

REGISTRAR'S COPY

3E Europe Limited

Report and Financial Statements

Year Ended

31 December 1998

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BDO

BDO Stoy Hayward
Chartered Accountants

3E EUROPE LIMITED

Annual report and financial statements for the year ended 31 December 1998

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Directors

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Directors

T J Williams (Chairman)
Dr A E Brown
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 1998

The directors present their report together with the audited financial statements for the year ended 31 December 1998.

Results and dividends

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

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
Dr A E Brown
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;
- state whether applicable accounting standards have been followed, subject to any material departure disclosed and explained in the financial statements; 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 1998 (*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 26 October 1999

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.

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 1998 and of its loss 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

28 October 1999

3E EUROPE LIMITED**Profit and loss account for the year ended 31 December 1998**

	Note	1998 £	1997 £
Turnover	2	113,443	184,801
Cost of sales		5,304	22,958
		<hr/>	<hr/>
Gross profit		108,139	161,843
Distribution costs		12,341	51,830
Administrative expenses		231,874	226,084
		<hr/>	<hr/>
Operating loss	3	(136,076)	(116,071)
Interest receivable	5	2,416	-
Interest payable and similar charges	6	(635)	(2,203)
		<hr/>	<hr/>
Loss on ordinary activities before taxation		(134,295)	(118,274)
Taxation on loss from ordinary activities		-	6,187
		<hr/>	<hr/>
Retained loss for the year		(134,295)	(112,087)
Retained loss brought forward		(199,939)	(87,852)
		<hr/>	<hr/>
Retained loss carried forward		(334,234)	(199,939)
		<hr/> <hr/>	<hr/> <hr/>

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 loss for the year.

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

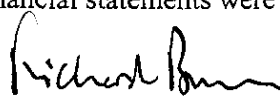
3E EUROPE LIMITED


Balance sheet at 31 December 1998

	Note	£	1998 £	£	1997 £
Fixed assets					
Tangible assets	7		4,645		11,570
Current assets					
Debtors	8	8,759		26,079	
Cash at bank and in hand		19,624		53,780	
			28,383		79,859
Creditors: amounts falling due within one year	9	(336,037)		260,199	
Net current liabilities			(307,654)		(180,340)
Total assets less current liabilities			(303,009)		(168,770)
Creditors: amounts falling due after more than one year	10		(1,185)		(1,129)
Net liabilities			(304,194)		(169,899)
Capital and reserves					
Called up share capital	11		30,040		30,040
Profit and loss account			(334,234)		(199,939)
Shareholders' funds - deficit			(304,194)		(169,899)

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 26 October 1999


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 1998

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 1998 (Continued)****2 Turnover**

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

3 Operating loss

	1998 £	1997 £
This has been arrived at after charging:		
Depreciation	9,401	8,628
Auditors' remuneration	3,500	3,500
	<u> </u>	<u> </u>

4 Directors

Directors remuneration:

Salaries	66,000	60,000
	<u> </u>	<u> </u>

5 Interest receivable

Bank interest	2,416	-
	<u> </u>	<u> </u>

6 Interest payable and similar charges

Interest on hire purchase contracts	635	-
Bank overdrafts repayable within 5 years	-	627
Directors' loan interest payable	-	1,576
	<u> </u>	<u> </u>
	635	2,203
	<u> </u>	<u> </u>

3E EUROPE LIMITED

Notes forming part of the financial statements for the year ended 31 December 1998 (*Continued*)

7 Tangible assets

	Office equipment £	Computer hardware and software £	Total £
<i>Cost</i>			
At 1 January 1998	4,780	23,515	28,295
Additions	-	2,476	2,476
	<hr/>	<hr/>	<hr/>
At 31 December 1998	4,780	25,991	30,771
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At 1 January 1998	1,302	15,423	16,725
Provided for the year	952	8,449	9,401
	<hr/>	<hr/>	<hr/>
At 31 December 1998	2,254	23,872	26,126
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 December 1998	2,526	2,119	4,645
	<hr/>	<hr/>	<hr/>
At 31 December 1997	3,478	8,092	11,570
	<hr/>	<hr/>	<hr/>

The net book value of tangible fixed assets includes an amount of £3,780 (1997 - £6,128) in respect of assets held under finance leases. The related depreciation charge for the period was £2,348 (1997 - £988).

8 Debtors

	1998 £	1997 £
Trade debtors	6,907	22,405
Other debtors	1,852	3,214
Prepayments	-	460
	<hr/>	<hr/>
	8,759	26,079
	<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 1998 (*Continued*)

9 Creditors: amounts falling due within one year

	1998 £	1997 £
Trade creditors	4,862	1,790
Taxation and social security	3,823	-
Obligations under finance lease and hire purchase contracts	3,347	3,347
Accruals and deferred income	22,531	3,500
Amounts owed to holding company	301,474	251,562
	<u>336,037</u>	<u>260,199</u>

10 Creditors: amounts falling due after more than one year

Obligations under finance leases and hire purchase contracts	1,185	1,129
	<u>1,185</u>	<u>1,129</u>
Obligations are due as follows:		
Within one year	3,347	3,347
Between one and two years	1,185	1,129
	<u>4,532</u>	<u>4,476</u>

11 Share capital

	Authorised		Allotted, called up and fully paid	
	1998	1997	1998	1997
	£	£	£	£
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 1998 *(Continued)*

12 Commitments under operating leases

As at 31 December 1998, the group and the company had annual commitments under non-cancellable operating leases as set out below:

	1998	Other 1997
	£	£
Operating leases which expire:		
Less than one year	1,503	-
Between one and two years	8,357	-
Between two and five years	-	14,713
	<hr/>	<hr/>
	9,860	14,713
	<hr/>	<hr/>

13 Ultimate parent company and financial support

At 31 December 1998 the company's ultimate parent company was 3E Development Limited, incorporated in Scotland.

3E Development Limited has given a written undertaking to give financial support to the company for the foreseeable future.