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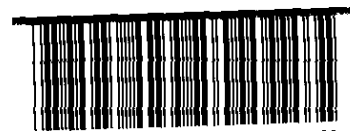
3E Europe Limited

Report and Financial Statements

Year Ended

31 December 1999

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BDO

BDO Stoy Hayward
Chartered Accountants

3E EUROPE LIMITED

Annual report and financial statements for the year ended 31 December 1999

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Directors

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Directors

T J Williams (Chairman)
R Y Brown
J Bailey

Secretary and registered office

Lycidas Secretaries Limited, 49 Queen Street, Edinburgh, EH2 3NH.

Company number

SC 153917

Auditors

BDO Stoy Hayward, 66 Broomfield Road, Chelmsford, Essex, CM1 1SW.

3E EUROPE LIMITED

Report of the directors for the year ended 31 December 1999

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

Results and dividends

The profit and loss account is set out on page 4 and shows the profit for the year.

The company is dependent on the provision of continuing financial support by its parent company, 3E Development Limited. The directors of 3E Development intend to raise additional funding through the issue of new share capital over the next twelve months. The directors are confident that the necessary funds will be raised to continue the company's operations for the foreseeable future and accordingly consider the company to be a going concern.

Principal activities

The company's principal activity during the period was the sale of its XXEN range of products and the provision of associated consultancy services.

Directors

The directors of the company during the year were:

T J Williams
R Y Brown
J Bailey

No director had any interest in the ordinary shares of the company.

The directors are also directors of the ultimate parent company, 3E Development 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 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.

3E EUROPE LIMITED

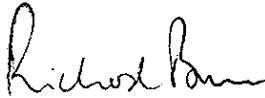
Report of the directors for the year ended 31 December 1999 (*Continued*)

Auditors

BDO Stoy Hayward have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

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

On behalf of the Board



R Y Brown
Director

Date 13 October 2000

3E EUROPE LIMITED

Report of the auditors

To the shareholders of 3E Europe Limited

We have audited the financial statements on pages 4 to 10 which have been prepared under the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

As described on page 1 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.

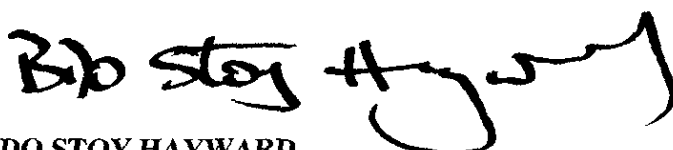
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

Fundamental uncertainty

In forming our opinion, we have considered the adequacy of the disclosures made in note 13 to the financial statements concerning the uncertainty about the continuing ability of the parent company, 3E Development Limited, to continue to provide financial support. 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 as at 31 December 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



BDO STOY HAYWARD
Chartered Accountants
and Registered Auditors
Chelmsford

20 October 2000

3E EUROPE LIMITED

Profit and loss account for the year ended 31 December 1999

	Note	1999 £	1998 £
Turnover	2	302,621	113,443
Cost of sales		4,500	5,304
Gross profit		298,121	108,139
Distribution costs		12,980	12,341
Administrative expenses		264,115	231,874
Operating profit/(loss)	3	21,026	(136,076)
Interest receivable	5	-	2,416
Interest payable and similar charges	6	(879)	(635)
Profit/(loss) on ordinary activities before taxation		20,147	(134,295)
Taxation on profit/(loss) from ordinary activities		-	-
Retained profit/(loss) for the year		20,147	(134,295)
Retained loss brought forward		(334,234)	(199,939)
Retained loss carried forward		(314,087)	(334,234)

All amounts relate to continuing activities.

All recognised gains and losses are included in the profit and loss account.

The only movement in shareholders' funds is the profit/(loss) for the year.

The notes on pages 6 to 10 form part of these financial statements.

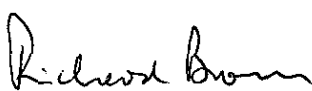
3E EUROPE LIMITED

Balance sheet at 31 December 1999

	Note	1999	1998
		£	£
Fixed assets			
Tangible assets	7	19,210	4,645
Current assets			
Debtors	8	39,553	8,759
Cash at bank and in hand		60,603	19,624
		<u>100,156</u>	<u>28,383</u>
Creditors: amounts falling due within one year	9	396,007	(336,037)
		<u></u>	<u></u>
Net current liabilities		(295,851)	(307,654)
		<u></u>	<u></u>
Total assets less current liabilities		(276,641)	(303,009)
		<u></u>	<u></u>
Creditors: amounts falling due after more than one year	10	(7,406)	(1,185)
		<u></u>	<u></u>
Net liabilities		(284,047)	(304,194)
		<u><u></u></u>	<u><u></u></u>
Capital and reserves			
Called up share capital	11	30,040	30,040
Profit and loss account		(314,087)	(334,234)
		<u></u>	<u></u>
Shareholders' funds - deficit		(284,047)	(304,194)
		<u><u></u></u>	<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 13 October 2000.


R Y Brown
Director


J Bailey
Director

The notes on pages 6 to 10 form part of these financial statements.

