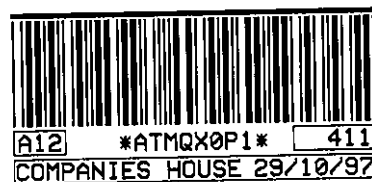


**Three X Communication Limited**

**Directors' report and financial statements**

Year ended 31 December 1996

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**

TR Marsh  
CA Marsh  
Dr TC Moon  
ST Gallagher  
EA Tilly  
SJ Basaran  
R Brannock  
DL McGregor  
DL Raab  
G Wakeman

#### **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 1996.

#### 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 continued to concentrate on the development of new products and its sales and marketing divisions. 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 loss before taxation for the year was £47,378 (1995, 9 months: profit £14,761). The taxation charge was £4,559 (1995, 9 months: £4,960) resulting in a loss after tax of £51,937 (1995, 9 months: profit £9,801). The directors do not propose a final dividend relating to the ordinary shares (1995, 9 months: £30,000).

#### 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	
CA Marsh	
Dr TC Moon	
ST Gallagher	
AJ Sinclair	(resigned 26 March 1997)
BA Iversen	(resigned 21 May 1997)
SJ Basaran	(appointed 11 March 1996)
R Brannock	(appointed 10 April 1996)
DL McGregor	(appointed 10 April 1996)
EA Tilly	(appointed 10 April 1996)
G Wakeman	(appointed 10 April 1996)
DL Raab	(appointed 6 June 1996)

The directors in office at 31 December 1996 held no beneficial interest in the shares of the company or fellow subsidiary undertakings at 31 December 1996 or 1 January 1996. 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 1996 none of the directors held any ordinary £1 shares in the immediate parent company. At 31 December 1995 Mr TR Marsh held 250 ordinary £1 shares, Mrs CA Marsh held 50 ordinary £1 shares and Dr TC Moon held 50 ordinary £1 shares in the immediate parent company. In addition at 31 December 1996 Mr ST Gallagher held 861 (1995:861) options to purchase ordinary £1 shares in the immediate parent company.

## Three X Communication Limited

### Directors' report *(continued)*

#### Secretary

BA Iversen resigned as secretary on 11 March 1996 and SJ Basaran was appointed on the same date.

#### Auditors

KPMG resigned as auditors of the company on 13 December 1996 and KPMG Audit Plc were appointed auditors in their place.

By order of the board



**SJ Basaran**  
Secretary

Vantage West  
Great West Road  
Brentford  
Middlesex  
TW8 9AG

22 October 1997

## **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;
- 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 1996 and of its loss 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

8 Salisbury Square  
London  
EC4Y 8BB

*22 October* 1997

## Three X Communication Limited

### Profit and loss account

Year ended 31 December 1996

	Note	Year ended 31 December 1996 £	9 months ended 31 December 1995 £
Turnover	2	1,651,686	896,786
Cost of sales		(466,269)	(134,926)
<b>Gross profit</b>		<b>1,185,417</b>	<b>761,860</b>
Administrative expenses		(1,227,782)	(741,109)
<b>Operating (loss)/ profit for the financial period</b>		<b>(42,365)</b>	<b>20,751</b>
Interest payable	4	(5,013)	(5,990)
<b>(Loss)/profit on ordinary activities before taxation for the financial period</b>	5	<b>(47,378)</b>	<b>14,761</b>
Tax on (loss)/ profit on ordinary activities	6	(4,559)	(4,960)
<b>(Loss)/ profit on ordinary activities after taxation for the financial period</b>		<b>(51,937)</b>	<b>9,801</b>
Dividends	7	-	(30,000)
<b>(Loss) for the financial period</b>	14	<b>(51,937)</b>	<b>(20,199)</b>

The turnover and operating (loss) / 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 1996

