

**3E Development Limited**

*Report and Financial Statements*

Year Ended

31 December 2002

20 16003



**JBDO**  
BDO Stoy Hayward  
Chartered Accountants

# **3E DEVELOPMENT LIMITED**

## **Annual report and financial statements for the year ended 31 December 2002**

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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 160955

### **Auditors**

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

## 3E DEVELOPMENT LIMITED

### Report of the directors for the year ended 31 December 2002

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The directors present their report together with the audited financial statements for the year ended 31 December 2002.

#### Results and dividends

The results of the group for the year are set out on page 5 and show the loss for the year.

#### Principal activities

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

The group's principal activities in the year were the sale of the XXEN and Ciris ranges of products, the development of related products, and the provision of associated consultancy services.

#### Directors

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

	31 December 2002		31 December 2001	
	'A' shares of 10p each	'B' shares of 10p each	'A' shares of 10p each	'B' shares of 10p each
T J Williams	-	7,463	-	7,463
R Y Brown	8,355	-	8,888	-
J Bailey (resigned 6 March 2002)	3,223	-	6,190	-
Dr P Torrie	491	-	491	-
S Evans	414	-	414	-

#### 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 group and of the profit or loss of the group 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 departures 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 group 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 2002 (*Continued*)**

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**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**

A handwritten signature in black ink, appearing to read 'T. Williams', written in a cursive style.

T J Williams  
**Director**

Date: 9 October 2003

## **3E DEVELOPMENT LIMITED**

### **Report of the independent auditors**

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#### **To the shareholders of 3E Development Limited**

We have audited the financial statements of 3E Development Limited for the year ended 31 December 2002 on pages 5 to 15, which have been prepared under the accounting policies set out on page 8.

#### *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 group 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.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

#### *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.

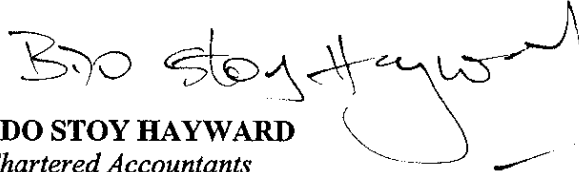
**3E DEVELOPMENT LIMITED**

**Report of the independent auditors (*Continued*)**

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*Opinion*

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 December 2002 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink, appearing to read "BDO Stoy Hayward", with a large, stylized flourish underneath.

**BDO STOY HAYWARD**  
*Chartered Accountants*  
*and Registered Auditors*  
Hatfield

10 October 2003

**3E DEVELOPMENT LIMITED****Consolidated profit and loss account for the year ended 31 December 2002**

	<b>Note</b>	<b>2002 £</b>	<b>2001 £</b>
<b>Turnover</b>	<b>2</b>	<b>391,432</b>	<b>68,596</b>
Cost of sales		<b>885</b>	<b>3,475</b>
<b>Gross profit</b>		<b>390,547</b>	<b>65,121</b>
Distribution costs		<b>27,051</b>	<b>4,807</b>
Administrative expenses		<b>357,139</b>	<b>682,090</b>
<b>Operating profit/(loss)</b>	<b>3</b>	<b>6,357</b>	<b>(621,776)</b>
Interest receivable		<b>460</b>	<b>294</b>
Interest payable and similar charges	<b>5</b>	<b>(19,225)</b>	<b>(3,746)</b>
<b>Loss on ordinary activities before and after taxation</b>		<b>(12,408)</b>	<b>(625,228)</b>

All amounts relate to continuing activities.

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

The notes on pages 8 to 15 form part of these financial statements.

**3E DEVELOPMENT LIMITED****Consolidated balance sheet at 31 December 2002**

	Note	2002		2001	
		£	£	£	£
<b>Fixed assets</b>					
Tangible assets	9		18,857		17,627
<b>Current assets</b>					
Debtors	11	70,226		59,331	
Cash at bank and in hand		103,915		49,781	
		<u>174,141</u>		<u>109,112</u>	
<b>Creditors: amounts falling due within one year</b>	12	357,501		290,223	
		<u>          </u>		<u>          </u>	
<b>Net current liabilities</b>			(183,360)		(181,111)
			<u>          </u>		<u>          </u>
<b>Total assets less current liabilities</b>			(164,503)		(163,484)
<b>Creditors: amounts falling due after more than one year</b>	13		(108,611)		(97,222)
			<u>          </u>		<u>          </u>
<b>Net liabilities</b>			(273,114)		(260,706)
			<u>          </u>		<u>          </u>
<b>Capital and reserves</b>					
Called up share capital	14		2,967		2,967
Share premium account	15		859,400		859,400
Profit and loss account	15		(1,135,481)		(1,123,073)
			<u>          </u>		<u>          </u>
<b>Shareholders' funds - deficit</b>	16		(273,114)		(260,706)
			<u>          </u>		<u>          </u>

All amounts relate to equity interests.

The notes on pages 8 to 15 form part of these financial statements.



