | | <u>(20,979)</u> |
| Shareholders' Funds | | | <u>(48,084)</u> | | <u>(19,979)</u> |

Approved by the board on

31-01-01

.....
Mr P.D. Ashdown-Bar
Director



Intermediation Group Limited

Notes to the Financial Statements

For the year ended 31st December 1999

1 Basis of Preparing the Financial Statements

The company meets its day to day working capital requirements through proceeds of a placement received in February 2000, as explained in note 10 on post balance sheet events.

The company is actively developing the new income streams as set out in the business review within the Directors' Report. In addition, the company has a written commitment from its director and shareholder, Peter Ashdown-Barr, to provide sufficient working capital for at least twelve months from the date of approval of the directors' report and until further notice. On the basis of the above, the directors consider it appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from insufficient income streams or working capital.

2 Principal Accounting Policies

Accounting basis and standards

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

Group accounts

It is the policy of the company to take advantage of the exemptions conferred by section 248 of the Companies Act 1985 from preparing group accounts.

Investments

Investments are included at cost. Profits or losses arising from disposals of fixed asset investments are treated as part of the result from ordinary activities.

Deferred taxation

Deferred tax is accounted for under the liability method in respect of the taxation effects of all timing differences which are expected to reverse in the future, calculated at the rate at which it is estimated that tax will be payable.

Research and development

Research and development expenditure is written off in the year in which it is incurred.

Development expenditure incurred on an individual project is carried forward when its future recoverability can be foreseen with reasonable assurance. Any expenditure carried forward is amortised in line with the sales from the related project.

3 Operating Profit

| | 1999 £ | 1998 £ |
|--|-----------|-----------|
| Operating profit is stated after charging: | | |
| Auditors remuneration | 1,000 | - |

4 Investments

| | Shares in Group Undertakings £ |
|---|--------------------------------------|
| Cost | |
| At 31st December 1998 and at 31st December 1999 | 99 |
| Net Book Value | |
| At 31st December 1998 and at 31st December 1999 | 99 |

Intermediation Group Limited
Notes to the Financial Statements
For the year ended 31st December 1999 (continued)

5 Principal Fixed Asset Investments

The company holds more than 10% of the share capital of the following:

| Name | Country of Incorporation | Class of share | Proportion held | Nature of business |
|---|-----------------------------|-------------------|--------------------|-----------------------|
| <i>Principal subsidiary undertakings:</i> | | | | |
| Intermediation Limited | England | Ordinary | 99% | Consultants |

Financial Information summary - subsidiary undertakings:

| | Aggregate capital and reserves at last accounting date | Loss for the last financial year |
|------------------------|--|-------------------------------------|
| | £ | £ |
| Intermediation Limited | (55,637) | (46,746) |

6 Debtors

| | 1999 | 1998 |
|------------------------------------|---------------|--------------|
| | £ | £ |
| Amounts owed by group undertakings | 23,914 | - |
| Other debtors | 9 | 2,866 |
| Prepayments | 67,809 | - |
| | <u>91,732</u> | <u>2,866</u> |

7 Creditors: Amounts Falling Due Within One Year

| | 1999 | 1998 |
|------------------------------|----------------|---------------|
| | £ | £ |
| Trade creditors | 50,907 | - |
| Other creditors | 60,653 | 22,344 |
| Accruals and deferred income | 40,769 | 600 |
| | <u>152,329</u> | <u>22,944</u> |

8 Shareholders' Funds

| | Profit and Loss Account | Share Capital | Total |
|-----------------------|----------------------------|------------------|-----------------|
| 1999 | £ | £ | £ |
| At 1st January 1999 | (20,979) | 1,000 | (19,979) |
| Loss for the year | <u>(28,105)</u> | <u>-</u> | <u>(28,105)</u> |
| At 31st December 1999 | <u>(49,084)</u> | <u>1,000</u> | <u>(48,084)</u> |

Intermediation Group Limited
Notes to the Financial Statements
For the year ended 31st December 1999 (continued)

8 Shareholders' Funds (continued)

| | Profit and Loss Account | Share Capital | Total |
|-----------------------|----------------------------|------------------|-----------------|
| | £ | £ | £ |
| 1998 | | | |
| At 1st January 1998 | (11,436) | 1,000 | (10,436) |
| Loss for the year | (9,543) | - | (9,543) |
| | <u>(20,979)</u> | <u>-</u> | <u>(19,979)</u> |
| At 31st December 1998 | <u>(20,979)</u> | <u>1,000</u> | <u>(19,979)</u> |

The share capital comprises:

| | 1999 £ | 1998 £ |
|---|----------------|--------------|
| Authorised: | | |
| 5,000 Ordinary shares of £1 each | - | 5,000 |
| 500,000 'A' Ordinary shares of 1 pence each | 5,000 | - |
| 96,000 'B' Ordinary shares of £1 each | 96,000 | - |
| 200,000 Preference shares of £1 each | 200,000 | - |
| | <u>301,000</u> | <u>5,000</u> |
| Called up, allotted and fully paid | | |
| 1,000 Ordinary shares of £1 each | - | 1,000 |
| 100,000 'A' Ordinary shares of 1pence each | 1,000 | - |
| | <u>1,000</u> | <u>1,000</u> |

9 Controlling Party and Related Party Transactions

The company is controlled by Mr P.D. Ashdown-Barr by virtue of his shareholding. Included in other creditors is £60,653 (1998 - £22,344) owed to Mr P.D. Ashdown-Barr. *converted to loan*

10 Post Balance Sheet Events

In February 2000, the company issued shares for gross proceeds of £420,000. The expenses of the fundraising incurred to 31st December 2000 totalled £67,809, and will be charged against the share premium arising on the share issue. Accordingly these expenses have been included within creditors and prepayments for the purposes of these accounts.

Intermediation Group Limited

Management Information

based on the

Financial Statements

For the year ended

31st December 1999

Intermediation Group Limited
Trading and Profit and Loss Account
For the year ended 31st December 1999

| | 1999 £ | 1998 £ |
|-------------------------|------------------------|-----------------------|
| Administrative expenses | <u>(28,105)</u> | <u>(9,543)</u> |
| Operating (Loss) | <u><u>(28,105)</u></u> | <u><u>(9,543)</u></u> |

Intermediation Group Limited
Trading and Profit and Loss Account
For the year ended 31st December 1999

| | 1999 | 1998 |
|---|---------------|--------------|
| | £ | £ |
| Administrative Expenses | | |
| Travelling expenses | - | 364 |
| Accountancy | 3,500 | 2,000 |
| Printing, postage and stationery | 291 | 1,221 |
| Telephone | 339 | 74 |
| Rent | 5,333 | 401 |
| Company Formation Expense | - | - |
| Research and development cost written off | - | 3,349 |
| Sundry expenses | 4 | 90 |
| Subscriptions | 1,674 | 726 |
| Staff training | - | 978 |
| Legal and professional fees | 3,248 | 340 |
| Bank charge | 66 | - |
| Recruitment costs | 10,000 | - |
| Computer costs | 1,850 | - |
| Consulting | 1,800 | - |
| | <u>28,105</u> | <u>9,543</u> |