

COMPANIES HOUSE

Grant Thornton 

ECEBS LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 SEPTEMBER 2002



Company no 3974521

ECEBS LIMITED

FINANCIAL STATEMENTS

For the year ended 30 September 2002

Company registration number: 3974521

Registered office: Ecebs House
68 Dobcroft Road
Millhouses
Sheffield
S7 2LS

Directors: D W Braddock
B Hochfield
S Naylor

Secretary: S Naylor

Bankers: Bank of Scotland

Auditors: Grant Thornton
Registered Auditors
Chartered Accountants

ECEBS LIMITED

FINANCIAL STATEMENTS

For the year ended 30 September 2002

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ECEBS LIMITED

REPORT OF THE DIRECTORS

The directors present their report together with financial statements for the year ended 30 September 2002.

Principal activities

The company is principally engaged in the supply of software and services particularly related to smartcard technology.

Business review

The company was formed in 2000 with the following primary objectives;

- To put together a talented staff team and to utilise and exploit their experience and knowledge
- To create innovative products to provide to the market
- To establish a significant presence in the developing global market for Smartcard software products and solutions

Progress has been made against these objectives. We have assembled a staff team of very competent individuals with many years experience in the industry. In this start-up phase of the company's development we have carried out extensive research and development activity which has resulted in the creation of new product ideas which are capable of commercial application. These product ideas will form the core of the company's future business. The expertise of the staff team has given us credibility in the market and we have been successful in winning business in the UK, Europe and the USA.

The future plans for the business are to exploit the product ideas in the global market either directly or through partners and agents. Progress has been made in developing these channels.

The company has a systematic business control and forecasting process. In the opinion of the directors, reasonable forecasts derived from this process indicate that the expected level of business and available cash is sufficient to support the companies' activities for the foreseeable future.

Research and development

Research and development of innovative technology forms an integral part of the business. The directors anticipate continued research into new software systems and methodologies. The amount expended on research and development during the period is as stated in note 1 to these financial statements.

Directors

The present membership of the Board is set out below. All directors served throughout the year.

D W Braddock
B Hochfield
S Naylor

The interests of the directors who are also directors of the parent undertaking are disclosed in that company's financial statements.

ECEBS LIMITED

REPORT OF THE DIRECTORS

Directors' responsibilities for the financial statements

Company law in the United Kingdom requires the directors to prepare financial statements for each financial period 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
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

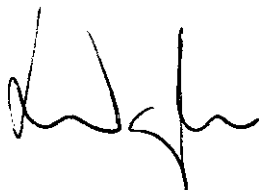
The directors are responsible for maintaining proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

Grant Thornton offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD

S Naylor
Secretary
30 December 2002



REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF

ECEBS LIMITED

We have audited the financial statements of Ecebs Limited for the year ended 30 September 2002 which comprise the principal accounting policies, profit and loss account, balance sheet and notes 1 to 19. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of the directors and auditors

The directors' responsibilities for preparing the directors' report and the financial statements in accordance with United Kingdom law and 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 other information contained in the directors' report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

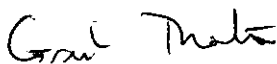
Basis of opinion

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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 September 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS**

SHEFFIELD
30 December 2002

ECEBS LIMITED

PRINCIPAL ACCOUNTING POLICIES

BASIS OF PREPARATION

The financial statements have been prepared under the historical cost convention.

The financial statements have been prepared on the going concern basis. The directors, having considered the trading and cash forecasts for the next 12 months, have reasonable expectation that the borrowing facilities available to the company are sufficient to meet the requirements indicated by those forecasts.

The principal accounting policies of the company have remained unchanged from the previous year and are set out below.

TURNOVER

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding VAT and trade discounts.

In the case of long-term contracts, turnover reflects the contract activity during the year.

TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are stated at cost, net of depreciation.

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets by equal annual instalments over their estimated useful economic lives. The rates generally applicable are:

Fixtures, fittings and equipment	20% or 33%
Computer equipment	33%

RESEARCH AND DEVELOPMENT

Research and development expenditure is charged to profits in the period in which it is incurred. Development costs incurred on specific projects are capitalised when recoverability can be assessed with reasonable certainty and amortised in line with the expected sales arising from the projects. All other development costs are written off in the year of expenditure.

INTANGIBLE FIXED ASSETS

Intellectual property related to research and development activity is capitalised at cost when recoverability can be assessed with reasonable certainty and is amortised on a straight-line basis over its useful economic life.

