

Three X Communication Limited

Directors' report and financial statements

Year ended 31 December 1997

Registered number 1833521



Thrée X Communication Limited

Directors' report and financial statements

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Three X Communication Limited

Officers and professional advisers

Directors

Dr TC Moon
ST Gallagher
CA Cowdrey
SJ Basaran
R Brannock
DL Raab

Secretary

SJ Basaran

Registered office

Vantage West
Great West Road
Brentford
Middlesex
TW8 9AG

Auditors

KPMG Audit Plc
8 Salisbury Square
London
EC4Y 8BB

Bankers

The Royal Bank of Scotland plc
62-63 Threadneedle Street
London
EC2R 8LA

Three X Communication Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 1997.

Principal activities

The principal activities of the company are computer facilities management services and the production and distribution of communication software.

Review of the business and future prospects

During the year the company has benefitted from the development and sale of new products. There will continue to be an emphasis on development and the directors expect that the benefit of these investments will be reflected in future results.

Results and dividends

Details of the results for the year are set out in the profit and loss account on page 6.

The profit before taxation for the year was £135,419 (1996, loss £47,378). The taxation charge was £nil (1996 : £4,559) resulting in a profit after tax of £110,562 (1996: loss £51,937). The directors propose a final dividend relating to the ordinary shares of £nil (1996: £nil).

Fixed assets

Changes in tangible fixed assets during the year are detailed in note 8 to the accounts.

Directors and directors' interests

The directors who served during the year were:

TR Marsh	(resigned 31 July 1997)
CA Marsh	(resigned 31 July 1997)
Dr TC Moon	
ST Gallagher	
AJ Sinclair	(resigned 26 March 1997)
BA Iversen	(resigned 21 May 1997)
SJ Basaran	
R Brannock	
DL McGregor	(resigned 23 December 1997)
EA Tilly	(resigned 1 August 1998)
G Wakeman	(resigned 1 May 1998)
CA Cowdrey	(appointed 1 July 1998)
DL Raab	

The directors in office at 31 December 1997 held no beneficial interest in the shares of the company or fellow subsidiary undertakings at 31 December 1997 or 1 January 1997. The interests of the directors, who are also directors of the immediate parent company, in the shares of the immediate parent company, GE Capital Warranty Services Group Limited (formerly IMCO Group Limited), are given in that company's financial statements.

At 31 December 1997 none of the directors held any ordinary £1 shares in the immediate parent company. At 31 December 1997 Mr ST Gallagher held 861 (1996:861) options to purchase ordinary £1 shares in the immediate parent company.

Three X Communication Limited

Directors' report *(continued)*

Auditors

KPMG Audit Plc will be re-appointed as auditors at the Annual General Meeting.

By order of the board



SJ Basaran
Secretary

Vantage West
Great West Road
Brentford
Middlesex
TW8 9AG

30 October 1998

Three X Communication Limited

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 as at the end of the financial year and of its profit or loss 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 within 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.

Three X Communication Limited

Auditors' report to the members of Three X Communication Limited

We have audited the financial statements on pages 6 to 18.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of 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 profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

PO Box 695
8 Salisbury Square
London
EC4Y 8BB

30 October 1998 1998

Three X Communication Limited

Profit and loss account

Year ended 31 December 1997

	<i>Note</i>	Year ended 31 December 1997 £	Year ended 31 December 1996 £
Turnover	2	2,396,588	1,651,686
Cost of sales		(708,315)	(466,269)
Gross profit		1,688,273	1,185,417
Administrative expenses		(1,548,888)	(1,227,782)
Operating profit / (loss) for the financial period		139,385	(42,365)
Interest payable	4	(3,966)	(5,013)
Profit / (loss) on ordinary activities before taxation for the financial period	5	135,419	(47,378)
Tax on profit on ordinary activities	6	(24,857)	(4,559)
Profit / (loss) on ordinary activities after taxation for the financial period		110,562	(51,937)
Dividends		-	-
Profit / (loss) for the financial period	13	110,562	(51,937)

The turnover and operating profit / (loss) for the current year and prior period arise from continuing activities.

There are no recognised gains and losses for the current financial year and preceding financial period other than as stated in the profit and loss account.

There is no material difference between the results for the current year and the previous period as described in the profit and loss account and the results on an unmodified historical cost basis. Accordingly a note of historical cost profits and losses for the year is not given.

