

Ecebs Limited

Financial statements

For the year ended 30 September 2003

COMPANIES HOUSE

Grant Thornton 

3974521



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Company no 3974521

Company information

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

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Report of the directors

The directors present their report together with financial statements for the year ended 30 September 2003.

Principal activity

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 against these objectives continued during the year. We have assembled a staff team of very competent individuals with many years experience in the industry. 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. We have already been successful in winning significant business in the UK and overseas.

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

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 company's 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 of these financial statements.

Directors

The present membership of the Board is set out below.

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.

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 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
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

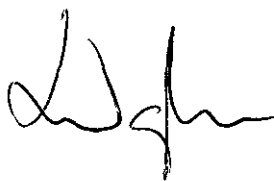
The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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
19 January 2004



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 2003 which comprise the principal accounting policies, the profit and loss account, the balance sheet and notes 1 to 19. These financial statements have been prepared under the accounting policies set out therein.

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 auditors' 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 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.

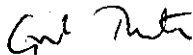
Basis of opinion

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 2003 and of the loss of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS

SHEFFIELD
19 January 2004

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 group are sufficient to meet the requirements indicated by those forecasts.

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

Turnover

Turnover is the total amount receivable by the group 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.

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.

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 and fittings	20% or 33%
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 those 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.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Intellectual property	20%
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Principal accounting policies

Investments

Investments are included at cost less amounts written off.

Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow moving items.

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.

Leased assets

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

Profit and loss account

	Note	2003 £	2002 £
Turnover	1	908,662	546,501
Cost of sales		<u>(51,147)</u>	<u>(71,597)</u>
Gross profit		857,515	474,904
Administrative expenses		(922,875)	(892,776)
Other operating income		<u>-</u>	<u>30,000</u>
Operating loss		(65,360)	(387,872)
Net interest	2	<u>(82,746)</u>	<u>(80,850)</u>
Loss on ordinary activities before taxation	1	(148,106)	(468,722)
Tax on loss on ordinary activities	4	<u>36,609</u>	<u>54,927</u>
Loss transferred from reserves	12	<u>(111,497)</u>	<u>(413,795)</u>

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

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

Balance sheet

	Note	2003 £	2002 £
Fixed assets			
Intangible assets	5	75,403	6,237
Tangible assets	6	<u>57,670</u>	<u>67,532</u>
		<u>133,073</u>	<u>73,769</u>
Current assets			
Stock	7	34,037	-
Debtors	8	198,802	127,088
Cash at bank and in hand		<u>44,445</u>	<u>108,608</u>
		<u>277,284</u>	<u>235,696</u>
Creditors: amounts falling due within one year	9	<u>(473,288)</u>	<u>(277,773)</u>
Net current liabilities		<u>(196,004)</u>	<u>(42,077)</u>
Total assets less current liabilities		<u>(62,931)</u>	<u>31,692</u>
Creditors: amounts falling due after more than one year	10	860,351	843,477
Capital and reserves			
Called up share capital	11	10,000	10,000
Profit and loss account	12	<u>(933,282)</u>	<u>(821,785)</u>
Shareholders' funds	13	<u>(923,282)</u>	<u>(811,785)</u>
		<u>(62,931)</u>	<u>(31,692)</u>

The financial statements were approved by the Board of Directors on 19 January 2004.

D W Braddock

Director

S Naylor

Director

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

Notes to the financial statements

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:

	2003 £	2002 £
United Kingdom	744,519	319,416
Europe	162,127	227,085
Asia	2,016	-
	<u>908,662</u>	<u>546,501</u>

The loss on ordinary activities before taxation is stated after:

	2003 £	2002 £
Research and development:		
Current period expenditure	195,221	220,585
Auditors' remuneration	3,000	3,000
Depreciation and amortisation:		
Intangible fixed assets	4,042	-
Tangible fixed assets owned	43,737	34,248
Other operating lease rentals	<u>27,542</u>	<u>25,864</u>
Other operating income:		
Grants received	<u>-</u>	<u>30,000</u>

2 Net Interest

	2003 £	2002 £
Interest payable to group undertakings	78,000	80,000
Other interest payable and similar charges	<u>4,746</u>	<u>850</u>
	<u>82,746</u>	<u>80,850</u>

3 Directors and employees

Staff costs during the year were as follows:

	2003 £	2002 £
Wages and salaries	610,297	630,489
Social security costs	65,908	62,834
Other pension costs	<u>30,435</u>	<u>27,261</u>
	<u>706,640</u>	<u>720,584</u>

Notes to the financial statements

3 Directors and employees (continued)

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

	2003 Number	2002 Number
Technical	13	13
Sales	1	1
Administration	2	2
	<u>16</u>	<u>16</u>

Remuneration in respect of directors was as follows:

	2003 £	2002 £
Emoluments	172,476	180,235
Pension contributions to money purchase pension schemes	7,614	6,612
	<u>180,090</u>	<u>186,847</u>

During the year 3 directors (2002: 3) participated in money purchase pension schemes.

