

3E Development Limited

REPORT AND FINANCIAL STATEMENTS

for the year ended

31 December 2005



Company Number SC160955

3E DEVELOPMENT LIMITED

DIRECTORS AND OFFICERS

DIRECTORS

T J Williams
R Y Brown
P Torrie
S Evans
H Uberoi

SECRETARY

Lycidas Secretaries Limited

REGISTERED OFFICE

c/o McClure Naismith
Nova House
3 Ponton Street
Edinburgh
Great Britain
EH3 9QQ

AUDITORS

Baker Tilly
Victoria Road South
Chelmsford
Essex
England
CM1 1LN

3E DEVELOPMENT LIMITED

DIRECTORS' REPORT

The directors present their report and financial statements of 3E Development Limited for the year ended 31 December 2005

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 principal activity of the group during the year was that of the sale of the Ciris range of products, the development of related products, and the provision of associated consultancy services

RESULTS AND DIVIDENDS

The consolidated profit and loss account for the year is set out on page 6

The trading loss of the group for the year was £120,205

DIRECTORS

The following directors have held office since 1 January 2005

T J Williams

R Y Brown

P Torrie

S Evans

J T Phillips

H Uberoi

(Resigned 6 January 2006)

3E DEVELOPMENT LIMITED

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTERESTS IN SHARES

Directors' interests in the shares of the company, including family interests, were as follows

3E Developments Limited

	<i>Ordinary 'A' shares of 10p each</i>	
	31 12 05	1 1 05
T J Williams	4,033	4,033
R Y Brown	9,203	8,355
P Torrie	674	491
S Evans	414	414
J T Phillips		
H Uberoi	6,487	4,747

	<i>Ordinary 'B' shares of 10p each</i>	
	31 12 05	31 12 04
T J Williams	7,463	7,463
R Y Brown		
P Torrie		
S Evans		
J T Phillips		
H Uberoi		

The 4,033 Ordinary 'A' shares of 10p each held by T J Williams represents a beneficial interest in the shares

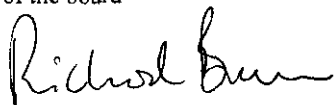
The directors did not have an interest in any other group company

AUDITORS

Baker Tilly were appointed auditors to the company and in accordance with Section 385 of the Companies Act 1985, a resolution proposing that they be re appointed will be put to the Annual General Meeting

This 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

27 October 2006

3E DEVELOPMENT LIMITED

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

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

- a select suitable accounting policies and then apply them consistently,
- b make judgements and estimates that are reasonable and prudent,
- c 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF 3E DEVELOPMENT LIMITED

We have audited the financial statements on pages 6 to 16

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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 (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland).

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.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company and group's affairs as at 31 December 2005 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Registered Auditor
Chartered Accountants
Victoria Road South
Chelmsford
Essex
England
CM1 1LN

30/01/06

3E DEVELOPMENT LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2005

	Notes	2005 £	2004 £
TURNOVER	1	484,576	480,314
Cost of sales		232	359
	
Gross profit		484,344	479,955
Other operating expenses	2	606,613	565,964
	
OPERATING LOSS		(122,269)	(86,009)
Investment income	3	2,080	3,268
	
		(120,189)	(82,741)
Interest payable	4	16	3,319
	
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	5	(120,205)	(86,060)
Taxation	7		
	
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION	15	(120,205)	(86,060)
	

The operating loss for the year arises from the group's continuing operations

No separate Statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the Profit and Loss Account

3E DEVELOPMENT LIMITED

BALANCE SHEETS

31 December 2005

		GROUP	3E DEVELOPMENT LIMITED		
		2005	2004	2005	2004
	Notes	£	£	£	£
FIXED ASSETS					
Tangible assets	10	31,533	32,101		
Investments	11			2	2
CURRENT ASSETS					
Debtors	12	43,357	73,666	100,000	
Cash at bank and in hand		158	41,595		
		43,515	115,261	100,000	
CREDITORS Amounts falling due within one year	13	(235,134)	(287,243)	(200)	(200)
NET CURRENT LIABILITIES		(191,619)	(171,982)	99,800	(200)
TOTAL ASSETS LESS CURRENT LIABILITIES		(160,086)	(139,881)	99,802	(198)
CAPITAL AND RESERVES					
Called up share capital	14	3,663	3,297	3,663	3,297
Share premium account	15	1,158,704	1,059,070	1,158,704	1,059,070
Profit and loss account	15	(1,322,453)	(1,202,248)	(1,062,565)	(1,062,565)
Shareholders' funds equity interests	16	(160,086)	(139,881)	99,802	(198)

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies

Approved and authorised for issue by the board on

27 October 2006

R Y Brown

Director

3E DEVELOPMENT LIMITED

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the results of 3E Development Limited and of its subsidiary undertakings as at 31 December 2005 using the acquisition method of accounting. The results of the subsidiary undertakings are included from the date of acquisition.

