Company Registration Number 3348360

EXOR MANAGEMENT SERVICES LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 SEPTEMBER 2004

EXOR MANAGEMENT SERVICES LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2004

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Directors

P S Carter
J M Avis
P S J Macdonald
J Maynard
J A Morgan
M Wood
B C Hewitt

Secretary and registered office

S J Granger and M A Chambers, Innova House, 4 Kinetic Crescent, Enfield, EN3 7XH.

Company number

3348360

Auditors

BDO Stoy Hayward LLP, Prospect Place, 85 Great North Road, Hatfield, Herts, AL9 5BS.

EXOR MANAGEMENT SERVICES LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 30 SEPTEMBER 2004

The directors present their report together with the audited financial statements of the company for the year ended 30 September 2004.

PRINCIPAL ACTIVITIES AND OPERATIONAL REVIEW

The principal activity of the business is the provision of Accreditation Services to the UK Government marketplace. EXOR creates unique programmes for Public Sector Clients which identify the expenditure across all categories of procurement and all of the Companies with whom the Client has spent money. Those businesses are approached to join the accreditation programme managed by EXOR who then investigate the background and suitability of the business to meet the stringent criteria required by the Public Sector. The checks carried out include the financial stability of the company and a number of other non financial criteria including relevant Insurances and References. Once the businesses have passed the accreditation process they are published to a database available on-line to the Client; the system includes a query mechanism (EPASS) developed by EXOR to enable the Client to select Suppliers for future procurement needs based on accreditation, contract requirement and past performance. Uniquely, EXOR continues to monitor the conformance of the companies on its databases through the lifetime of their inclusion in the system.

EXOR is the only independent company providing this type of service in the UK Government Sector.

During the year significant progress has been made in the growth of the business, with revenues before income deferral exceeding £1 million for the first time. While the company continues to make trading losses as we invest in the future; significant continued growth is anticipated due to the extremely high level of activity within the Government sector as it prepares to meet the online targets set by Central Government. EXOR's accreditation programmes are recognised as being a fundamental first step in the successful deployment of e-government initiatives.

CHANGE IN ACCOUNTING POLICY

In November 2003, the Accounting Standards Board issued Application Note G Amendment to FRS5 'Reporting the substance of transactions': Revenue recognition. The provisions set out in the Application Note are mandatory for accounting periods ending on or after 23 December 2003.

The directors reviewed the previous accounting policy, which was to recognise revenue immediately a supplier passed (or failed) vetting and was invoiced. In the light of the Application Note the directors found that in respect of successful applicants there is a continuing obligation to provide a service over a contract period of which the invoiced amount normally represents twelve months, and income deferral is required, notwithstanding the 'no refunds' nature of the contract.

The directors considered whether the fee should be considered to contain separable elements operating independently, such that even for successful applicants an element equivalent to the fee charged to failed applicants should be recognised immediately, with the balance released over the ensuing twelve months. The directors decided that both simplicity, and the overriding requirement that income should be recognised over the period to which it relates, would be best served by a policy of deferring the full invoiced fee and releasing it evenly over the period to renewal.

Adoption of this new accounting policy of deferring revenue and recognising it evenly over the period of the contract has resulted in the restatement of reported turnover and losses in prior periods. The new policy is set out in Note 1 to these financial statements.

EXOR MANAGEMENT SERVICES LIMITED

REPORT OF THE DIRECTORS (Continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2004

RESULTS

The profit and loss account is set out on page 7 and shows the loss for the year. The profit and loss account reflects the effects of a change of accounting policy, as set out above.

DIRECTORS

The directors of the company during the year were:

P S Carter
J M Avis
P S J Macdonald
J Maynard
J A Morgan
M Wood

No director had any beneficial interest in the share capital of the company. P S Carter, J M Avis, J Maynard, J A Morgan and M Wood were also directors of the parent company The Exor Group Limited and their interests in the share capital of that company are shown in its financial statements. E J Finch was appointed a director of the company and of the parent company The Exor Group Limited on 24 March 2005 and resigned on 9 November 2005. B C Hewitt was appointed a director of the company and of the parent company The Exor Group Limited on 7 November 2005.

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 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 which disclose with reasonable accuracy at any time the financial position of the company and to 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

On 9 July 2004, the directors elected to dispense with the obligation to appoint auditors annually under section 386 of the Companies Act 1985 (as amended).