	Note	31 December 1996		31 December 1995	
		£	£	£	£
<b>Fixed assets</b>					
Tangible fixed assets	8		216,687		229,915
<b>Current assets</b>					
Debtors	9	664,195		315,985	
Cash at bank and in hand		33,266		43,822	
		697,461		359,807	
<b>Creditors: amounts falling due within one year</b>	10	(833,257)		(429,174)	
<b>Net current liabilities</b>			(135,796)		(69,367)
<b>Total assets less current liabilities</b>			80,891		160,548
<b>Creditors: amounts falling due after more than one year</b>	12		(12,492)		(40,212)
			68,399		120,336
<b>Capital and reserves</b>					
Called up share capital	13	120,000		120,000	
Profit and loss account	14	(51,601)		336	
			68,399		120,336
<b>Equity shareholders' funds</b>			8,399		60,336
<b>Non equity shareholders' funds</b>			60,000		60,000

These financial statements were approved by the board of directors on 22 October 1997 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.

#### *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 (see Note 19).

## 2 Turnover

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

	Year ended 31 December 1996 £	9 months ended 31 December 1995 £
United Kingdom	1,262,597	438,169
Other Europe	209,956	276,300
Rest of the world	179,133	182,317
	<hr/> 1,651,686 <hr/>	<hr/> 896,786 <hr/>

The turnover and profit before taxation is wholly 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 1996	9 months ended 31 December 1995
Technical consultants	16	10
Sales and marketing	3	5
Office and management	4	3
	<hr/>	<hr/>
	23	18
	<hr/>	<hr/>

*The costs incurred in respect of these employees were:*

	£	£
Wages and salaries	640,402	360,005
Social security costs	67,595	37,137
Pension costs	43,481	30,846
	<hr/>	<hr/>
	751,478	427,988
	<hr/>	<hr/>

#### *Directors' emoluments:*

Management remuneration (including pension contributions and benefits in kind)	242,640	179,581
	<hr/>	<hr/>

The emoluments of the chairman, excluding pension contributions, were £nil (1995, 9 months:£nil).

The emoluments of the highest paid director, excluding pension contributions, were £67,341 (1995, 9 months:£45,662). Other directors' emoluments excluding pension contributions fell within the following ranges:

	Number of directors	
	Year ended 31 December 1996	9 months ended 31 December 1995
£0 - £ 5,000	7	1
£20,000 - £25,000	-	1
£30,001 - £35,000	1	-
£35,001 - £40,000	-	1
£40,001 - £45,000	-	1
£45,001 - £50,000	1	-
£55,001 - £60,000	1	-
	<hr/>	<hr/>

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 1996 £	9 months ended 31 December 1995 £
Finance lease and hire purchase interest	5,013	5,990

### 5 (Loss)/profit on ordinary activities before taxation

	Year ended 31 December 1996 £	9 months ended 31 December 1995 £
--	--	--

*(Loss)/profit on ordinary activities before taxation  
is stated after charging:*

Depreciation		
- owned assets	60,987	37,754
- assets held under finance leases and hire purchase agreements	20,490	30,316
Operating leases - building rental	30,611	19,500
Management charges	34,484	21,000
Hire of plant and machinery	2,825	1,436

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 (loss)/ profit on ordinary activities

The tax charge is based on the (loss)/profit on ordinary activities for the year and comprises:

	Year ended 31 December 1996 £	9 months ended 31 December 1995 £
Corporation tax at 33% (1995: 33%)	-	4,960
Underprovision in prior years	4,559	-
	<hr/> 4,559 <hr/>	<hr/> 4,960 <hr/>

#### 7 Dividends

	Year ended 31 December 1996 £	9 months ended 31 December 1995 £
Proposed dividend on 60,000 ordinary shares at £nil per share ( 1995: 50p per share)	-	30,000
	<hr/>	<hr/>