4 Taxation

The tax credit represents:

	2003 £	2002 £
R & D tax credit	(36,159)	(53,000)
Adjustments in respect of prior year	(450)	(1,927)
	<u>(36,609)</u>	<u>(54,927)</u>

The tax charge is explained as follows:

	2003 £	2002 £
Loss on ordinary activities before tax	<u>(148,106)</u>	<u>(468,722)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 16% (2002: 16%)	(23,697)	(75,000)

Effect of:

Expenses not deductible for tax purposes	737	1,000
Capital allowances for the period in excess of depreciation	1,454	-
R & D expenditure uplift	(15,618)	(18,000)
Unused tax losses carried forward	965	39,000
Adjustments in respect of prior year	(450)	(1,927)
Current tax credit for period	<u>(36,609)</u>	<u>(54,927)</u>

No provision has been made for deferred taxation on trading losses carried forward. The total amount unprovided for is approximately £90,000 (2002: £90,000). At present it is not envisaged that future taxable profits will be sufficient for these timing differences to be reversed.

Unrelieved losses of approximately £470,000 (2002: £470,000) remain available to offset against future trading profits.

Notes to the financial statements

5 Intangible fixed assets

	Intellectual property £
Cost	
At 1 October 2002	6,237
Additions	73,208
At 30 September 2003	<u>79,445</u>
Amortisation	
Provided in the year	4,042
At 30 September 2003	<u>4,042</u>
Net book amount at 30 September 2003	<u>75,403</u>
Net book amount at 30 September 2002	<u>6,237</u>

6 Tangible fixed assets

	Fixtures and fittings £	Equipment £	Total £
Cost			
At 1 October 2002	9,560	118,477	128,037
Additions	500	33,375	33,875
At 30 September 2003	<u>10,060</u>	<u>151,852</u>	<u>161,912</u>
Depreciation			
At 1 October 2002	3,208	57,297	60,505
Provided in the year	2,004	41,733	43,737
At 30 September 2003	<u>5,212</u>	<u>99,030</u>	<u>104,242</u>
Net book amount at 30 September 2003	<u>4,848</u>	<u>52,822</u>	<u>57,670</u>
Net book amount at 30 September 2002	<u>6,352</u>	<u>61,180</u>	<u>67,532</u>

7 Stocks

	2003 £	2002 £
Finished goods	<u>34,037</u>	<u>-</u>

Notes to the financial statements

8 Debtors

	2003 £	2002 £
Trade debtors	162,193	40,541
Amounts recoverable on contracts	-	24,135
Other debtors	36,609	53,000
Prepayments and accrued income	-	9,412
	<u>198,802</u>	<u>127,088</u>

9 Creditors: amounts falling due within one year

	2003 £	2002 £
Payments received on account	138,647	122,935
Trade creditors	75,320	40,404
Social security and other taxes	75,230	60,288
Other creditors	3,684	3,254
Accruals and deferred income	129,193	50,892
Bank overdraft	51,214	-
	<u>473,288</u>	<u>277,773</u>

The bank overdraft is secured by a floating charge over all the assets of the company.

10 Creditors: amounts falling due after more than one year

	2003 £	2002 £
Amounts owed to group undertakings	<u>860,351</u>	<u>843,477</u>

11 Share capital

	2003 £	2002 £
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>

Notes to the financial statements

12 Reserves

	Profit and loss account £
At 1 October 2002	(821,785)
Retained loss for the year	(111,947)
At 30 September 2003	<u>(933,732)</u>

13 Reconciliation of movements in shareholders' funds

	2003 £	2002 £
Shareholders' funds at 1 October 2002	(811,785)	(397,990)
Loss for the financial year	(111,497)	(413,795)
Shareholders' funds at 30 September 2003	<u>(923,282)</u>	<u>(811,785)</u>

14 Capital commitments

The company had no capital commitments at 30 September 2003 or 30 September 2002.

15 Contingent liabilities

The company received a government grant in 2002 of £30,000. This may become repayable if certain conditions contained in the grant offer cease to be complied with.

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 group.

17 Leasing commitments

Operating lease payments amounting to £18,360 (2002: £16,065) are due within one year. The leases to which these amounts relate expire as follows:

Group	2003 Land & buildings £	2002 Land & buildings £
In one year or less	<u>18,360</u>	<u>16,065</u>

Notes to the financial statements

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.

D Braddock, a director of Ecebs Group Limited was appointed as a director of ITSO Ltd during the year. ITSO Ltd is a member controlled non-profit distributing organisation set up to create an industry standard for the interoperable use of smartcards in transport and other applications.

ITSO Ltd is a significant customer of Ecebs Limited. The transactions during the year and the balance outstanding at the year end were:

	£
Sales by Ecebs Limited to ITSO Ltd for the year	<u>561,752</u>
Amount due by ITSO Ltd to Ecebs Limited at the year end	<u>145,787</u>

19 Controlling related party

The directors consider that the ultimate parent undertaking of the 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.