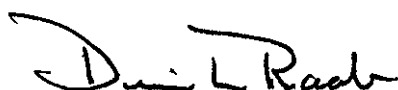
Three X Communication Limited

Balance sheet

As at 31 December 1997

	Note	31 December 1997		31 December 1996	
		£	£	£	£
Fixed assets					
Tangible fixed assets	7		143,652		216,687
Current assets					
Debtors	8	2,729,956		664,195	
Cash at bank and in hand		23,781		33,266	
		<u>2,753,737</u>		<u>697,461</u>	
Creditors: amounts falling due within one year	9	<u>(2,718,428)</u>		<u>(833,257)</u>	
Net current liabilities			35,309		(135,796)
Total assets less current liabilities			<u>178,961</u>		<u>80,891</u>
Creditors: amounts falling due after more than one year	11		-		(12,492)
			<u>178,961</u>		<u>68,399</u>
Capital and reserves					
Called up share capital	12		120,000		120,000
Profit and loss account	13		58,961		(51,601)
			<u>178,961</u>		<u>68,399</u>
Equity shareholders' funds			<u>118,961</u>		<u>8,399</u>
Non equity shareholders' funds			<u>60,000</u>		<u>60,000</u>

These financial statements were approved by the board of directors on 30 October 1998 and were signed on its behalf by:



D L Raab

Director

Three X Communication Limited

Notes to the accounts

(forming part of the financial statements)

1 Accounting policies

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention and on the going concern basis based on an undertaking from the immediate parent undertaking to provide support necessary to allow the company to continue to trade for the foreseeable future.

Turnover

Turnover is the amount derived from the provision of goods and services falling within the company's ordinary activities after deduction of trade discounts and value added tax. Income from maintenance contracts is recognised over the specific period of each contract.

Deferred taxation

Deferred taxation is provided on timing differences, arising from the different treatment of items for accounts and taxation purposes, which are expected to reverse in the future, calculated at the rates at which it is estimated that tax will arise.

Depreciation

Depreciation is provided on tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset in equal annual instalments over its expected useful life as follows:

Improvements to leasehold properties	5 years
Motor vehicles	4 years
Office equipment	4 years
Computer equipment	4 years
Computer software	4 years

Leases

Assets held under finance leases and hire purchase agreements and the related obligations are recorded in the balance sheet at the fair value of the assets at the inception of the agreements. The amounts by which the repayments exceed the recorded obligations are treated as finance charges which are amortised over the term of each agreement to give a constant rate of charge on the remaining balance of the obligation.

Rental costs under operating leases are charged to the profit and loss account in equal instalments over the period of each lease.

Three X Communication Limited

Notes to the accounts *(continued)*

Pension costs

A defined contribution pension scheme is operated by the company for certain of its employees. The pension cost charge in the profit and loss account includes the contributions payable by the company under the rules of the scheme.

Development costs

All development costs are charged to the profit and loss account as incurred.

Statement of cash flows

Under FRS1 (revised 1996) the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary (see Note 18).

2 Turnover

The turnover attributable to each of the company's geographical markets was:

	Year ended 31 December 1997 £	Year ended 31 December 1996 £
United Kingdom	2,217,841	1,262,597
Other Europe	130,247	209,956
Rest of the world	48,500	179,133
	<hr/> 2,396,588 <hr/>	<hr/> 1,651,686 <hr/>

The turnover and profit before taxation is attributable to the principal activities of the company.

Three X Communication Limited

Notes to the accounts (continued)

3 Employees and directors

The average number employed by the company, including directors, within each category of persons was:

	Year ended 31 December 1997	Year ended 31 December 1996
Technical consultants	24	16
Sales and marketing	4	3
Office and management	6	4
	<hr/> 34	<hr/> 23
	<hr/> <hr/>	<hr/> <hr/>

The costs incurred in respect of these employees were:

	£	£
Wages and salaries	873,501	640,402
Social security costs	83,861	67,595
Pension costs	49,660	43,481
	<hr/> 1,007,022	<hr/> 751,478
	<hr/> <hr/>	<hr/> <hr/>

	Year ended 31 December 1997	Year ended 31 December 1996
Directors' emoluments	207,572	200,733
Company contributions to money purchase pension schemes	5,975	41,907
	<hr/> 213,547	<hr/> 242,640
	<hr/> <hr/>	<hr/> <hr/>

The emoluments of the highest paid director were £67,135 (1996:£55,061) and company pension contributions of £3,074 (1996:£18,900) were made to a money purchase scheme on his behalf.