**3E DEVELOPMENT LIMITED****Company balance sheet at 31 December 2002**

	Note	2002	2001
		£	£
<b>Fixed assets</b>			
Investments	10	2	2
<b>Current assets</b>			
Debtors	11	-	-
Cash at bank and in hand		-	-
		<u>-</u>	<u>-</u>
<b>Creditors: amounts falling due within one year</b>	12	<b>200</b>	<b>200</b>
		<u>-</u>	<u>-</u>
<b>Net current liabilities</b>		<b>(200)</b>	<b>(200)</b>
		<u>-</u>	<u>-</u>
<b>Total assets less current liabilities</b>		<b>(198)</b>	<b>(198)</b>
		<u>-</u>	<u>-</u>
<b>Capital and reserves</b>			
Called up share capital	14	2,967	2,967
Share premium account	15	859,400	859,400
Profit and loss account	15	(862,565)	(862,565)
		<u>-</u>	<u>-</u>
<b>Shareholders' funds - deficit</b>	16	<b>(198)</b>	<b>(198)</b>
		<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.

All amounts relate to equity interests.

The financial statements were approved by the Board on 9 October 2003



R Y Brown  
Director

The notes on pages 8 to 15 form part of these financial statements.

## 3E DEVELOPMENT LIMITED

### Notes forming part of the financial statements for the year ended 31 December 2002

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

##### *Basis of consolidation*

The consolidated financial statements incorporate the results of 3E Development Limited and of its subsidiary undertakings as at 31 December 2002 using the acquisition method of accounting. The results of the subsidiary undertakings are included from the date of acquisition.

##### *Turnover*

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

##### *Depreciation*

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

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

##### *Cash flow statements*

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.

##### *Deferred taxation*

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

#### 2 Turnover

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

**3E DEVELOPMENT LIMITED****Notes forming part of the financial statements for the year ended 31 December 2002 (Continued)****3 Operating profit/(loss)**

	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>£</b>
This is arrived at after charging:		
Depreciation	9,426	9,128
Auditors' remuneration	4,800	4,700
Operating leases – plant and machinery	3,434	3,010

**4 Directors**

	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>£</b>
Directors remuneration:		
Remuneration for management services	82,120	202,276
Compensation for loss of office	-	26,000
	<b>82,120</b>	<b>228,276</b>

Emoluments of the highest paid director are:

Remuneration for management services	50,384	61,250
Compensation for loss of office	-	26,000
	<b>50,384</b>	<b>87,250</b>

**5 Interest payable and similar charges**

	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>£</b>
Bank overdrafts repayable within five years	17,207	1,408
Interest on finance lease contracts	2,018	2,338
	<b>19,225</b>	<b>3,746</b>

**6 Taxation on loss on ordinary activities**

	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>£</b>
UK corporation tax	-	-

### 3E DEVELOPMENT LIMITED

Notes forming part of the financial statements for the year ended 31 December 2002 (*Continued*)

#### 6 Taxation on loss on ordinary activities (*Continued*)

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The differences are explained below:

	2002 £	2001 £
Loss on ordinary activities before taxation	(12,408)	(625,228)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 30% (2002 : 30%)	(3,722)	(187,568)
Effects of:		
Expenses not deductible for tax purposes	489	4,805
Depreciation for period in excess of capital allowances	47	(3,574)
Other items	(63)	264
Losses carried forward to future periods	3,249	186,073
Current tax charge for the year	-	-

#### 7 Profit for the financial year

The company has taken advantage of the exemption allowed under section 230 of the Companies Act 1985 and has not presented its own profit and loss account in these financial statements. The group loss for the year includes a loss after tax of £Nil (2001 - £391,229) which is dealt with in the financial statements of the parent company.

#### 8 Intangible assets

Group and Company	Patent and development costs £
<i>Cost</i>	
At 1 January 2002 and 31 December 2002	40,000
<i>Amortisation</i>	
At 1 January 2002 and 31 December 2002	40,000
<i>Net book value</i>	
At 31 December 2002	-
At 31 December 2001	-

# 3E DEVELOPMENT LIMITED

Notes forming part of the financial statements for the year ended 31 December 2002 (*Continued*)

## 9 Tangible assets

Group	Motor vehicles £	Office equipment £	Computer hardware and software £	Total £
<i>Cost</i>				
At 1 January 2002	-	9,028	67,389	76,417
Additions	6,996	-	5,164	12,160
Disposals	-	(3,293)	(2,863)	(6,156)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2002	6,996	5,735	69,690	82,421
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
At 1 January 2002	-	5,350	53,440	58,790
Provision for year	500	761	8,165	9,426
Disposals	-	(1,789)	(2,863)	(4,652)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2002	500	4,322	58,742	63,564
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 31 December 2002	<u>6,496</u>	<u>1,413</u>	<u>10,948</u>	<u>18,857</u>
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2001	-	3,678	13,949	17,627
	<hr/>	<hr/>	<hr/>	<hr/>

The net book value of tangible fixed assets includes an amount of £Nil (2001 - £1,905) in respect of assets held under finance leases. The related depreciation charge for the year was £Nil (2001 - £2,731).