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

By order of the board

Secretary
S J Granger

Date: 15 November 2005

EXOR MANAGEMENT SERVICES LIMITED

REPORT OF THE INDEPENDENT AUDITORS

To the shareholders of Exor Management Services Limited

We have audited the financial statements of Exor Management Services Limited for the year ended 30 September 2004 on pages 7 to 16 which have been prepared under the accounting policies set out on page 9 to 10.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom 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.

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 with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 as at 30 September 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

BDO Stoy Hayward LLP

BDO STOY HAYWARD LLP
Chartered Accountants and Registered Auditors
Hatfield
Date: 16 November 2005

EXOR MANAGEMENT SERVICES LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 SEPTEMBER 2004

	Note	Year ended 30 September 2004 £	15 months ended 30 September 2003 (restated) £
TURNOVER	2	781,366	454,271
Cost of sales		(69,107)	(47,323)
GROSS PROFIT		712,259	406,948
Administrative expenses	3	(2,005,452)	(1,482,566)
		(1,293,193)	(1,075,618)
Other operating income – including exceptional income of £nil (2003: £224,621)	4	3,578	224,621
OPERATING LOSS	5	(1,289,615)	(850,997)
Interest receivable and similar income		8,490	8
Interest payable and similar charges	6	(4,682)	(14,517)
LOSS ON ORDINARY ACTIVITIES BEFORE AND AFTER TAX		(1,285,807)	(865,506)

All amounts relate to continuing activities.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 30 SEPTEMBER 2004

	Note	Year ended 30 September 2004 £	15 months ended 30 September 2003 (restated) £
LOSS FOR THE FINANCIAL YEAR		(1,285,807)	(865,506)
TOTAL RECOGNISED GAINS AND LOSSES FOR THE FINANCIAL YEAR		(1,285,807)	(865,506)
Prior year adjustment – change of accounting policy		(183,657)	
TOTAL GAINS AND LOSSES RECOGNISED SINCE LAST FINANCIAL STATEMENTS		(1,469,464)	

EXOR MANAGEMENT SERVICES LIMITED

BALANCE SHEET

AT 30 SEPTEMBER 2004

	Note	30 September 2004 £	30 September 2003 (restated) £
FIXED ASSETS			
Tangible assets	8	91,439	90,576
CURRENT ASSETS			
Debtors	9	131,076	184,385
Cash at bank		728,702	480,492
		859,778	664,877
CREDITORS: Amounts falling due within one year	10	(620,367)	(444,629)
NET CURRENT ASSETS		239,411	220,248
TOTAL ASSETS LESS CURRENT LIABILITIES		330,850	310,824
CREDITORS: Amounts falling due after more than one year	11	(12,383)	(37,448)
		318,467	273,376
ACCRUALS AND DEFERRED INCOME			
Deferred income		466,347	235,449
CAPITAL AND RESERVES			
Called-up share capital	12	83,177	83,177
Share premium account		567,647	567,647
Profit and loss account	13	(798,704)	(612,897)
EQUITY SHAREHOLDERS' FUNDS/(DEFICIT)		(147,880)	37,927
		318,467	273,376

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

These financial statements were approved by the Board on 15 November 2005

M Wood
Director

The notes on pages 9 to 16 form part of these financial statements.

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention, and on a going concern basis for the reasons stated in note 17.

The following principal accounting policies have been applied:

Turnover

Turnover, representing sales invoiced to external customers net of value added tax, is recognised in the profit and loss account only to the extent it has been earned. Income which relates to a term contract is deferred and released to profit and loss account evenly over the contract term.

As discussed in the directors' report, the deferral of all term contract revenue over the contract period represents a change of accounting policy. At the same time, the directors determined that it would assist users of the accounts for deferred income, including that relating to the second and subsequent years of term contracts extending beyond twelve months, which had previously been recognised as deferred income within creditors, to be separately identified on the face of the balance sheet, immediately before capital and reserves.

The effect of this change in accounting policy has been to reduce turnover and increase the loss before and after taxation for the year by £227,525 (effect on prior period - reduce turnover and increase loss before and after taxation by £99,041).

Depreciation

Depreciation is calculated so as to write off the cost, less estimated residual values, of all tangible fixed assets evenly over their expected useful lives. It is calculated at the following rates:

Leasehold improvements	-	20% straight line
Fixtures and fittings	-	25% straight line
Office equipment	-	25% - 33 1/3% straight line

Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership ('finance leases'), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term, the corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor. All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the period in use.

