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3E Development Limited

Report and Financial Statements

Year ended

31 December 1998

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BDO

BDO Stoy Hayward
Chartered Accountants

3E DEVELOPMENT 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 160955

Auditors

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

3E DEVELOPMENT 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.

The directors consider the company to be a going concern as a result of the issue of new share capital after the balance sheet date, and the improvement in the trading performance of its subsidiary company in the current year.

Principal activities

The company is the holding company of 3E Europe Limited and owns the patent and intellectual property rights for its XXEN products.

Directors

The directors of the company during the year and their interests in the share capital of the company were as follows:

	31 December 1998		31 December 1997	
	'A' shares of 10p each	'B' shares of 10p each	'A' shares of 10p each	'B' shares of 10p each
T J Williams	-	683	-	547
Dr A E Brown	670	-	670	-
R Y Brown	670	-	670	-
J Bailey	670	-	670	-

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 DEVELOPMENT LIMITED

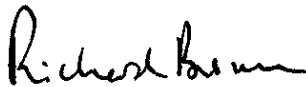
Report of the directors for the year ended 31 December 1998 *(Continued)*

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 DEVELOPMENT LIMITED

Report of the auditors

To the shareholders of 3E Development Limited

We have audited the financial statements on pages 4 to 9 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 DEVELOPMENT LIMITED

Profit and loss account for the year ended 31 December 1998

	Note	1998 £	1997 £
Turnover	2	-	-
Administrative expenses		3,002	19,498
		<hr/>	<hr/>
Operating loss	3	(3,002)	(19,498)
Interest receivable		-	16
Provision against amounts owed by subsidiary undertaking		(131,574)	(199,939)
		<hr/>	<hr/>
Loss on ordinary activities before taxation		(134,576)	(219,421)
Taxation on loss from ordinary activities		-	-
		<hr/>	<hr/>
Retained loss for the year		(134,576)	(219,421)
		<hr/> <hr/>	<hr/> <hr/>

All amounts relate to continuing activities.

The company made no recognised gains or losses in the year ended 31 December 1998 other than the loss for the period.

The notes on pages 6 to 9 form part of these financial statements.

3E DEVELOPMENT LIMITED

Balance sheet at 31 December 1998

	Note	£	1998 £	£	1997 £
Fixed assets					
Investments	5		1		1
Current assets					
Debtors	6	-		81,662	
Cash at bank and in hand		16		16	
				<u> </u>	
		16		81,678	
Creditors: amounts falling due within one year	7	3,114		200	
		<u> </u>		<u> </u>	
Net current (liabilities)/assets			(3,098)		81,478
			<u> </u>		<u> </u>
Net (liabilities)/assets			(3,097)		81,479
			<u> </u>		<u> </u>
Capital and reserves					
Called up share capital	8		269		256
Share premium account	9		345,988		296,001
Profit and loss account	9		(349,354)		(214,778)
			<u> </u>		<u> </u>
Shareholders' funds	10		(3,097)		81,479
			<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 26 October 1999

Richard Brown

James Bailey

R Y Brown
Director

J Bailey
Director

The notes on pages 6 to 9 form part of these financial statements.

3E DEVELOPMENT 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 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 patent and development rights evenly over its economic life of two years.

Consolidated financial statements

The company is entitled to the exemptions available in section 248 of the Companies Act 1985 for small group companies, and is therefore not required to prepare group accounts.

The financial statements present information about 3E Development Limited as an individual undertaking and not about its group.

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.

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	-	16,667
Auditors' remuneration	-	-
	<u> </u>	<u> </u>

The directors received no remuneration (1997 - £Nil).

3E DEVELOPMENT LIMITED

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

4 Intangible assets

	Patent and development rights £
<i>Cost</i>	
At 1 January 1998 and 31 December 1998	40,000
<i>Depreciation</i>	
At 1 January 1998	40,000
Provided for the year	-
At 31 December 1998	40,000
<i>Net book value</i>	
At 31 December 1998	-
At 31 December 1997	-

5 Fixed assets investments

	1998 £	1997 £
Shares in subsidiary undertaking:		
£1 ordinary shares at cost	30,040	30,040
Provision against investment	(30,039)	(30,039)
	1	1

This investment represents the full issued share capital of 3E Europe Limited (incorporated in Scotland), a company selling software products and related services.

3E Europe Limited made a loss after tax of £134,295 for the year (1997 - £112,087) and the total of capital and reserves at 31 December 1998 was a net liability of £304,194 (1997 liability - £169,899).

6 Debtors

	1998 £	1997 £
Amounts owed by subsidiary undertaking	-	81,662

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

3E DEVELOPMENT LIMITED

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

7 Creditors: amounts falling due within one year

	1998 £	1997 £
Accruals	3,114	200

8 Share capital

	Authorised		Allotted, called up and fully paid	
	1998 £	1997 £	1998 £	1997 £
Ordinary 'A' shares of 10p each	900	900	201	201
Ordinary 'B' shares of 10p each	100	100	68	55
	<u>1,000</u>	<u>1,000</u>	<u>269</u>	<u>256</u>

During the year 136 'B' 10p ordinary shares were issued for consideration of £50,000. The 'A' and 'B' shares rank pari passu.

9 Reserves

	Share premium account £	Profit and loss account £	Total £
At 1 January 1998	296,001	(214,778)	81,223
Premium on issue of 'B' shares of 10p each	49,987	-	49,987
Retained loss for the year	-	(134,576)	(134,576)
	<u>345,988</u>	<u>(349,354)</u>	<u>(3,366)</u>

3E DEVELOPMENT LIMITED

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

10 Reconciliation of movements in shareholders fund

	1998 £	1997 £
Opening shareholders' funds	81,479	34,683
Loss for the financial period	(134,576)	(219,421)
New share capital subscribed and premium thereon	50,000	266,217
	<hr/>	<hr/>
Closing shareholders' funds	3,097	81,479
	<hr/>	<hr/>

11 Contingent liabilities

The company has given an undertaking to provide financial support to its subsidiary company, 3E Europe Limited, for a period of 12 months from the date of these financial statements.