LONG-TERM CONTRACTS

The attributable profit on long-term contracts is recognised once their outcome can be assessed with reasonable certainty. The profit recognised reflects the proportion of work completed to date on the project.

Costs associated with long-term contracts are included in stock to the extent that they cannot be matched with contract work accounted for as turnover. Long-term contract balances included in stocks are stated at cost, after provision has been made for any foreseeable losses and the deduction of applicable payments on account.

Full provision is made for losses on all contracts in the year in which the loss is first foreseen.

RETIREMENT BENEFITS

Defined Contribution Pension Scheme

The pension costs charged against operating profits are the contributions payable to the scheme in respect of the accounting period.

ECEBS LIMITED

PRINCIPAL ACCOUNTING POLICIES

LEASED ASSETS

Payments under leases regarded as operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

ECEBS LIMITED**PROFIT AND LOSS ACCOUNT**

For the year ended 30 September 2002

	Note	2002 £	2001 £
Turnover	1	546,501	508,746
Cost of sales		(71,597)	(8,022)
Gross profit		474,904	500,724
Administrative expenses		(892,776)	(948,789)
Other operating income		30,000	-
Operating loss		(387,872)	(448,065)
Net interest	2	(80,850)	(34,925)
Loss on ordinary activities before taxation	1	(468,722)	(482,990)
Tax on loss on ordinary activities	4	54,927	75,000
Loss transferred from reserves	12	(413,795)	(407,990)

There were no recognised gains or losses other than the loss for the financial year.

ECEBS LIMITED**BALANCE SHEET AT 30 SEPTEMBER 2002**

	Note	2002 £	2001 £
Fixed assets			
Intangible assets	6	6,237	-
Tangible assets	7	67,532	69,414
Current assets			
Debtors	8	127,088	266,917
Cash at bank and in hand		108,608	964
		<u>235,696</u>	<u>267,881</u>
Creditors: amounts falling due within one year	9	<u>(277,773)</u>	<u>(89,043)</u>
Net current (liabilities)/assets		<u>(42,077)</u>	<u>178,838</u>
Total assets less current liabilities		<u>31,692</u>	<u>248,252</u>
Creditors: amounts falling due after more than one year	10	843,477	646,242
Capital and reserves			
Called up share capital	11	10,000	10,000
Profit and loss account	12	(821,785)	(407,990)
Shareholders' funds	13	<u>(811,785)</u>	<u>(397,990)</u>
		<u>31,692</u>	<u>248,252</u>

The financial statements were approved by the Board of Directors on 30 December 2002.

D W Braddock

Director

S Naylor

Director

The accompanying accounting policies and notes form an integral part of these financial statements.

ECEBS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2002

1 TURNOVER AND LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

The turnover and loss on ordinary activities before taxation are attributable to the principal activity of the company.

An analysis of turnover by geographical market is given below:

	2002 £	2001 £
United Kingdom	319,416	9,800
Europe	227,085	468,511
USA	-	30,435
	<u>546,501</u>	<u>508,746</u>

The loss on ordinary activities is stated after:

	2002 £	2001 £
Research and development:		
Current period expenditure	220,585	313,763
Auditors' remuneration	3,000	2,800
Depreciation:		
Tangible fixed assets, owned	34,248	26,257
Other operating lease rentals	25,864	26,718
	<u>30,000</u>	<u>-</u>

2 NET INTEREST

	2002 £	2001 £
Interest payable to group undertakings	80,000	36,000
Other interest payable and similar charges	850	-
Other interest receivable and similar income	-	(1,075)
	<u>80,850</u>	<u>34,925</u>

3 DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows:

	2002 £	2001 £
Wages and salaries	630,489	620,010
Social security costs	62,834	66,771
Other pension costs	27,261	56,380
	<u>720,584</u>	<u>743,161</u>

ECEBS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2002

The average number of employees of the company during the year was:

	2002 Number	2001 Number
Technical	13	11
Sales	1	2
Administration	2	2
	<u>16</u>	<u>15</u>

Remuneration in respect of directors was as follows:

	2002 £	2001 £
Emoluments	180,235	161,275
Pension contributions to money purchase pension schemes	6,612	19,857
	<u>186,847</u>	<u>181,132</u>

During the year 3 directors (2001: 4) participated in money purchase pension schemes.

4 TAXATION

The tax credit represents:

	2002 £	2001 £
R&D tax credit	(53,000)	(75,000)
Adjustments in respect of prior periods:		
Overprovision in respect of previous year	<u>(1,927)</u>	<u>-</u>
	<u>(54,927)</u>	<u>(75,000)</u>

No provision has been made for deferred taxation on trading losses carried forward. The total amount unprovided for is approximately £90,000 (2001: £44,000). At present it is not envisaged that future taxable profits will be sufficient for these timing differences to be reversed.

