


Switch 2002 Limited

Report and Accounts

31 May 2003

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 ERNST & YOUNG



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Switch 2002 Limited

Registered No: 04430442

Directors

I T Stewart
N R Leacock
S Quigley
C Donovan
S Adams
G Warren
D Morrison

Secretary

J L House

Auditors

Ernst & Young LLP
1 More London Place
London SE1 2AF

Bankers

National Westminster Bank plc
15 Bishopsgate
London EC2P 2AP

Solicitors

Norton Rose
Kempson House
PO Box 570
Camomile Street
London EC3A 7AN

Registered Office

7th Floor
12 Finsbury Square
London EC2A 1AS

Directors' report

The directors present their report and accounts for the period ended 31 May 2003.

Principal activity

The company's principal activity is to administer, manage, maintain and promote electronic debit card schemes and enforce operating rules therein whilst providing administration and support services to scheme participants. The company was incorporated on 2 May 2002 and commenced trading on 16 August 2002. The company has pursued its trade during the period and expects to continue this during the next year.

The company is limited by guarantee which requires each of the members to be liable up to £10 on winding up.

Results

The profit for the period after taxation amounted to £9,688.

Post balance sheet events

The company changed its name on 24 November 2003 to S2 Card Services Ltd.

Directors

The directors during the period were as follows:

T M Green	(appointed 2 May 2002; resigned 19 July 2002)
A P Wooldridge	(appointed 2 May 2002; resigned 19 July 2002)
N Turner	(appointed 12 July; resigned 19 July 2002)
I T Stewart	(appointed 19 July 2002) (Chairman)
P Martin	(appointed 19 June 2002; resigned 1 November 2003)
S Quigley	(appointed 19 July 2002) (Deputy Chairman)
C Donovan	(appointed 19 July 2002)
S Adams	(appointed 19 July 2002)
G Warren	(appointed 19 July 2002)
D Morrison	(appointed 19 July 2002)

Since the year end N R Leacock was appointed a director on 1 November 2003.

Political and charitable contributions

During the period, the company made no charitable contributions.

Auditors

A resolution to appoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the board



Secretary

12 FEB 2004

Statement of directors' responsibilities in respect of the accounts

Company law requires the directors to prepare accounts 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 accounts, the directors are required to:

- 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 accounts; and
- prepare the accounts 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 accounts 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.

Independent auditors' report

to the members of Switch 2002 Limited

We have audited the company's accounts for the period ended 31 May 2003 which comprise Profit and Loss Account, Balance Sheet and the related notes 1 to 11. These accounts have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts 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 accounts, 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.

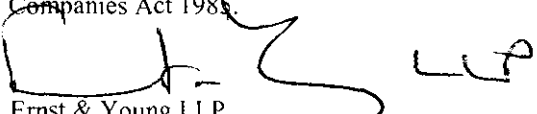
Basis of audit opinion

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 May 2003 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.


Ernst & Young LLP
Registered Auditor
London

Date: 12 February 2004

Profit and loss account

for the period ended 31 May 2003

	Notes	9½ months to 31 May 2003 £
Turnover	2	3,499,199
Other operating income	3	4,402
		<hr/> 3,503,601
Operating costs		(3,493,913)
Profit on ordinary activities before taxation	4	9,688
Taxation	7	—
Profit on ordinary activities after taxation		9,688
Statement of movement on reserves		
Balance at 16 August 2002		—
Retained profit for the year		9,688
Balance at 31 May 2003		9,688

Turnover and profit relate to continuing activities.

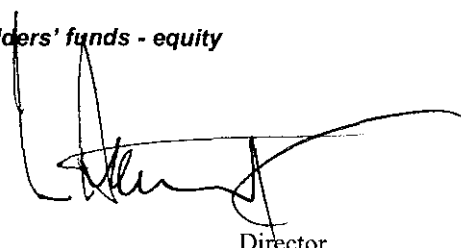
Statement of total Recognised Gains and Losses for the period ended 31 May 2003

A statement of Total Recognised Gains and Losses has not been included as there were no recognised gains or losses for the current or previous financial period other than those already dealt with in the profit and loss account.