## 10 Fixed asset investments

Company	2002 £	2001 £
Shares in subsidiary undertakings:		
£1 ordinary shares at cost	30,041	30,041
Provision against investment	(30,039)	(30,039)
	<hr/>	<hr/>
	2	2
	<hr/>	<hr/>

These investments represent the full issued share capital of 3E Europe Limited (registered in Scotland), and Ciris Healthcare Limited (registered in England), both of which sell software products and related services.

**3E DEVELOPMENT LIMITED**Notes forming part of the financial statements for the year ended 31 December 2002 *(Continued)***11 Debtors**

	<b>Group</b>		<b>Company</b>	
	<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Trade debtors	35,418	48,298	-	-
Other debtors	34,808	11,033	-	-
	<u>70,226</u>	<u>59,331</u>	<u>-</u>	<u>-</u>

All amounts fall due for payment within one year.

**12 Creditors: amounts falling due within one year**

	<b>Group</b>		<b>Company</b>	
	<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Bank loans and overdrafts (secured – note 13)	68,550	4,343	-	-
Trade creditors	8,479	58,535	-	-
Tax and social security	30,738	38,970	-	-
Obligations under finance leases and hire purchase contracts	-	2,962	-	-
Accruals and deferred income	249,734	185,413	200	200
	<u>357,501</u>	<u>290,223</u>	<u>200</u>	<u>200</u>

**13 Creditors: amounts falling due after more than one year**

	<b>Group</b>		<b>Company</b>	
	<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Bank loan (secured)	108,611	97,222	-	-
	<u>108,611</u>	<u>97,222</u>	<u>-</u>	<u>-</u>
Obligations are due as follows:				
Between one and two years	56,667	33,333	-	-
Between two and five years	51,944	63,889	-	-
	<u>108,611</u>	<u>97,222</u>	<u>-</u>	<u>-</u>

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

### 3E DEVELOPMENT LIMITED

Notes forming part of the financial statements for the year ended 31 December 2002 (*Continued*)

#### 14 Share capital

<i>Authorised</i>	2002 Number	2001 Number	2002 £	2001 £
Ordinary 'A' shares of 10p each	89,000	89,000	8,900	8,900
Ordinary 'B' shares of 10p each	11,000	11,000	1,100	1,100
	<u>100,000</u>	<u>100,000</u>	<u>10,000</u>	<u>10,000</u>
<i>Allotted, called up and fully paid</i>	2002 Number	2001 Number	2002 £	2001 £
Ordinary 'A' shares of 10p each	22,211	22,211	2,221	2,221
Ordinary 'B' shares of 10p each	7,463	7,463	746	746
	<u>29,674</u>	<u>29,674</u>	<u>2,967</u>	<u>2,967</u>

The 'A' and 'B' ordinary shares rank pari passu in all material respects.

#### 15 Reserves

Group	Share premium account £	Profit and loss account £	Total £
At 1 January 2002	859,400	(1,123,073)	(263,673)
Loss for the year	-	(12,408)	(12,408)
	<u>859,400</u>	<u>(1,135,481)</u>	<u>(276,081)</u>
 Company	 Share premium account £	 Profit and loss account £	 Total £
At 1 January 2002	859,400	(862,565)	(3,165)
Loss for the year	-	-	-
	<u>859,400</u>	<u>(862,565)</u>	<u>(3,165)</u>

### 3E DEVELOPMENT LIMITED

Notes forming part of the financial statements for the year ended 31 December 2002 (*Continued*)

#### 16 Reconciliation of movements in shareholders' funds

	Group		Company	
	2002	2001	2002	2001
	£	£	£	£
Loss for the year	(12,408)	(625,228)	-	(391,229)
New share capital subscribed and premium thereon	-	391,111	-	391,111
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Net reduction in shareholders' funds	(12,408)	(234,117)	-	(118)
Opening shareholders' funds	(260,706)	(26,589)	(198)	(80)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Closing shareholders' funds	<u>(273,114)</u>	<u>(260,706)</u>	<u>(198)</u>	<u>(198)</u>

#### 17 Commitments under operating leases

As at 31 December 2002, the group had annual commitments under non-cancellable operating leases as set out below:

	Other	
	2002	2001
	£	£
Operating leases which expire:		
Within one year	-	2,006
	<u>          </u>	<u>          </u>

#### 18 Contingent liabilities

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

The company has given guarantees in respect of sterling term loans and overdrafts made available to its subsidiary companies 3E Europe Limited and Ciris Healthcare Limited. The total amount outstanding at 31 December 2002 was £177,161 (2001 - £101,565).



**19 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 group issued a further 3,297 class A shares, raising £200,000 of new finance.

The directors have prepared projected cashflow information for the period to 31 December 2004. 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.