# Three X Communication Limited

## Notes to the accounts (continued)

### 8 Tangible fixed assets

	Improvements to Leasehold properties £	Motor Vehicles £	Office equipment £	Computer equipment £	Computer software £	Total £
<i>Cost</i>						
At 1 January 1996	12,590	165,613	35,933	311,290	51,207	576,633
Additions	11,011	-	21,531	51,800	4,629	88,971
Disposals	(12,590)	(7,186)	-	-	-	(19,776)
Transfers to fellow subsidiaries	-	(158,427)	-	-	-	(158,427)
Transfers from fellow subsidiaries	-	147,885	-	-	-	147,885
<b>At 31 December 1996</b>	<b>11,011</b>	<b>147,885</b>	<b>57,464</b>	<b>363,090</b>	<b>55,836</b>	<b>635,286</b>
<i>Depreciation</i>						
At 1 January 1996	10,795	75,495	31,592	202,816	26,020	346,718
Charge for the year	1,661	9,002	4,367	54,079	12,368	81,477
Disposals	(11,517)	(7,186)	-	-	-	(18,703)
Transfers to fellow subsidiaries	-	(68,309)	-	-	-	(68,309)
Transfers from fellow subsidiaries	-	77,416	-	-	-	77,416
<b>At 31 December 1996</b>	<b>939</b>	<b>86,418</b>	<b>35,959</b>	<b>256,895</b>	<b>38,388</b>	<b>418,599</b>
<i>Net book value</i>						
<b>At 31 December 1996</b>	<b>10,072</b>	<b>61,467</b>	<b>21,505</b>	<b>106,195</b>	<b>17,448</b>	<b>216,687</b>
At 31 December 1995	1,795	90,118	4,341	108,474	25,187	229,915

The net book value of the company's fixed assets includes motor vehicles with a net book value of £61,467 (1995:£76,182) and computer equipment with a net book value of £10,532 (1995:£22,021) held under hire purchase and finance agreements.

# Three X Communication Limited

## Notes to the accounts *(continued)*

### 9 Debtors

	31 December 1996 £	31 December 1995 £
Trade debtors	428,886	241,983
Amounts owed by fellow subsidiary undertaking	-	55,889
Amounts owed by immediate parent undertaking	222,370	-
Prepayments and accrued income	12,479	18,113
Other Debtors	460	-
	<hr/> 664,195 <hr/>	<hr/> 315,985 <hr/>

### 10 Creditors: amounts falling due within one year

	31 December 1996 £	31 December 1995 £
Obligations under finance leases and hire purchase contracts (note 11)	27,723	46,045
Trade creditors	12,568	69,596
Amounts owed to immediate parent undertaking	-	128,823
Amounts owed to fellow subsidiary undertaking	579,474	19,732
Corporation tax	-	4,960
Other taxation and social security	346	-
Accruals and deferred income	213,146	130,018
Dividends payable	-	30,000
	<hr/> 833,257 <hr/>	<hr/> 429,174 <hr/>



# Three X Communication Limited

## Notes to the accounts (continued)

### 11 Obligations under finance leases and hire purchase agreements

	31 December 1996			31 December 1995		
	Finance leases	Hire purchase contracts	Total	Finance leases	Hire purchase contracts	Total
	£	£	£	£	£	£
Payable within one year	11,501	17,968	29,469	11,501	39,554	51,055
Payable between 2 - 5 years	11,531	1,287	12,818	23,032	19,255	42,287
	<u>23,032</u>	<u>19,255</u>	<u>42,287</u>	<u>34,533</u>	<u>58,809</u>	<u>93,342</u>
<i>Less</i>						
Finance charges allocated to future periods	(1,324)	(748)	(2,072)	(3,022)	(4,063)	(7,085)
	<u>21,708</u>	<u>18,507</u>	<u>40,215</u>	<u>31,511</u>	<u>54,746</u>	<u>86,257</u>

	31 December 1996 £	31 December 1995 £
<i>Disclosed as follows</i>		
Payable within one year (note 10)	27,723	46,045
Payable within 2-5 years (note 12)	12,492	40,212
	<u>40,215</u>	<u>86,257</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)

### 12 Creditors: amounts falling due after more than one year

	31 December 1996 £	31 December 1995 £
Obligations under finance leases and hire purchase contracts (note 11)	12,492	40,212

### 13 Called up share capital

	31 December 1996		31 December 1995	
	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.

### 14 Profit and loss account

	£
At 1 January 1996	336
Loss for the year after taxation and dividends	(51,937)
	<u>(51,601)</u>
At 31 December 1996	

### 15 Deferred taxation

At 31 December 1996 there is an unprovided deferred tax asset of £2,604 (1995:£5,079 liability) in respect of depreciation charges in excess of capital allowances.

