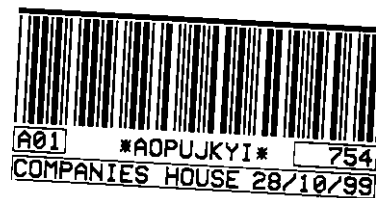


Three X Communication Limited

Directors' report and financial statements

Year ended 31 December 1998

Registered number 1833521



Three X Communication Limited

Directors' report and financial statements

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Three X Communication Limited

Officers and professional advisers

Directors

ST Gallagher
CA Cowdery
SJ Basaran
R Brannock
TA Schauenberg

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

Barclays Bank Plc
8 George Street
Richmond
TW9 1JU

The Royal Bank of Scotland Plc
62-63 Threadneedle Street
London
EC3P 3DL

Three X Communication Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 1998.

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

The company's increased turnover and profitability for the year reflects the benefits of continued investment in new products and services and from finding new markets for its products. The directors expect this trend to continue. The company's immediate parent company, GE Capital Warranty Services Group Limited was sold by GE Capital on the 19th February 1999. Three X Communication Ltd remains within the GE Capital group of companies and this change of ownership has no effect on the day to day running of the business.

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 £406,370 (1997 : £135,419). The taxation charge was £2,920 (1997 : £24,857) resulting in a profit after tax of £403,450 (1997: £110,562). The directors propose a final dividend relating to the ordinary shares of £nil (1997: £nil).

Fixed assets

Changes in tangible fixed assets during the year are detailed in note 7 to the accounts.

Directors and directors' interests

The directors who served during the year were:

TC Moon	(resigned 31 August 1998)
ST Gallagher	
SJ Basaran	
R Brannock	
EA Tilly	(resigned 1 August 1998)
G Wakeman	(resigned 1 May 1998)
CA Cowdery	(appointed 1 July 1998)
DL Raab	(resigned 1 June 1999)
TR Marsh	(resigned 31 July 1998)
C Marsh	(resigned 31 July 1998)
TA Schauenberg	(appointed 21 May 1999)

The directors in office at 31 December 1998 held no beneficial interest in the shares of the company or fellow subsidiary undertakings at 31 December 1998 or 1 January 1998. 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 1998 none of the directors held any ordinary £1 shares in the immediate parent company. At 31 December 1998 Mr ST Gallagher held nil (1997:861) options to purchase ordinary £1 shares in the immediate parent company.

Three X Communication Limited

Directors' report *(continued)*

Post Balance Sheet Event

The parent company of Three X Communication Limited, GE Capital Warranty Services Group Limited was acquired by Aon Holdings (U.K.) Limited on 19 February 1999. As from this date the parent company of Three X Communication Limited is GE Capital Investments.

Year 2000

The Year 2000 issue revolves around the potential failure or disruption of computer systems from their inability to function correctly when the date reaches 1 January 2000. The issue of Year 2000 and the potential impact upon the operations of the company is significant and difficult to quantify.

Management have implemented a plan which is intended to address the Year 2000 issue and minimise the potential impact upon the company's operations and the potential to continue as a going concern. This plan includes projects to work with customers, suppliers and systems to ensure Year 2000 compliance.

Whilst management have taken steps to ensure that all significant areas which could potentially be impacted by the Year 2000 issue have been identified and assessed, there will always be the risk that an area of potential uncertainty or exposure has not been identified. The company may therefore suffer loss, financial or otherwise, despite the best efforts of management to minimise such loss.

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

22 October 1999

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 1998 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
22 October 1999

Three X Communication Limited

Profit and loss account

Year ended 31 December 1998

	<i>Note</i>	Year ended 31 December 1998 £	Year ended 31 December 1997 £
Turnover	2	3,647,451	2,396,588
Cost of sales		(1,055,721)	(708,315)
Gross profit		2,591,730	1,688,273
Administrative expenses		(2,169,295)	(1,548,888)
Operating profit / (loss) for the financial period		422,435	139,385
Interest payable	4	(16,065)	(3,966)
Profit / (loss) on ordinary activities before taxation for the financial period	5	406,370	135,419
Tax on profit on ordinary activities	6	(2,920)	(24,857)
Profit / (loss) on ordinary activities after taxation for the financial period		403,450	110,562

The turnover and operating profit 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 1998

	Note	31 December 1998		31 December 1997	
		£	£	£	£
Fixed assets					
Tangible fixed assets	7		111,136		143,652
Current assets					
Debtors	8	5,389,213		2,729,956	
Cash at bank and in hand		4,443		23,781	
		<u>5,393,656</u>		<u>2,753,737</u>	
Creditors: amounts falling due within one year	9	<u>(4,922,381)</u>		<u>(2,718,428)</u>	
Net current assets			471,275		35,309
Total assets less current liabilities			<u>582,411</u>		<u>178,961</u>
Capital and reserves					
Called up share capital	11	120,000		120,000	
Profit and loss account	12	462,411		58,961	
			<u>582,411</u>		<u>178,961</u>
Equity shareholders' funds			522,411		118,961
Non equity shareholders' funds			<u>60,000</u>		<u>60,000</u>

These financial statements were approved by the board of directors on 22 October 1999 and were signed on its behalf by:



S J Basaran

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.

