

**Exor Management Services Limited**

Report and Financial Statements

Period Ended

30 September 2003



**Exor Management Services Limited**

**Report and financial statements for the period ended 30 September 2003**

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**Directors**

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

**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 period ended 30 September 2003**

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The directors present their report together with the audited financial statements for the period ended 30 September 2003.

#### **Results**

The profit and loss account is set out on page 6 and shows the loss for the period.

The directors consider the company to be a going concern for the reasons set out below and in note 17.

#### **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.

This was a milestone period for the business with the conclusion of a strategic investment and equity participation by Barclays Ventures in January of 2003. Barclays' initial investment and two subsequent rounds of investment during the period have given EXOR access to significant capital in order fully to develop the company. The management participated in the funding.

The capital raised by the funding has been used to rebuild the infrastructure, moving into new offices in Enfield in February 2003, and establish a new organisation and business processes for the company. The Board has been restructured with two non executives; Jeremy Morgan from Barclays Ventures and Jeff Maynard as Chairman. A new CEO, Marc Wood also joined.

The 2002/2003 financial year was extended from the historical June 30th date in order to complete the restructuring and funding of the business.

During the year significant progress has been made in the growth of the business, with more than 10% of all local Authorities using the EXOR service.

Revenues and cash inflows from revenues more than trebled during the period and the company's balance sheet has been substantially improved.

The company continues to make trading losses as we invest in the future; it is expected that, with unchanged market conditions the company will move at least into a cash neutral position during 2003/2004.

## Exor Management Services Limited

### Report of the directors for the period ended 30 September 2003 (*Continued*)

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#### Principal activities and operational review (*continued*)

Significant continued growth is anticipated for 2004 and 2005 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.

#### Directors

The directors of the company during the period were:

P S Carter	
J M Avis	
C M Burnhams	(resigned 4 July 2003)
P S J MacDonald	
P J Wheeler	(resigned 17 August 2003)
J Maynard	(appointed 27 January 2003)
J A Morgan	(appointed 27 January 2003)
M Wood	(appointed 27 January 2003)

No director had any beneficial interest in the share capital of the company. P S Carter, J M Avis, C M Burnhams, P J Wheeler, 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.

#### Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period 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.

**Exor Management Services Limited**

**Report of the directors for the period ended 30 September 2003 (*Continued*)**

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**Auditors**

On 31 December 2003, BDO Stoy Hayward, the company's auditors, transferred its business to BDO Stoy Hayward LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. Accordingly BDO Stoy Hayward resigned as auditors on that date and the directors appointed BDO Stoy Hayward LLP as its successor. A resolution to re-appoint BDO Stoy Hayward LLP as auditors will be proposed at the next annual general meeting.

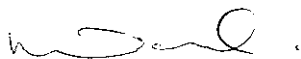
This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

**By order of the board**

M A Chambers



Secretary



Date:

25/3/04

## Exor Management Services Limited

### Report of the independent auditors

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#### To the shareholders of Exor Management Services Limited

We have audited the financial statements of Exor Management Services Limited for the period ended 30 September 2003 on pages 6 to 15 which have been prepared under the accounting policies set out on page 8.

#### *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.

**Exor Management Services Limited**

**Report of the independent auditors (Continued)**

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*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 2003 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



**BDO STOY HAYWARD LLP**

*Chartered Accountants  
and Registered Auditors*  
Hatfield

Date: 21 April 2004

**Exor Management Services Limited**

**Profit and loss account for the 15 months ended 30 September 2003**

	Note	15 months ended 30 September 2003 £	Year ended 30 June 2002 £
<b>Turnover</b>	2	553,312	149,104
Cost of sales		47,323	26,879
<b>Gross profit</b>		505,989	122,225
Administrative expenses		1,482,566	693,492
		(976,577)	(571,267)
Other operating income - including exceptional income of £224,621 (2002 - £NIL)	4	224,621	-
<b>Operating loss</b>	3	(751,956)	(571,267)
Other interest receivable and similar income		8	168
Interest payable and similar charges	6	(14,517)	(359)
<b>Loss on ordinary activities before and after taxation for the financial period/year</b>		(766,465)	(571,458)

All amounts relate to continuing activities.

All recognised gains and losses in the current period and prior year are included in the profit and loss account.