1. ACCOUNTING POLICIES (Continued)

Pension costs

Contributions to the group's defined contribution pension scheme are charged to the profit and loss account in the period in which they become payable.

2. TURNOVER

Turnover arises solely within the United Kingdom.

3. DIRECTORS' REMUNERATION

	Year ended 30 September 2004	15 months ended 30 September 2003
	£	£
Aggregate emoluments, pension contributions and amounts receivable under long term incentive schemes	248,943	225,833
Compensation for loss of office	-	60,000
Amounts paid to third parties in respect of directors' services	51,450	22,667

There were no directors in the company's group personal pension scheme during the year (2003 - none).

Emoluments of the highest paid director amounted to £119,769 (2003 - £69,000).

4. EXCEPTIONAL ITEM

During the 15 months ended 30 September 2003, the company realised £224,621 in exceptional income relating to the waiver by the company's directors of unpaid salaries and expenses which had been accrued in previous years.

5. OPERATING PROFIT

Operating profit is stated after charging:

	Year ended 30 September 2004	15 months ended 30 September 2003
	£	£
Depreciation of tangible fixed assets	36,154	27,584
Hire of other assets – operating leases	102,551	50,676
Auditors' remuneration – audit services	5,000	5,000

EXOR MANAGEMENT SERVICES LIMITED

NOTES FORMING PART OF THE ACCOUNTS (Continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2004

6. INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 30 September 2004	15 months ended 30 September 2003
	£	£
Bank loans and overdrafts	60	12,206
Finance leases and hire purchase contracts	4,622	2,311
	4,682	14,517

7. TAXATION

Taxation on loss on ordinary activities

	Year ended 30 September 2004	15 months ended 30 September 2003
	£	£
Current tax		
Tax on losses of the year	-	-

The tax assessed for the period is higher than the standard rate of corporation tax in the UK. The differences are explained below

	Year ended 30 September 2004	15 months ended 30 September 2003 (restated)
	£	£
Loss on ordinary activities before tax	(1,285,807)	(865,506)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 30% (2003 - 30%)	(385,742)	(259,652)
Effect of:		
Expenses not deductible for tax purposes	969	1,184
Depreciation for period in excess of capital allowances	10,847	8,276
Tax losses carried forward	373,826	250,192
Current tax charge for the period	-	-

The company has estimated losses of £3,450,000 (2003: £2,200,000) available to carry forward against future trading profits

EXOR MANAGEMENT SERVICES LIMITED

NOTES FORMING PART OF THE ACCOUNTS (Continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2004

8. TANGIBLE FIXED ASSETS

	Leasehold improvements	Fixtures and fittings	Office equipment	Total
	£	£	£	£
COST				
At 1 October 2003	36,133	13,791	103,463	153,387
Additions	-	8,929	28,090	37,019
At 30 September 2004	36,133	22,720	131,553	190,406
DEPRECIATION				
At 1 October 2003	4,222	5,251	53,338	62,811
Charge for the year	7,842	4,170	24,144	36,156
At 30 September 2004	12,064	9,421	77,482	98,967
NET BOOK VALUE				
At 30 September 2004	24,069	13,299	54,071	91,439
At 30 September 2003	31,911	8,540	50,125	90,576

The net book value of tangible fixed assets includes an amount of £50,867 (2003 - £71,172) in respect of assets held under finance leases and hire purchase contracts. The related depreciation charge on these assets for the period was £20,305 (2003 - £12,073).

9. DEBTORS

	30 September 2004	30 September 2003
	£	£
Trade debtors	12,937	2,958
Amounts owed by group undertakings and undertakings in which the company has a participating interest	85,722	166,000
Other debtors	32,417	15,427
	131,076	184,385

All amounts shown under debtors fall due for payment within one year.

EXOR MANAGEMENT SERVICES LIMITED

NOTES FORMING PART OF THE ACCOUNTS (Continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2004

10. CREDITORS: Amounts falling due within one year

	30 September 2004	30 September 2003 (restated)
	£	£
Payments received on account	383,475	159,976
Trade creditors	123,563	54,002
Taxation and social security	41,906	46,886
Obligations under finance lease and hire purchase contracts	25,065	25,065
Other creditors	46,358	158,700
	620,367	444,629

Obligations under finance lease and hire purchase contracts are secured on the underlying assets. During the year the company created an all monies debenture in favour of Barclays Bank plc. The amount so secured at the balance sheet date was £nil.