	Number of directors	
	Year ended 31 December 1997	Year ended 31 December 1996

Retirement benefits are accruing to the following directors under :

Money purchase schemes	4	4
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The emoluments of the directors who are also directors of the immediate parent company, GE Capital Warranty Services Group Limited (formerly IMCO Group Limited), are disclosed in the financial statements of that company.

Three X Communication Limited

Notes to the accounts(continued)

4 Interest payable

	Year ended 31 December 1997 £	Year ended 31 December 1996 £
Finance lease and hire purchase interest	3,966	5,013

5 Profit on ordinary activities before taxation

	Year ended 31 December 1997 £	Year ended 31 December 1996 £
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
Depreciation		
- owned assets	89,343	60,987
- assets held under finance leases and hire purchase agreements	26,324	20,490
Operating leases - building rental	40,938	30,611
Management charges	-	34,484
Hire of plant and machinery	-	2,825

Auditors' remuneration for the current year and prior period has been charged to the immediate parent company, GE Capital Warranty Services Group Limited (formerly IMCO Group Limited), and is disclosed in the accounts of that company.

Three X Communication Limited

Notes to the accounts *(continued)*

6 Tax on profit on ordinary activities

The tax charge is based on the profit on ordinary activities for the year and comprises:

	Year ended 31 December 1997 £	Year ended 31 December 1996 £
Corporation tax at 31.5% (1996: 33%)	9,671	-
Underprovision in prior years	-	4,559
Overseas tax payable	15,186	-
	<hr/>	<hr/>
	24,857	4,559
	<hr/>	<hr/>

Three X Communication Limited

Notes to the accounts (continued)

7 Tangible fixed assets

	Improvements To Leasehold properties £	Motor Vehicles £	Office equipment £	Computer equipment £	Computer software £	Total £
Cost						
At 1 January 1997	11,011	147,885	57,464	363,090	55,836	635,286
Additions	-	-	9,196	26,728	2,159	38,083
Disposals	-	-	-	-	-	-
Transfers to fellow subsidiaries	-	-	-	-	-	-
Transfers from fellow subsidiaries	-	9,863	-	-	-	9,863
At 31 December 1997	11,011	157,748	66,660	389,818	57,995	683,232
Depreciation						
At 1 January 1997	939	86,418	35,959	256,895	38,388	418,599
Charge for the year	2,202	36,012	9,877	54,723	12,853	115,667
Disposals	-	-	-	-	-	-
Transfers to Fellow subsidiaries	-	-	-	-	-	-
Transfers from Fellow subsidiaries	-	5,312	-	-	-	5,312
At 31 December 1997	3,142	127,742	45,836	311,618	51,241	539,579
Net book value At 31 December 1997	7,869	30,005	20,824	78,200	6,754	143,652
At 31 December 1996	10,072	61,467	21,505	106,195	17,448	216,687

The net book value of the company's fixed assets includes motor vehicles with a net book value of £23,278 (1996:£61,469) and computer equipment with a net book value of £nil (1996:£10,532) held under hire purchase and finance agreements.

Three X Communication Limited

Notes to the accounts *(continued)*

8 Debtors

	31 December 1997 £	31 December 1996 £
Trade debtors	861,704	428,886
Amounts owed by fellow subsidiary undertaking	-	-
Amounts owed by immediate parent undertaking	1,856,706	222,370
Prepayments and accrued income	1,875	12,479
Taxation recoverable	9,671	-
Other debtors	-	460
	<u>2,729,956</u>	<u>664,195</u>

9 Creditors: amounts falling due within one year

	31 December 1997 £	31 December 1996 £
Obligations under finance leases and hire purchase contracts (note 11)	12,492	27,723
Trade creditors	1,479	12,568
Amounts owed to immediate parent undertaking	1,483,429	-
Amounts owed to fellow subsidiary undertaking	794,223	579,474
Corporation tax	9,671	-
Other creditors	2,875	-
Other taxation and social security	107,346	346
Accruals and deferred income	306,913	213,146
	<u>2,718,428</u>	<u>833,257</u>

Three X Communication Limited

Notes to the accounts (continued)