The company has taken advantage of the exemption in Financial Reporting Standard No 1 from the requirement to produce a cashflow statement on the grounds that it is a small group.

GOING CONCERN

The financial statements have been prepared on the going concern basis, which assumes the group's continuing ability to operate within its existing banking facilities.

The directors have prepared projected cashflow information for the period to 31 November 2007. On the basis of the 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.

PATENTS

Patents are valued at cost less accumulated amortisation. Amortisation is calculated to write off the cost in equal annual instalments over their estimated useful life.

TANGIBLE FIXED ASSETS

Fixed assets are stated at historical cost less depreciation.

Depreciation is provided on all tangible fixed assets at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows:

Computer hardware	33% per annum
Fixtures, fittings & equipment	20% per annum
Motor vehicles	33% per annum
Computer software	100% per annum

DEFERRED TAXATION

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

GOVERNMENT GRANTS

Grants are credited to deferred revenue. Grants towards capital expenditure are released to the profit and loss account over the expected useful life of the assets. Grants towards revenue expenditure are released to the profit and loss account as the related expenditure is incurred.

3E DEVELOPMENT LIMITED

ACCOUNTING POLICIES (CONTINUED)

TURNOVER

Turnover represents the invoiced value, net of Value Added Tax, of goods sold and services provided to customers. Revenue from licences and subscriptions is recognised evenly over the contract period.

3E DEVELOPMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

1 TURNOVER

The total turnover of the group for the year has been derived from its principal activity wholly undertaken in the United Kingdom

2 OTHER OPERATING EXPENSES	2005 £	2004 £
Distribution costs	49,147	34,590
Administrative expenses	557,466	552,097
Other operating income		(20,723)

	606,613	565,964

3 INVESTMENT INCOME	2005 £	2004 £
Bank interest	2,080	3,268

4 INTEREST PAYABLE	2005 £	2004 £
On bank loans and overdrafts	16	3,319

5 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	2005 £	2004 £
Loss on ordinary activities before taxation is stated after charging/(crediting)		
Depreciation of tangible assets		
Charge for the year		
owned assets	17,842	17,942
Profit on disposals	(800)	
Auditors' remuneration	4,750	4,800
Remuneration of auditors for non audit work		4,694
Government grants		(20,723)

3E DEVELOPMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

6 EMPLOYEES

There were no employees during the year apart from the directors

	2005 £	2004 £
Staff costs for the above persons		
Wages and salaries	260,839	260,370
Social security costs	134,684	141,295

	395,523	401,665

In respect of the directors of 3E Development Limited		
Emoluments for qualifying services	69,541	110,576

	69,541	110,576

7 TAXATION

Current tax charge

Factors affecting the tax charge for the year		
Loss on ordinary activities before taxation	(120,205)	(86,060)

Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2004 30.00%)	(36,062)	(25,818)

Effects of		
Non deductible expenses	127	215
Depreciation for period in excess of capital allowances	846	299
Non taxable income	(240)	
Tax losses carried forward to future periods	35,329	25,304

	36,062	25,818

Current tax charge

The company has estimated losses of £ 1,198,624 (2004 £ 1,092,705) available for carry forward against future trading profits

A deferred tax asset of £232,793 has not been provided for due to the uncertainty of when the losses will be utilised

8 LOSS FOR THE FINANCIAL YEAR

As permitted by section 230 of the Companies Act 1985, the holding company's profit and loss account has not been included in these financial statements. The parent's loss for the financial year is £ (2004 £)

3E DEVELOPMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

9 INTANGIBLE FIXED ASSETS GROUP AND COMPANY

*Patents and
development
costs*
£

Cost

At 1 January 2005 & at 31 December 2005

40,000

Amortisation

At 1 January 2005 & at 31 December 2005

40,000

Net book value

At 31 December 2005

At 31 December 2004

10 TANGIBLE FIXED ASSETS GROUP

*Plant and
machinery*

£

*Fixtures,
fittings &
equipment*

£

*Motor
vehicles*

£

Total

£

Cost

At 1 January 2005

84,750

7,382

35,655

127,787

Additions

4,934

13,340

18,274

Disposals

(6,995)

(6,995)

At 31 December 2005

89,684

7,382

42,000

139,066

Depreciation

At 1 January 2005

76,020

5,902

13,764

95,686

On disposals

(5,995)