11. CREDITORS: Amounts falling due after more than one year

	30 September 2004	30 September 2003 (restated)
	£	£
Obligations under finance lease and hire purchase contracts	12,383	37,448

Obligations under finance lease and hire purchase contracts are secured on the underlying assets.

Maturity of debt:

	Finance leases 30 September 2004	Finance leases 30 September 2003 (restated)
	£	£
In one year or less, or on demand	25,065	25,065
In more than one year but not more than two years	12,383	25,065
In more than two years but not more than five years	-	12,383
	12,383	37,448

12. SHARE CAPITAL

Authorised share capital:

	30 September 2004 £	30 September 2003 £
Ordinary shares of £1.00 each	100,000	100,000
Allotted, called up and fully paid:		
Ordinary shares of £1.00 each	83,177	83,177

13. RESERVES

	Share premium account	Capital contribution reserve £	Profit and loss account £
At 1 October 2003 as previously stated	567,647	-	(429,240)
Prior year adjustment	-	-	(183,657)
At 1 October 2003 as restated	567,647		(612,897)
Retained (loss)/profit for the year	-	-	(1,285,807)
Capital contribution in the year	-	1,100,000	-
Transfers	-	(1,100,000)	1,100,000
Balance carried forward	567,647	-	(798,704)

The Exor Group Limited, the company's parent undertaking, made a capital contribution in the period of £1,100,000 (2003 - £1,965,092). This is considered by the directors to be distributable income, and has been transferred into the profit and loss account reserve.

14. PENSIONS

Employer's contributions charged for the period were £588 (2003 - £538), and the amount of contributions owed to the scheme at the period end was £nil (2003 - £nil).

15. COMMITMENTS UNDER OPERATING LEASES

The company had annual commitments under non-cancellable operating leases as set out below:

	30 September 2004 Land and buildings	30 September 2003 Land and buildings
Operating leases which expire:	£	£
Within one year	-	-
Within two to five years	108,750	-
After five years	-	108,750

16. RELATED PARTY DISCLOSURES

Loans and transactions concerning directors of the company:

	Other amounts owed	Amounts waived
30 September 2004	£	£
J M Avis	-	-
P S Carter	-	-
P S J Macdonald	-	-
M Wood	-	-
30 September 2003	£	£
J M Avis	302	41,796
P S Carter	662	40,940
C M Burnhams (resigned 4 July 2003)	-	59,754
P S J Macdonald	-	18,913
P J Wheeler (resigned 4 August 2003)	-	60,903
M Wood	1,546	-

The other amounts owed represent unpaid expenses. At 30 September 2003 the other amounts owed were payable by the company to the directors and were included within Other Creditors falling due within one year. The amounts waived represent accrued salaries and fees which were waived by the directors in the 15 months ended 30 September 2003. The related income is shown on the profit and loss account as an exceptional item.

17. GOING CONCERN

The financial statements have been prepared on a going concern basis, which is dependent on the continuing provision of financial support by the parent company, The Exor Group Limited, and assumes the company's continuing ability to operate within its committed banking facilities. The parent company has given a written undertaking to continue to provide financial support for the foreseeable future.

The company meets its day to day working capital requirements through an overdraft facility which has been guaranteed by the parent company's principal shareholder. The nature of the company's business is such that there can be considerable unpredictable variation in the timing of cash inflows. The directors have prepared and considered detailed cash flow projections. On the basis of the projected cash flow information and discussions with the company's bankers and the parent company's principal shareholder, the directors consider that the company will continue to operate within its banking facilities for a period of not less than 12 months from the date of signature of these financial statements.

As a result of the above, the directors consider it appropriate to prepare the financial statements on the going concern basis.

The financial statements do not include any adjustment that would result if the group were unable to operate within its banking facilities.

18. ULTIMATE PARENT COMPANY AND PARENT UNDERTAKING OF LARGER GROUP

The company is a subsidiary of The Exor Group Limited which is the ultimate parent company incorporated in the United Kingdom. The Exor Group Limited is the parent company of both the smallest and largest group of which the company is a member. In the opinion of the directors there is no ultimate controlling party of the company.