3E EUROPE LIMITED

Notes forming part of the financial statements for the year ended 31 December 1999

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 13, and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

Turnover

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

Depreciation

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

Office equipment	-	20% per annum
Computer hardware	-	33% per annum
Computer software	-	100% per annum

Cashflow statements

The company is entitled to the exemptions available in sections 246 and 247 of the Companies Act 1985 for small companies when filing accounts with the Registrar of Companies, and is therefore not required to prepare a cash flow statement under Financial Reporting Standard 1.

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 term of the lease.

3E EUROPE LIMITED

Notes forming part of the financial statements for the year ended 31 December 1999 (*Continued*)

2 Turnover

Turnover is wholly attributable to the principal activity of the company.

3 Operating profit/(loss)

	1999 £	1998 £
This has been arrived at after charging:		
Depreciation	12,185	9,401
Auditors' remuneration	4,395	3,500
	<u> </u>	<u> </u>

4 Directors

	1999 £	1998 £
Directors remuneration:		
Salaries	72,000	66,000
	<u> </u>	<u> </u>

5 Interest receivable

	1999 £	1998 £
Bank interest	-	2,416
	<u> </u>	<u> </u>

6 Interest payable and similar charges

	1999 £	1998 £
Interest on finance lease contracts	779	635
Bank overdrafts repayable within 5 years	100	-
	<u> </u>	<u> </u>
	879	635
	<u> </u>	<u> </u>

3E EUROPE LIMITED

Notes forming part of the financial statements for the year ended 31 December 1999 (*Continued*)

7 Tangible assets

	Office equipment £	Computer hardware and software £	Total £
<i>Cost</i>			
At 1 January 1999	4,780	25,991	30,771
Additions	1,428	25,322	26,750
	<hr/>	<hr/>	<hr/>
At 31 December 1999	6,208	51,313	57,521
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At 1 January 1999	2,254	23,872	26,126
Provided for the year	1,087	11,098	12,185
	<hr/>	<hr/>	<hr/>
At 31 December 1999	3,341	34,970	38,311
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 December 1999	2,867	16,343	19,210
	<hr/>	<hr/>	<hr/>
At 31 December 1998	2,526	2,119	4,645
	<hr/>	<hr/>	<hr/>

The net book value of tangible fixed assets includes an amount of £12,168 (1998 - £3,780) in respect of assets held under finance leases. The related depreciation charge for the period was £4,944 (1998 - £2,348).

8 Debtors

	1999 £	1998 £
Trade debtors	29,553	6,907
Other debtors	10,000	1,852
	<hr/>	<hr/>
	39,553	8,759
	<hr/>	<hr/>

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

3E EUROPE LIMITED

Notes forming part of the financial statements for the year ended 31 December 1999 (*Continued*)

9 Creditors: amounts falling due within one year

	1999 £	1998 £
Trade creditors	5,254	4,862
Taxation and social security	12,039	3,823
Obligations under finance lease and hire purchase contracts	5,628	3,347
Accruals and deferred income	5,480	22,531
Amounts owed to holding company	367,606	301,474
	<u>396,007</u>	<u>336,037</u>

10 Creditors: amounts falling due after more than one year

	1999 £	1998 £
Obligations under finance leases and hire purchase contracts	7,406	1,185
	<u>7,406</u>	<u>1,185</u>

Obligations are due as follows:

Within one year	5,628	3,347
Between one and two years	4,444	1,185
Between two and five years	2,962	-
	<u>13,034</u>	<u>4,532</u>

11 Share capital

	Authorised		Allotted, called up and fully paid	
	1999 £	1998 £	1999 £	1998 £
Ordinary shares of £1 each	50,000	50,000	30,040	30,040
	<u>50,000</u>	<u>50,000</u>	<u>30,040</u>	<u>30,040</u>

3E EUROPE LIMITED

Notes forming part of the financial statements for the year ended 31 December 1999 *(Continued)*

12 Commitments under operating leases

As at 31 December 1999, the group and the company had annual commitments under non-cancellable operating leases as set out below:

	1999	Other 1998
	£	£
Operating leases which expire:		
Less than one year	1,184	1,503
In two to five years	3,010	8,357
Over five years	-	-
	<hr/>	<hr/>
	4,194	9,860
	<hr/>	<hr/>

13 Going concern

The operation of the company is dependent on the continuing provision of financial support by the parent company, 3E Development Limited, which has given a written undertaking to provide such support to the company for the foreseeable future.

In order to be able to provide this financial support, the directors of 3E Development Limited consider that they will need to raise additional funding over the next twelve months. The directors of 3E Development Limited are confident that they will be able to raise the funds necessary to continue the group's operations for the foreseeable future. However, inherently there can be no uncertainty in relation to the raising of future finance. In the longer term, the directors consider that the company will generate both profits and cash, which will enable the group to continue in operation without an ongoing need to raise additional funding.

The financial statements do not include any adjustment that would result if the parent company is unable to raise additional funds.

14 Ultimate parent company and financial support

At 31 December 1999 the company's ultimate parent company was 3E Development Limited, incorporated in Scotland.