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

**Exor Management Services Limited**

**Balance sheet at 30 September 2003**

	Note	30 September 2003 £	30 September 2003 £	30 June 2002 £	30 June 2002 £
<b>Fixed assets</b>					
Tangible assets	7		90,576		19,394
<b>Current assets</b>					
Debtors	8	184,385		11,397	
Cash at bank and in hand		480,492		100	
		<u>664,877</u>		<u>11,497</u>	
<b>Creditors: amounts falling due within one year</b>	9	476,211		590,837	
		<u>          </u>		<u>          </u>	
<b>Net current assets/(liabilities)</b>			188,666		(579,340)
			<u>          </u>		<u>          </u>
<b>Total assets less current liabilities</b>			279,242		(559,946)
			<u>          </u>		<u>          </u>
<b>Creditors: amounts falling due after more than one year</b>	10		57,658		417,097
			<u>          </u>		<u>          </u>
			221,584		(977,043)
			<u>          </u>		<u>          </u>
<b>Capital and reserves</b>					
Called up share capital	11		83,177		83,177
Share premium account	12		567,647		567,647
Profit and loss account	12		(429,240)		(1,627,867)
			<u>          </u>		<u>          </u>
<b>Equity shareholders' funds</b>			221,584		(977,043)
			<u>          </u>		<u>          </u>

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

The financial statements were approved by the Board on 25 March 2004.

M Wood  
Director



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

## 1 Accounting policies

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 represents sales to external customers at invoiced amounts less value added tax.

### *Depreciation*

Depreciation is provided 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.

### *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.

## Exor Management Services Limited

Notes forming part of the financial statements for the period ended 30 September 2003 (Continued)

### 3 Operating loss

	15 months ended 30 September 2003 £	Year ended 30 June 2002 £
This is arrived at after charging:		
Depreciation of tangible fixed assets	27,584	12,720
Hire of other assets - operating leases	50,676	26,740
Audit services	5,000	4,500
	<u>          </u>	<u>          </u>

### 4 Exceptional item

During the period, 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 Directors' remuneration

	15 months ended 30 September 2003 £	Year ended 30 June 2002 £
Aggregate emoluments, pension contributions and amounts receivable under long term incentive schemes	225,833	128,052
Compensation for loss of office	60,000	-
Amounts paid to third parties in respect of directors' services	22,667	24,760
	<u>          </u>	<u>          </u>

There were no directors in the company's group personal pension scheme during the period (2002 - none).

**Exor Management Services Limited**

Notes forming part of the financial statements for the period ended 30 September 2003 (*Continued*)

**6 Interest payable and similar charges**

	15 months ended 30 September 2003 £	Year ended 30 June 2002 £
Bank loans and overdrafts	12,206	359
Finance leases and hire purchase contracts	2,311	-
	<u>14,517</u>	<u>359</u>

**7 Tangible fixed assets**

	Leasehold improvements £	Fixtures and fittings £	Office equipment £	Total £
<i>Cost</i>				
At 1 July 2002	-	4,659	49,962	54,621
Additions	36,133	9,132	53,501	98,766
	<u>36,133</u>	<u>13,791</u>	<u>103,463</u>	<u>153,387</u>
At 30 September 2003				
<i>Depreciation</i>				
At 1 July 2002	-	1,534	33,693	35,227
Provided for the period	4,222	3,717	19,645	27,584
	<u>4,222</u>	<u>5,251</u>	<u>53,338</u>	<u>62,811</u>
At 30 September 2003				
<i>Net book value</i>				
At 30 September 2003	<u>31,911</u>	<u>8,540</u>	<u>50,125</u>	<u>90,576</u>
At 30 June 2002	-	3,125	16,269	19,394

The net book value of tangible fixed assets includes an amount of £71,172 (2002 - NIL) in respect of assets held under finance leases and hire purchase contracts. The related depreciation charge on these assets for the period was £12,073 (2002 - NIL).

**Exor Management Services Limited**

Notes forming part of the financial statements for the period ended 30 September 2003 (*Continued*)

**8 Debtors**

	30 September 2003 £	30 June 2002 £
Trade debtors	2,958	1,054
Amounts owed by group undertakings and undertakings in which the company has a participating interest	166,000	3
Other debtors	15,427	10,340
	<hr/>	<hr/>
	184,385	11,397
	<hr/>	<hr/>

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

**9 Creditors: amounts falling due within one year**

	30 September 2003 £	30 June 2002 £
Bank loans and overdrafts	-	92,914
Payments received on account	159,976	47,394
Trade creditors	54,002	155,179
Taxation and social security	46,886	13,192
Obligations under finance lease and hire purchase contracts	25,065	-
Other creditors	158,700	275,833
Deferred income	31,582	6,325
	<hr/>	<hr/>
	476,211	590,837
	<hr/>	<hr/>