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	3 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.

2 Turnover

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

	Year ended 31 December 1998 £	Year ended 31 December 1997 £
United Kingdom	3,446,548	2,217,841
Other Europe	172,299	130,247
Rest of the world	28,604	48,500
	<hr/>	<hr/>
	3,647,451	2,396,588
	<hr/>	<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 1998	Year ended 31 December 1997
Technical consultants	35	24
Sales and marketing	7	4
Office and management	6	6
	<hr/> 48	<hr/> 34

The costs incurred in respect of these employees were:

	£	£
Wages and salaries	1,244,052	873,501
Social security costs	113,501	83,861
Pension costs	60,248	49,660
	<hr/> 1,417,801	<hr/> 1,007,022

	Year ended 31 December 1998	Year ended 31 December 1997
Directors' emoluments	155,931	207,572
Company contributions to money purchase pension schemes	8,519	5,975
	<hr/> 164,450	<hr/> 213,547

The emoluments of the highest paid director were £65,135 (1997:£67,135) and company pension contributions of £nil (1997:£3,074) were made to a money purchase scheme on his behalf.

	Number of directors	
	Year ended 31 December 1998	Year ended 31 December 1997

Retirement benefits are accruing to the following directors under :

Money purchase schemes	2	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, 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 1998 £	Year ended 31 December 1997 £
Finance lease and hire purchase interest	326	2,072
Other interest payable	15,739	1,894
	<hr/>	<hr/>
Finance lease and hire purchase interest	16,065	3,966
	<hr/>	<hr/>

5 Profit on ordinary activities before taxation

	Year ended 31 December 1998 £	Year ended 31 December 1997 £
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
Depreciation		
- owned assets	66,153	89,343
- assets held under finance leases and hire purchase agreements	17,455	26,324
Operating leases - building rental	70,148	40,938
	<hr/>	<hr/>

Auditors' remuneration for the current year and prior period has been charged to the immediate parent company, GE Capital Warranty Services Group Ltd, 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 1998 £	Year ended 31 December 1997 £
Corporation tax at 31.5% (1997: 31.5%)	2,920	9,671
Overseas tax payable	-	15,186
	<hr/> 2,920 <hr/>	<hr/> 24,857 <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 £
<i>Cost</i>						
At 1 January 1998	11,011	157,748	66,660	389,818	57,995	683,232
Additions	-	-	1,585	51,079	-	52,664
Disposals	-	(65,079)	-	-	-	(65,079)
At 31 December 1998	11,011	92,669	68,245	440,897	57,995	670,817
<i>Depreciation</i>						
At 1 January 1998	3,142	127,742	45,836	311,618	51,241	539,579
Charge for the year	2,202	22,930	9,281	43,592	5,603	83,608
Disposals	-	(63,506)	-	-	-	(63,506)
At 31 December 1998	5,344	87,166	55,117	355,210	56,844	559,681
<i>Net book value</i>						
At 31 December 1998	5,667	5,503	13,128	85,687	1,151	111,136
At 31 December 1997	7,869	30,005	20,824	78,200	6,754	143,652

The net book value of the company's fixed assets includes motor vehicles with a net book value of £4,248 (1997:£23,278) held under hire purchase and finance agreements.

Three X Communication Limited

Notes to the accounts *(continued)*

8 Debtors

	31 December 1998 £	31 December 1997 £
Trade debtors	1,927,330	861,704
Amounts owed by immediate parent undertaking	3,448,771	1,856,706
Prepayments and accrued income	521	1,875
Taxation recoverable	12,591	9,671
	<hr/>	<hr/>
	5,389,213	2,729,956
	<hr/>	<hr/>

9 Creditors: amounts falling due within one year

	31 December 1998 £	31 December 1997 £
Obligations under finance leases and hire purchase contracts (note 10)	-	12,492
Trade creditors	49,542	1,479
Amounts owed to immediate parent undertaking	19,049	1,483,429
Amounts owed to fellow subsidiary undertaking	4,020,063	794,223
Corporation tax	12,591	9,671
Other creditors	4,450	2,875
Other taxation and social security	150,286	107,346
Accruals and deferred income	666,400	306,913
	<hr/>	<hr/>
	4,922,381	2,718,428
	<hr/>	<hr/>

