

3E Development Limited

Report and Financial Statements

Period Ended

31 December 1997



BDO Stoy Hayward
Chartered Accountants

3E DEVELOPMENT LIMITED

Annual report and financial statements for the year ended 31 December 1997

Contents

Directors

Page:

1	Report of the directors
3	Report of the auditors
4	Profit and loss account
5	Balance sheet
6	Notes forming part of the financial statements

Directors

T J Williams (Chairman)
Dr A E Brown
R Y Brown
J Bailey

Secretary and registered office

Messrs T D Young & Co, Solicitors, New Law House, Saltire Centre, Glenrothes, Fife.

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 1997

The directors present their report together with the audited financial statements for the period ended 31 December 1997.

Results and dividends

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

Principal activities, trading review and future developments

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 period and their interests in the share capital of the company were as follows:

	31 December 1997		31 December 1996
	'A' shares of 10p each	'B' shares of 10p each	'A' shares of £1 each
T J Williams (appointed 5 April 1997)	-	547	-
Dr A E Brown	670	-	40
R Y Brown	670	-	40
J Bailey	670	-	20

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

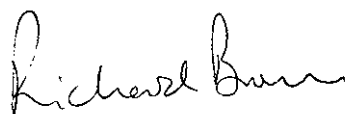
Report of the directors for the year ended 31 December 1997 (*Continued*)

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

30 October 1998

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 1997 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

3 November 1998

3E DEVELOPMENT LIMITED

Profit and loss account for the year ended 31 December 1997

	Note	1997 £	1996 £
Turnover	2	-	40,000
Administrative expenses		19,498	29,170
		<hr/>	<hr/>
Operating (loss)/profit		(19,498)	10,830
Interest receivable		16	-
Provision against amounts owed by subsidiary undertaking		(199,939)	-
		<hr/>	<hr/>
(Loss)/profit on ordinary activities before taxation		(219,421)	10,830
Taxation on (loss)/profit from ordinary activities		-	(6,187)
		<hr/>	<hr/>
Retained (loss)/profit for the year		(219,421)	4,643
		<hr/> <hr/>	<hr/> <hr/>

All amounts relate to continuing activities.

The company made no recognised gains or losses in the period ended 31 December 1997 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 1997

	Note	1997	1996
		£	£
Fixed assets			
Intangible assets	4	-	16,667
Investments	5	1	30,040
		<u>1</u>	<u>46,707</u>
Current assets			
Debtors	6	81,662	14,363
Cash at bank and in hand		16	-
		<u>81,678</u>	<u>14,363</u>
Creditors: amounts falling due within one year	7	200	26,387
		<u>200</u>	<u>26,387</u>
Net current assets/(liabilities)		81,478	(12,024)
		<u>81,478</u>	<u>(12,024)</u>
Total assets less current liabilities		81,479	34,683
		<u>81,479</u>	<u>34,683</u>
Capital and reserves			
Called up share capital	8	256	100
Share premium account	10	296,001	29,940
Profit and loss account	10	(214,778)	4,643
		<u>256</u>	<u>34,683</u>
Shareholders' funds		256	34,683
		<u>256</u>	<u>34,683</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 22 October 1998

R Y Brown
Director

Richard Brown

J Bailey
Director

James Bailey

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 1997

1 Accounting policies

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, 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.

Cash flow statements

The company is entitled to the exemptions available in sections 246 to 249 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 profit

	1997 £	1996 £
This has been arrived at after charging:		
Depreciation	16,667	23,333
Auditors' remuneration	-	200
	<u> </u>	<u> </u>

The directors received no remuneration.

3E DEVELOPMENT LIMITED

Notes forming part of the financial statements for the year ended 31 December 1997 (*Continued*)

4 Intangible assets

	Patent and development rights £
<i>Cost or valuation</i>	
At 1 January 1997 and 31 December 1997	40,000
<i>Depreciation</i>	
At 1 January 1997	23,333
Provided for the year	16,667
At 31 December 1997	40,000
<i>Net book value</i>	
At 31 December 1997	-
At 31 December 1996	16,667

5 Fixed assets investments

	1997 £	1996 £
Shares in subsidiary undertaking:		
£1 ordinary shares at cost	30,040	30,040
Provision against investment	30,039	-
	1	30,040

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

3E Europe Limited made a loss after tax of £112,087 for the year (1996 - £90,114) and the total of capital and reserves at 31 December 1997 was a net liability of £169,899 (1996 liability - £57,812).

6 Debtors

	1997 £	1996 £
Amounts owed by subsidiary undertaking	81,662	14,363

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 1997 (*Continued*)

7 Creditors: amounts falling due within one year

	1997 £	1996 £
Corporation tax	-	6,187
Directors' current accounts	-	20,000
Accruals	200	200
	<u>200</u>	<u>26,387</u>

8 Share capital

	Authorised		Allotted, called up and fully paid	
	1997 £	1996 £	1997 £	1996 £
Ordinary shares of £1 each	-	1,000	-	100
Ordinary 'A' shares of 10p each	900	-	201	-
Ordinary 'B' shares of 10p each	100	-	55	-
	<u>1,000</u>	<u>1,000</u>	<u>256</u>	<u>100</u>

On 5 April 1997, a resolution was passed for the re-organisation of 3E Development's share capital.

The £1 ordinary shares were each converted into 10 'A' 10p ordinary shares. In addition to this 1,010 'A' 10p ordinary shares and 274 'B' 10p ordinary shares were issued for consideration of £66,217 and £100,000 respectively. A further 273 'B' 10p ordinary shares were issued on 29 September 1997 for a consideration of £100,000. The 'A' and 'B' shares rank *pari passu*.

9 Reserves

	Share premium account £	Profit and loss account £	Total £
At 1 January 1997	29,940	4,643	34,583
Premium on issue of 'A' shares of 10p each	66,116	-	66,116
Premium on issue of 'B' shares of 10p each	199,945	-	199,945
Retained loss for the year	-	(219,421)	(219,421)
	<u>296,001</u>	<u>(214,778)</u>	<u>81,223</u>
At 31 December 1997	296,001	(214,778)	81,223

3E DEVELOPMENT LIMITED

Notes forming part of the financial statements for the year ended 31 December 1997 (*Continued*)

10 Reconciliation of movements in shareholders fund

	1997 £	1996 £
Opening shareholders' funds	34,683	-
(Loss)/profit for the financial period	(219,421)	4,643
New share capital subscribed and premium thereon	266,217	30,040
	<hr/>	<hr/>
Closing shareholders' funds	81,479	34,683
	<hr/>	<hr/>

11 Contingent liabilities

The directors are not aware of any contingent liabilities at the period end.

12 Transactions with directors

In accordance with Schedule 6 Paragraph 15a of the Companies Act 1985 the following information is disclosed in connection with the subsidiary undertaking.

Loans from directors

Amounts due to directors at 31 December 1996	42,333
	<hr/>
Amounts due to directors at 31 December 1997	-
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