10 Obligations under finance leases and hire purchase agreements

	31 December 1997			31 December 1996		
	Finance leases	Hire purchase contracts	Total	Finance leases	Hire Purchase Contracts	Total
	£	£	£	£	£	£
Payable within one year	11,531	1,287	12,818	11,501	17,968	29,469
Payable between 2 - 5 years	-	-	-	11,531	1,287	12,818
	<u>11,531</u>	<u>1,287</u>	<u>12,818</u>	<u>23,032</u>	<u>19,255</u>	<u>42,287</u>
<i>Less</i>						
Finance charges allocated to future periods	(317)	(9)	(326)	(1,324)	(748)	(2,072)
	<u>11,214</u>	<u>1,278</u>	<u>12,492</u>	<u>21,708</u>	<u>18,507</u>	<u>40,215</u>
	<u><u>11,214</u></u>	<u><u>1,278</u></u>	<u><u>12,492</u></u>	<u><u>21,708</u></u>	<u><u>18,507</u></u>	<u><u>40,215</u></u>
				31 December 1997	31 December 1996	
				£	£	
<i>Disclosed as follows</i>						
Payable within one year (note 9)				12,492	27,723	
Payable within 2-5 years (note 11)				-	12,492	
				<u>12,492</u>	<u>40,215</u>	
				<u><u>12,492</u></u>	<u><u>40,215</u></u>	

Obligations under finance lease and hire purchase agreements are secured by the related leased assets.

Three X Communication Limited

Notes to the accounts (continued)

11 Creditors: amounts falling due after more than one year

	31 December 1997 £	31 December 1996 £
Obligations under finance leases and hire purchase contracts (note 10)	-	12,492
	<u> </u>	<u> </u>

12 Called up share capital

	31 December 1997		31 December 1996	
	Number	£	Number	£
<i>Authorised, allotted and fully paid</i>				
Ordinary shares of £1 each	60,000	60,000	60,000	60,000
Non cumulative preference shares of £1 each	60,000	60,000	60,000	60,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	120,000	120,000	120,000	120,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The non cumulative preference shares carry no dividend entitlement and may be redeemed at par at the discretion of the company. In the event of a winding up, this class of shares ranks ahead of the ordinary shares and is entitled to £1 per share on any distribution arising.

13 Profit and loss account

	£
At 1 January 1997	(51,601)
Profit for the year after taxation and dividends	110,562
	<u> </u>
At 31 December 1997	58,961
	<u> </u>

14 Deferred taxation

At 31 December 1997 there is an unprovided deferred tax asset of £15,233 (1996:£2,604 liability) in respect of the depreciation charges in excess of capital allowances.

Three X Communication Limited

Notes to the accounts *(continued)*

15 Operating lease commitments

At 31 December 1997 the company was committed to making the following payments during the next year in respect of operating leases:

	31 December 1997	
	Land and Buildings £	Office Equipment £
Leases which expire:		
Within one year	-	-
Within 2 to 5 years	37,500	2,539
	<hr/>	<hr/>
	37,500	2,539
	<hr/>	<hr/>

16 Movement in shareholders' funds

	Year ended 31 December 1997 £	Year ended 31 December 1996 £
Profit / (loss) for the year after taxation	110,562	(51,937)
Opening shareholders' funds	68,399	120,336
	<hr/>	<hr/>
Closing shareholders' funds	178,961	68,399
	<hr/>	<hr/>

17 Capital commitments

The company had the following capital commitments at 31 December 1997:

	31 December 1997 £	31 December 1996 £
Authorised but not contracted	-	27,751
	<hr/>	<hr/>

Three X Communication Limited

Notes to the accounts *(continued)*

18 Parent company

The company's ultimate holding company is General Electric Company ("GEC"), a company registered in the State of New York, in the United States of America. GEC is the parent of the largest group of which the company is a member and for which group financial statements are prepared. The group financial statements of GEC are available to the public and may be obtained from GE Corporate Investor Communications, 3135 Easton Turnpike, Fairfield, Connecticut 06431, USA.

The company's immediate parent company is GE Capital Warranty Services Group Limited, (formerly IMCO Group Limited), a company incorporated in Great Britain and registered in England and Wales.

GE Capital Warranty Services Group Limited, is the parent of the smallest group of which the company is a member and for which group financial statements are prepared. The group financial statements of GE Capital Warranty Services Group Limited may be obtained from the Company Secretary, Vantage West, Great West Road, Brentford, Middlesex TW8 9AG.

19 Related party transactions

The company has taken advantage of the exemption from FRS8 with respect to disclosure of transactions with other group undertakings and investees of the company qualifying as related parties.