

3E Europe Limited

Report and Financial Statements

Year Ended

31 December 2001



BDO Stoy Hayward
Chartered Accountants

3E EUROPE LIMITED

Annual report and financial statements for the year ended 31 December 2001

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Directors

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Directors

T J Williams (Chairman)
R Y Brown
Dr P Torrie
S Evans

Secretary and registered office

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

Company number

SC 153917

Auditors

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

3E EUROPE LIMITED

Report of the directors for the year ended 31 December 2001

The directors present their report together with the audited financial statements for the year ended 31 December 2001.

Results and dividends

The profit and loss account is set out on page 5 and shows the loss for the year.

The directors are confident that improved trading results will be achieved in 2002 and 2003, enabling the company to operate within existing bank borrowing facilities and therefore to continue in operation for the foreseeable future. Accordingly the directors consider the company to be a going concern.

Principal activities

The company's principal activity during the year was the sale of its XXEN range of products, the development of related 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
Dr P Torrie (appointed 15 February 2001)
S Evans (appointed 15 February 2001)

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

Mr J Bailey resigned as a director on 6 March 2002.

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.

Statement of 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

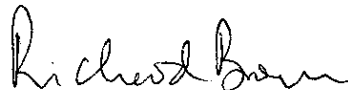
Report of the directors for the year ended 31 December 2001 (*Continued*)

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 25 October 2002

3E EUROPE LIMITED

Report of the independent auditors

To the shareholders of 3E Europe Limited

We have audited the financial statements of 3E Europe Limited for the year ended 31 December 2001 on pages 5 to 11 which have been prepared under the accounting policies set out on page 7.

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.

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.

Going concern

In forming our opinion, we have considered the adequacy of the disclosures made in note 12 to the financial statements concerning the future trading of the company as a going concern, which depends upon its ability to continue to operate within the terms of existing borrowing facilities.

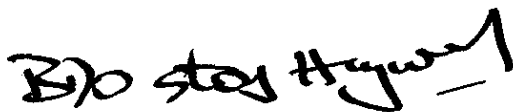
In view of the significance of this uncertainty we consider that it should be brought to your attention but our opinion is not qualified in this respect.

3E EUROPE LIMITED

Report of the independent auditors (*Continued*)

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 2001 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
Hatfield

Date



3E EUROPE LIMITED

Profit and loss account for the year ended 31 December 2001

	Note	2001 £	2000 £
Turnover	2	18,229	150,495
Cost of sales		3,475	6,775
		<hr/>	<hr/>
Gross profit		14,754	143,720
Distribution costs		4,807	7,856
Administrative expenses		629,049	293,475
		<hr/>	<hr/>
Operating loss	3	(619,102)	(157,611)
Interest receivable		58	-
Interest payable and similar charges	5	(3,746)	(2,514)
		<hr/>	<hr/>
Loss on ordinary activities before taxation		(622,790)	(160,125)
Taxation on loss from ordinary activities		-	-
		<hr/>	<hr/>
Retained loss for the year		(622,790)	(160,125)
Retained loss brought forward		(474,212)	(314,087)
		<hr/>	<hr/>
Retained loss carried forward		<u>(1,097,002)</u>	<u>(474,212)</u>

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 7 to 11 form part of these financial statements.

3E EUROPE LIMITED**Balance sheet at 31 December 2001**

	Note	2001 £	2001 £	2000 £	2000 £
Fixed assets					
Tangible assets	6		17,627		8,805
Current assets					
Debtors	7	14,322		7,410	
Cash at bank and in hand		41,739		458	
		<u>56,061</u>		<u>7,868</u>	
Creditors: amounts falling due within one year	8	<u>1,043,428</u>		<u>457,883</u>	
Net current liabilities			<u>(987,367)</u>		<u>(450,015)</u>
Total assets less current liabilities			<u>(969,740)</u>		<u>(441,210)</u>
Creditors: amounts falling due after more than one year	9		<u>(97,222)</u>		<u>(2,962)</u>
Net liabilities			<u>(1,066,962)</u>		<u>(444,172)</u>
Capital and reserves					
Called up share capital	10		30,040		30,040
Profit and loss account			(1,097,002)		(474,212)
Shareholders' funds - deficit			<u>(1,066,962)</u>		<u>(444,172)</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.

All amounts relate to equity interests.

The financial statements were approved by the Board on

25 October 2002



R Y Brown
Director

The notes on pages 7 to 11 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 12, and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

Turnover

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

Depreciation

Fixed assets are stated at cost less 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

Cash flow statement

The company has taken advantage of the exemption conferred by Financial Reporting Standard 1 'Cash Flow Statements (Revised 1996)' not to prepare a cash flow statement on the grounds that it is a 'small' company under the Companies Act 1985.