Three X Communication Limited

Notes to the accounts *(continued)*

10 Obligations under finance leases and hire purchase agreements

	31 December 1998			31 December 1997		
	Finance leases	Hire Purchase Contracts	Total	Finance leases	Hire Purchase Contracts	Total
	£	£	£	£	£	£
Payable within one year	-	-	-	11,531	1,287	12,818
Less Finance charges allocated to future periods	-	-	-	(317)	(9)	(326)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,214</u>	<u>1,278</u>	<u>12,492</u>

	31 December 1998	31 December 1997
	£	£
<i>Disclosed as follows</i>		
Payable within one year (note 9)	-	12,492
	<hr/>	<hr/>
	-	12,492

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 Called up share capital

	31 December 1998		31 December 1997	
	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>120,000</u>	<u>120,000</u>	<u>120,000</u>	<u>120,000</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.

12 Profit and loss account

	£
At 1 January 1998	58,961
Profit for the year after taxation and dividends	403,450
	<u>462,411</u>
At 31 December 1998	

13 Deferred taxation

At 31 December 1998 there is an unprovided deferred tax asset of £20,088 (1997:£15,233) in respect of the depreciation charges in excess of capital allowances.

Three X Communication Limited

Notes to the accounts *(continued)*

14 Operating lease commitments

At 31 December 1998 the company was committed to making the following payments during the next year in respect of operating leases:

	31 December 1998	
	Land and Buildings £	Office Equipment £
Leases which expire:		
Within 2 to 5 years	-	2,539
After 5 years	58,000	-
	<hr/>	<hr/>
	58,000	2,539
	<hr/>	<hr/>

15 Movement in shareholders' funds

	Year ended 31 December 1998 £	Year ended 31 December 1997 £
Profit / (loss) for the year after taxation	403,450	110,562
Opening shareholders' funds	178,961	68,399
	<hr/>	<hr/>
Closing shareholders' funds	582,411	178,961
	<hr/>	<hr/>

Three X Communication Limited

Notes to the accounts *(continued)*

16 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 was GE Capital Warranty Services Group Limited, a company incorporated in Great Britain and registered in England and Wales.

The company's immediate parent company from 19 February 1999 is GE Capital Investments, an unlimited company incorporated in Great Britain and registered in England and Wales.

GE Capital Warranty Services Group Limited, was the parent of the smallest group of which the company is a member and for which group financial statements were 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.

17 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.

Three X Communication Limited

Detailed profit and loss account

Year ended 31 December 1998

	Year ended 31 December 1998		Year ended 31 December 1997	
	£	£	£	£
Turnover		3,647,451		2,396,588
Cost of sales		(1,055,721)		(708,315)
Gross profit		<u>2,591,730</u>		<u>1,688,273</u>
Staff costs (including directors)				
Wages and salaries	1,244,052		873,501	
Social security costs	113,501		83,861	
Other pension costs	60,248		49,660	
	<u>1,417,801</u>		<u>1,007,022</u>	
Other operating charges				
Management charge	(45,000)		(45,000)	
Motor expenses	67,171		41,387	
Travelling	59,768		33,096	
Entertaining	2,419		1,005	
Telephone charges	56,553		35,071	
Printing postage and stationery	16,568		12,058	
Office equipment maintenance and renewals	17,324		21,319	
Sundries	31,291		37,896	
Advertising and public relations	163,872		102,109	
Staff training and recruitment	88,866		52,328	
Heating and lighting	7,880		6,862	
Repairs and maintenance	89,173		26,531	
Insurance	1,232		5,037	
Rent and rates	71,947		51,077	
Bank charges	3,002		7,895	
Interest payable	16,065		3,966	
Licence payments	23,500		33,695	
Profit / (loss) on sale of assets	(9,300)		-	
	<u>662,331</u>		<u>426,332</u>	

Three X Communication Limited

Detailed profit and loss account *(continued)*

Year ended 31 December 1998

	Year ended 31 December 1998		Year ended 31 December 1997	
	£	£	£	£
Depreciation				
Computer software	5,603		12,853	
Computer equipment	43,592		54,725	
Office furniture and equipment	9,281		9,876	
Motor vehicles	22,930		36,011	
Leasehold improvements	2,202		2,202	
	<hr/>		<hr/>	
	83,608		115,667	
Recharged from fellow group undertakings	21,620		3,833	
	<hr/>		<hr/>	
	105,228		119,500	
	<hr/>		<hr/>	
Total administrative expenses		(2,185,360)		(1,552,854)
		<hr/>		<hr/>
Profit before tax for the year		406,370		135,419
		<hr/>		<hr/>