# Three X Communication Limited

## Notes to the accounts *(continued)*

### 16 Operating lease commitments

At 31 December 1996 the company was committed to making the following payments during the next year in respect of operating leases:

	31 December 1996	
	Land and buildings £	Office equipment £
Leases which expire:		
Within one year	-	526
Within 2 to 5 years	37,500	2,539
	<hr/>	<hr/>
	37,500	3,065
	<hr/>	<hr/>

### 17 Movement in shareholders' funds

	Year ended 31 December 1996 £	9 months ended 31 December 1995 £
(Loss) / profit for the year after taxation	(51,937)	9,801
Dividends	-	(30,000)
	<hr/>	<hr/>
(Loss) for the year after taxation and dividends	(51,937)	(20,199)
Opening shareholders' funds	120,336	140,535
	<hr/>	<hr/>
Closing shareholders' funds	68,399	120,336
	<hr/>	<hr/>

### 18 Capital commitments

The company had the following capital commitments at 31 December 1996:

	31 December 1996 £	31 December 1995 £
Authorised but not contracted	27,751	-
	<hr/>	<hr/>

## Three X Communication Limited

### Notes to the accounts *(continued)*

#### 19 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.

#### 20 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 1996

	Year ended 31 December 1996	9 months ended 31 December 1995
	£	£
Turnover	1,651,686	896,786
Cost of sales	(466,269)	(134,926)
<b>Gross profit</b>	<b>1,185,417</b>	<b>761,860</b>
<b>Staff costs (including directors)</b>		
Wages and salaries	640,402	360,005
Social security costs	67,595	37,137
Other pension costs	43,481	30,846
	<b>751,478</b>	<b>427,988</b>
<b>Other operating charges</b>		
Management charge	34,484	21,000
Motor expenses	31,809	11,093
Travelling	35,309	33,886
Entertaining	762	1,893
Telephone charges	39,904	33,356
Printing postage and stationery	21,796	8,963
Office equipment maintenance and renewals	15,432	7,984
Sundries	11,462	(4,478)
Private health	2,825	1,314
Advertising and public relations	75,772	54,054
Staff training and recruitment	34,881	18,944
Heating and lighting	4,659	2,794
Repairs and maintenance	12,915	8,319
Insurance	3,730	2,647
Rent and rates	38,961	24,622
Bank charges	1,576	1,062
Finance lease interest	5,013	5,990
Legal and professional fees	-	4,432
Profit / (loss) on sale of assets	1,074	(5,317)
Bad debts	128	14,466
	<b>372,492</b>	<b>247,024</b>

# Three X Communication Limited

## Detailed profit and loss account *(continued)*

*Year ended 31 December 1996*

	Year ended 31 December 1996 £	9 months ended 31 December 1995 £
<b>Depreciation</b>		
Computer software	12,368	6,705
Computer equipment	54,079	37,029
Office furniture and equipment	4,367	1,170
Motor vehicles	9,002	22,071
Leasehold improvements	1,661	1,095
	<hr/>	<hr/>
	81,477	68,070
Recharged from fellow group undertakings	27,348	4,017
	<hr/>	<hr/>
	108,825	72,087
	<hr/>	<hr/>
<b>Total administrative expenses</b>	(1,232,795)	(747,099)
	<hr/>	<hr/>
<b>Profit before tax for the year</b>	(47,378)	14,761
	<hr/>	<hr/>