(5,995)

Charge for the year

6,180

887

10,775

17,842

At 31 December 2005

82,200

6,789

18,544

107,533

Net book value

At 31 December 2005

7,484

593

23,456

31,533

At 31 December 2004

8,730

1,480

21,891

32,101

3E DEVELOPMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

11 FIXED ASSET INVESTMENTS

3E DEVELOPMENT LIMITED

	<i>Shares in group undertakings</i>
	£
Cost	
At 1 January 2005 & at 31 December 2005	30,041

Provisions for diminution in value	
At 1 January 2005 & at 31 December 2005	30,039

Net book value	
At 31 December 2005	2

At 31 December 2004	2

In the opinion of the directors, the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet

The company holds more than 20% of the share capital of the following companies

Company	Country of registration or incorporation	Shares held	Nature of business
		Class	%
Subsidiary undertakings			
3E Europe Limited	Scotland	Ordinary	100
			Sale of software products and related services
Ciris Healthcare Limited	England	Ordinary	100
			Dormant company

12 DEBTORS

	GROUP	3E DEVELOPMENT LIMITED
	2005	2004
	£	£
Due within one year		
Trade debtors	39,400	69,207
Amounts owed by group undertakings		100,000
Other debtors	3,957	4,459

	43,357	73,666

3E DEVELOPMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

13 CREDITORS Amounts falling due within one year	GROUP		3E DEVELOPMENT LIMITED	
	2005 £	2004 £	2005 £	2004 £
Bank loans and overdrafts		3,093		
Trade creditors	4,344	6,847		
Taxes and social security costs	10,170	22,286		
Other creditors	200	200	200	200
Accruals and deferred income	220,420	254,817		

	235,134	287,243	200	200

14 SHARE CAPITAL		
	2005 £	2004 £
Authorised		
89,000 Ordinary 'A' shares of £0.10 each	8,900	8,900
11,000 Ordinary 'B' shares of £0.10 each	1,100	1,100

	10,000	10,000

Allotted, issued and fully paid		
27,250 Ordinary 'A' shares of £0.10 each	2,725	2,551
9,380 Ordinary 'B' shares of £0.10 each	938	746

	3,663	3,297

During the year the company issued 1,923 'A' shares and 1,740 'B' shares for £27.30 each (2004 the company issued no shares), giving proceeds of £100,000

Subsequent to the balance sheet date the company had issued 27,431 'A' shares and 9,203 'B' shares for £2.73 each giving total proceeds of £100,011

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

3E DEVELOPMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

15 STATEMENT OF MOVEMENT ON RESERVES GROUP

<i>Share premium account</i>	<i>Profit and loss account</i>
£	£
1 January 2005	1,059,070
Retained loss for the year	(1,202,248)
Premium on shares issued during the year	(120,205)
99,634	
.....
31 December 2005	1,158,704
.....	(1,322,453)
.....

3E DEVELOPMENT LIMITED

<i>Share premium account</i>	<i>Profit and loss account</i>
£	£
1 January 2005	1,059,070
Premium on shares issued during the year	(1,062,565)
99,634	
.....
31 December 2005	1,158,704
.....	(1,062,565)
.....

16 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS GROUP

2005	2004
£	£
Loss for the financial year	(120,205)
Proceeds from issue of shares	(86,060)
100,000	
.....
Net depletion in shareholders' funds	(20,205)
Opening shareholders' funds	(86,060)
(139,881)	(53,821)
.....
Closing shareholders' funds	(160,086)
.....	(139,881)
.....

3E DEVELOPMENT LIMITED

2005	2004
£	£
Loss for the financial year	
Proceeds from issue of shares	
100,000	
.....
Net addition to shareholders' funds	100,000
Opening shareholders' funds	(198)
(198)	(198)
.....
Closing shareholders' funds	99,802
.....	(198)
.....

3E DEVELOPMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

17 TRANSACTIONS WITH DIRECTORS

The following directors had interest free loans during the year. The movement on these loans are as follows

	Amount outstanding		Maximum in year
	2005	2004	
	£	£	£
R Y Brown	928		928

17 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 loans and overdrafts made available to its subsidiary companies 3E Europe Limited and Ciris Healthcare Limited. The total amount outstanding at 31 December 2005 was £Nil (2004 £3,093)

The group has an obligation to pay certain amounts out of future profits to bodies which have previously assisted in the development of the company's principle product. These amounts payable are limited to £80,000 and are contingent upon the future profitability of the related products

19 CONTROL

R Y Brown is considered to be the ultimate controlling party