Unrelieved tax losses of approximately £470,000 (2001: £400,000) remain available to offset against future taxable trading profits.

ECEBS LIMITED**NOTES TO THE FINANCIAL STATEMENTS**For the year ended 30 September 2002

5 RECONCILIATION OF CURRENT TAX CHARGE

The tax assessed for the period is higher than the standard rate of corporation tax in the UK of 16%. The differences are explained as follows:

	2002 £	2001 £
Loss on ordinary activities before tax	(468,722)	(482,990)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 16% (2001: 16%)	(75,000)	(77,000)
Effect of:		
R & D expenditure uplift	(18,000)	(25,000)
Expenses not deductible for tax purposes	1,000	-
Capital allowances for the period in excess of depreciation	-	(10,000)
Unused tax losses carried forward	39,000	37,000
Current tax credit for year	<u>(53,000)</u>	<u>(75,000)</u>

6 INTANGIBLE FIXED ASSETS

	Intellectual property £
Additions and net book amount at 30 September 2002	<u>6,237</u>

ECEBS LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 September 2002

7 TANGIBLE FIXED ASSETS

	Fixtures, fittings and equipment £	Computer equipment £	Total £
Cost			
At 1 October 2001	8,522	87,149	95,671
Additions	1,038	31,328	32,366
At 30 September 2002	9,560	118,477	128,037
Depreciation			
At 1 October 2001	1,395	24,862	26,257
Provided in the year	1,813	32,435	34,248
At 30 September 2002	3,208	57,297	60,505
Net book amount at 30 September 2002	6,352	61,180	67,532
Net book amount at 30 September 2001	7,127	62,287	69,414

8 DEBTORS

	2002 £	2001 £
Trade debtors	40,541	25,052
Amounts recoverable on contracts	24,135	160,542
Other debtors	53,000	76,738
Prepayments and accrued income	9,412	4,585
	127,088	266,917

9 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002 £	2001 £
Payments received on account	122,935	-
Trade creditors	40,404	9,565
Amounts owed to group undertakings	-	50,000
Social security and other taxes	60,288	15,156
Other creditors	3,254	6,172
Accruals and deferred income	50,892	8,150
	277,773	89,043

ECEBS LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 September 2002

10 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2002 £	2001 £
Amounts owed to group undertakings	<u>843,477</u>	<u>646,242</u>

11 SHARE CAPITAL

	2002 £	2001 £
Authorised 10,000 ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>
Allotted, called up and fully paid 10,000 ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>

12 RESERVES

	Profit and loss account £
At 1 October 2001	(407,990)
Retained loss for the year	<u>(413,795)</u>
At 30 September 2002	<u>(821,785)</u>

13 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002 £	2001 £
Loss for the financial year	(413,795)	(407,990)
Issue of shares	-	10,000
Net decrease in shareholders' funds	<u>(413,795)</u>	<u>(397,990)</u>
Shareholders' funds at 1 October 2001	<u>(397,990)</u>	-
Shareholders' funds at 30 September 2002	<u>(811,785)</u>	<u>(397,990)</u>

14 CAPITAL COMMITMENTS

The company had no capital commitments at 30 September 2002 or 30 September 2001.

ECEBS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2002

15 CONTINGENT LIABILITIES

The company received a government grant in the year of £30,000. This may become repayable if certain conditions contained in the grant offer cease to be complied with. There were no contingent liabilities at 30 September 2001.

16 RETIREMENT BENEFITS

Defined Contribution Pension Scheme

The company operates a defined contribution pension scheme for the benefit of employees and directors. The assets of the scheme are administered by trustees in a fund independent from those of the company.

17 LEASING COMMITMENTS

Operating lease payments amounting to £16,065 (2001: nil) are due within one year. The leases to which these amounts relate expire as follows:

	2002 Land and Buildings £	2001 Land and Buildings £
In one year or less	<u>16,065</u>	<u>-</u>

18 RELATED PARTY TRANSACTIONS

As a wholly owned subsidiary of the group headed by Ecebs Group Limited, the company has taken advantage of the exemption from the requirements of FRS 8 to disclose transactions with other members of the group.

19 ULTIMATE PARENT UNDERTAKING

The directors consider that the ultimate parent undertaking of this company is its parent company Ecebs Group Limited.

The largest and smallest group of undertakings for which group accounts have been drawn up is that headed by Ecebs Group Limited which is registered in England and Wales.