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 2001 (*Continued*)

2 Turnover

Turnover is wholly attributable to the principal activity of the company and arises solely within the United Kingdom.

3 Operating loss

	2001 £	2000 £
This is arrived at after charging:		
Depreciation	9,128	12,329
Auditors' remuneration	4,700	4,994
Operating leases – plant and machinery	3,010	3,500
Operating leases – other	-	9,029
	<u> </u>	<u> </u>

4 Directors

	2001 £	2000 £
Directors remuneration:		
Remuneration for management services	202,276	80,284
Compensation for loss of office	26,000	-
	<u> </u>	<u> </u>
	228,276	80,284
	<u> </u>	<u> </u>
Emoluments of the highest paid director are:		
Remuneration for management services	61,250	41,284
Compensation for loss of office	26,000	-
	<u> </u>	<u> </u>
	87,250	41,284
	<u> </u>	<u> </u>

5 Interest payable and similar charges

	2001 £	2000 £
Bank overdrafts repayable within five years	1,408	176
Interest on finance lease contracts	2,338	2,338
	<u> </u>	<u> </u>
	3,746	2,514
	<u> </u>	<u> </u>

3E EUROPE LIMITED

Notes forming part of the financial statements for the year ended 31 December 2001 (*Continued*)

6 Tangible assets

	Office equipment £	Computer hardware and software £	Total £
<i>Cost</i>			
At 1 January 2001	6,510	52,935	59,445
Additions	3,145	15,274	18,419
Disposals	(627)	(820)	(1,447)
	<hr/>	<hr/>	<hr/>
At 31 December 2001	9,028	67,389	76,417
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At 1 January 2001	4,636	46,004	50,640
Provided for the year	1,000	8,128	9,128
Disposals	(286)	(692)	(978)
	<hr/>	<hr/>	<hr/>
At 31 December 2001	5,350	53,440	58,790
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 December 2001	3,678	13,949	17,627
	<hr/>	<hr/>	<hr/>
At 31 December 2000	1,874	6,931	8,805
	<hr/>	<hr/>	<hr/>

The net book value of tangible fixed assets includes an amount of £1,905 (2000 - £4,636) in respect of assets held under finance leases. The related depreciation charge for the year was £2,731 (2000 - £7,532).

7 Debtors

	2001 £	2000 £
Trade debtors	3,261	-
Other debtors	11,061	7,410
	<hr/>	<hr/>
	14,322	7,410
	<hr/>	<hr/>

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

3E EUROPE LIMITEDNotes forming part of the financial statements for the year ended 31 December 2001 (*Continued*)**8 Creditors: amounts falling due within one year**

	2001 £	2000 £
Bank loans and overdraft (secured – see note 9)	4,343	12,527
Trade creditors	58,535	6,465
Taxation and social security	27,063	11,734
Obligations under finance lease and hire purchase contracts	2,962	4,444
Accruals and deferred income	23,797	5,049
Amounts owed to group companies	926,728	417,664
	<u>1,043,428</u>	<u>457,883</u>

9 Creditors: amounts falling due after more than one year

	2001 £	2000 £
Bank loan (secured)	97,222	-
Obligations under finance leases and hire purchase contracts	-	2,962
	<u>97,222</u>	<u>2,962</u>

Obligations are due as follows:

Between one and two years	33,333	2,962
Between two and five years	63,889	-
	<u>97,222</u>	<u>2,962</u>

The company's bank loan is secured by a fixed and floating charge over the assets of the company and all other group undertakings.

10 Share capital

	Authorised		Allotted, called up and fully paid	
	2001 £	2000 £	2001 £	2000 £
Ordinary shares of £1 each	<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 2001 (*Continued*)

11 Commitments under operating leases

As at 31 December 2001, the company had annual commitments under non-cancellable operating leases as set out below:

	2001 £	Other 2000 £
Operating leases which expire:		
Within one year	2,006	-
In two to five years	-	3,010
	<u>2,006</u>	<u>3,010</u>

12 Going concern

The financial statements have been prepared on a going concern basis, which assumes the company's continuing ability to operate within its existing bank borrowing facilities. Subsequent to the balance sheet date, the company drew down a further tranche of bank loans amounting to £70,000, such that total bank borrowings at the date of approval of these financial statements are £170,000. Repayment of these bank loans commences in December 2002.

The directors have prepared projected cashflow information for the period to 31 December 2003. On the basis of this cashflow information, the directors consider that the group will continue to operate within the facility currently agreed. The directors are confident, based on current projections and the group's cash position at the date of the approval of these financial statements, that it is unlikely that any additional funds will be required in the foreseeable future.

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 is unable to operate within its bank borrowing facilities.

13 Ultimate parent company

At 31 December 2001 the company's ultimate parent company was 3E Development Limited, registered in Scotland.