Balance sheet

at 31 May 2003

	Notes	2003 £
Fixed assets		
Tangible assets	8	83,218
Current assets		
Debtors	9	988,870
Cash at bank		1,501,117
		<u>2,489,987</u>
Creditors: amounts falling due within one year	10	2,563,517
Net current assets		<u>73,530</u>
Net assets		<u>9,688</u>
Capital and reserves		
Called up share capital		—
Profit and loss account	11	9,688
Shareholders' funds - equity		<u>9,688</u>



Director

12 FEB 2004

Notes to the accounts

at 31 May 2003

1. Accounting policies

Accounting convention

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

Cash flow statement

The company has taken advantage of the exemption conferred by FRS 1 whereby a cash flow statement and related notes do not need to be prepared where the company is defined as a small company under sections 246 and 247 of the Companies Act 1985.

Depreciation of tangible fixed assets

The cost of fixed assets is written off by equal annual instalments over their expected useful lives, as follows:

Fixtures and fittings	10 years
Office equipment	10 years
Computer hardware	5 years
Computer software	3 years

A full year's depreciation is charged in the period of acquisition and none in the year of disposal.

Leasing commitments

Rentals paid under operating leases are charged to income on a straight-line basis over the lease term.

Pensions

The company contributes to entitled employees' private pension schemes at rates according to their age.

Related party transactions

Transactions between related parties necessarily occur between the company and its Members. The total for the period amounted to £3,499,199 during the period.

2. Turnover

Turnover comprises subscription fees (exclusive of VAT) for the period invoiced to Members of the Switch Card Scheme.

3. Other operating income

	<i>9½ months to 31 May 2003</i>
	£
Other income	600
Bank interest	3,802
	<hr/> 4,402 <hr/>

Notes to the accounts

at 31 May 2003

4. Operating profit

Operating profit is stated after charging:

	<i>9½ months to 31 May 2003 £</i>
Depreciation of fixed assets	36,301
Loss on disposal of fixed assets	12,028
Auditors' remuneration - audit services	5,000
- non-audit services	15,900
Operating lease rentals	
- plant and machinery	76,444
- other	148,843

5. Employees

Included in operating costs are:

	<i>9½ months to 31 May 2003 £</i>
Wages and salaries	554,492
Social security costs	274,008
Other pension costs	91,309
	<u>919,809</u>

The average weekly number of employees during the period was as follows:

	<i>No.</i>
Full time	12

6. Directors' emoluments

No emoluments were received or are receivable by any director for his services during the period.

Notes to the accounts

at 31 May 2003

7. Taxation

(a) Tax on profit on ordinary activities

	<i>9½ months to 31 May 2003 £</i>
Total charge for the year	—

(b) Reconciliation of current tax

	<i>9½ months to 31 May 2003 £</i>
Profits before taxation	9,688
Profits at 0% corporation tax rate	—

8. Tangible fixed assets

	<i>Fixtures and fittings £</i>	<i>Office equipment £</i>	<i>Computer hardware and software £</i>	<i>Total £</i>
Cost:				
At 16 August 2002	98,760	27,747	597,133	723,640
Additions	—	—	50,534	50,534
Disposals	(471)	—	(51,493)	(51,964)
At 31 May 2003	98,289	27,747	596,174	722,210
Depreciation:				
At 16 August 2002	67,515	20,765	554,347	642,627
Charge for the year	4,427	2,195	29,679	36,301
Disposals	(263)	—	(39,673)	(39,936)
At 31 May 2003	71,679	22,960	544,353	638,992
Net book value:				
At 31 May 2003	26,610	4,787	51,821	83,218
At 16 August 2002	31,245	6,982	42,786	81,013

Notes to the accounts

at 31 May 2003

9. Debtors

	2003 £
Subscription fees receivable	577,837
Prepayments	96,853
Other debtors	314,180
	<u>988,870</u>

10. Creditors: amounts falling due within one year

	2003 £
VAT payable	38,096
Trade creditors and accruals	349,591
Subscriptions in advance	2,175,830
	<u>2,563,517</u>

11. Reconciliation of movements on reserves

	<i>Profit and loss account</i> 2003 £
At 16 August	—
Retained profit for the year	9,688
	<u>9,688</u>
At 31 December	<u>9,688</u>