Exor Management Services Limited

Notes forming part of the financial statements for the period ended 30 September 2003 (*Continued*)

10 Creditors: amounts falling due after more than one year

	30 September 2003 £	30 June 2002 £
Amounts owed to group undertakings	-	414,697
Obligations under finance lease and hire purchase contracts	37,448	-
Deferred income	20,210	2,400
	<u>57,658</u>	<u>417,097</u>

Maturity of debt:

	Finance leases 30 September 2003 £	Finance leases 30 June 2002 £
In one year or less, or on demand	25,065	-
In more than one year but not more than two years	25,065	-
In more than two years but not more than five years	12,383	-
	<u>37,448</u>	<u>-</u>

11 Share capital

	30 September 2003 £	Authorised 30 June 2002 £	Allotted, called up and fully paid 30 September 2003 £	30 June 2002 £
<i>Equity share capital</i>				
Ordinary shares of £1 each	100,000	100,000	83,177	83,177
	<u>100,000</u>	<u>100,000</u>	<u>83,177</u>	<u>83,177</u>

## Exor Management Services Limited

Notes forming part of the financial statements for the period ended 30 September 2003 (*Continued*)

### 12 Reserves

	Share premium account £	Capital contribution reserve £	Profit and loss account £
At 1 July 2002	567,647	-	(1,627,867)
Loss for the period	-	-	(766,465)
Capital contribution in period	-	1,965,092	-
Transfers	-	(1,965,092)	1,965,092
	<hr/>	<hr/>	<hr/>
At 30 September 2003	<b>567,647</b>	<b>-</b>	<b>(429,240)</b>
	<hr/>	<hr/>	<hr/>

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

### 13 Pensions

Employer's contributions charged for the period were £538 (2002 - £410), and the amount of contributions owed to the scheme at the period end was £nil (2002 - £nil).

### 14 Commitments under operating leases

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

	30 September 2003 Land and buildings £	30 June 2002 Land and buildings £
Operating leases which expire:		
After five years	<b>108,750</b>	-
	<hr/>	<hr/>

## Exor Management Services Limited

Notes forming part of the financial statements for the period ended 30 September 2003 (Continued)

### 15 Related party disclosures

#### *Loans and transactions concerning directors and officers of the company*

	Loans	Other amounts owed	Amounts waived
	£	£	£
<b>30 September 2003</b>			
J M Avis	-	302	41,796
P S Carter	-	662	40,940
C M Burnhams	-	-	59,754
P S J MacDonald	-	-	18,913
P J Wheeler	-	-	60,903
M Wood	-	1,546	-
	<u>          </u>	<u>          </u>	<u>          </u>
<b>30 June 2002</b>			
J M Avis	18,868	46,418	-
P S Carter	18,868	41,878	-
C M Burnhams	29,000	37,310	-
P S J MacDonald	6,000	12,952	-
P J Wheeler	13,931	24,767	-
	<u>          </u>	<u>          </u>	<u>          </u>

The directors' loans represent amounts advanced by the directors to the company, are repayable over periods of between 3 and 7 years, and bear interest at rates between 0% and 9.9% per annum. These liabilities were transferred to the parent company, The Exor Group Limited, in the period.

The other amounts owed represent accrued directors' salaries, fees and 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 period. The related income is shown on the profit and loss account as an exceptional item.

### 16 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.

## Exor Management Services Limited

Notes forming part of the financial statements for the period ended 30 September 2003 (*Continued*)

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### 17 Going concern

During the period the parent company, The Exor Group Limited, raised £1,485,304, net of expenses, from the issue of new securities, comprising 7,651 Ordinary Shares of £1 each, 398,754 'A' Ordinary Shares of £0.08 each, 187,931 'B' Ordinary Shares of £0.08 each, 369,789 'A' Preference Shares of £1 each, 91,840 'B' Preference Shares of £1 each, and £1,035,380 10% Unsecured Subordinated Loan Stock 2006. All securities were issued at par. In addition, an existing shareholder loan of £415,000 was converted to 415,000 'A' Preference Shares of £1 each.

The net proceeds have been gifted to the company by way of capital contribution, together with an existing shareholder loan of £415,000 and £64,788 in directors' loans for which the parent company has assumed liability. Of the net proceeds, £166,000 had not been received at 30 September 2004, and this amount is included within Debtors - amounts owed by group undertakings and undertakings in which the company has a participating interest.

Following the gift of £1,965,092, the directors consider that the company has adequate funds to continue in operational existence for the foreseeable future without further recourse to the parent company, although it is recognised that incremental opportunities may arise for which additional funding may be sought.