

GE Smallworld (UK) Limited

**Directors' report and financial
statements**

Registered number 2947045

31 December 2001



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Directors and advisers

Executive directors

R T Green
M A Cartwright

Secretary and registered office

Clifford Chance Secretaries Limited
200 Aldergate Street
London
EC1A 4JJ

Bankers

Barclays Bank plc
54 Lombard Street
London
EC3V 9EX

Registered Auditors

KPMG Audit Plc
8 Salisbury Square
London
EC4Y 8BB

Legal Advisers

Mills & Reeve
112 Hills Road
Cambridge
CB2 1PH

Slaughter & May
35 Basinghall Street
London
EC2V 8DB

Directors' report

The directors present their report and the audited financial statements for the 18 month period to 31 December 2001.

Principal activities

From 1 July 2000 to 2 April 2001 GE Smallworld (UK) Limited marketed software used for modelling physical networks and enabling related applications for engineering, business and operations support.

On 2 April 2001, the company sold its operations to GE Smallworld, a UK limited partnership and ceased trading.

Review of business and future developments

On 3 October 2000, Smallworldwide plc (the company's immediate parent undertaking) and its subsidiary undertakings were acquired by GE Power Systems Equities Inc, a wholly owned subsidiary of General Electric Company. Subsequently, ownership of Smallworldwide plc was transferred to IGE USA Group Limited, another General Electric group company whose immediate parent is IGE USA Investments.

On 17 January 2001, the name of the company was changed to GE Smallworld (UK) Limited.

On 2 April 2001, the operations of GE Smallworld (UK) Limited were transferred to GE Smallworld, a UK limited partnership, established on 29 January 2001, of which GE Energy Europe B.V. holds 99.9% and Smallworldwide plc holds 0.1%.

Results and dividends

The profit for the period was £7,874,000 (year ended 30 June 2000: loss of £107,000). The directors do not recommend the payment of a dividend (year ended 30 June 2000: £nil).

Directors

The directors who held office during the period were as follows:

R T Green
M A Cartwright

Directors' interests

M A Cartwright is a director of the holding company Smallworldwide plc. The director's interests in shares and options over shares of Smallworldwide plc are disclosed in the financial statements of that company.

Charitable donations

During the period the company donated £100 (year ended 30 June 2000: £nil) to charitable organisations. No political donations were made.

Auditors

Our auditors, PricewaterhouseCoopers, resigned and the directors appointed KPMG Audit plc to fill the vacancy. Accordingly a resolution is to be proposed at the Annual General Meeting for the company to appoint KPMG Audit plc as auditors.

By order of the board

M.A. Cartwright
MA Cartwright
Director

26 March 2002

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 and of the 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, subject to any material departures disclosed and explained in 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG Audit Plc
8 Salisbury Square
London EC4Y 8BB
United Kingdom

Report of the independent auditors to the members of GE Smallworld (UK) Limited

We have audited the financial statements on pages 5 to 16.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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.

Basis of audit 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 2001 and of its profit for the 18 month 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

21 March 2002

Profit and loss account
for the 18 month period ended 31 December 2001

	<i>Note</i>	18 months ended 31 December 2001 £000	Year ended 30 June 2000 £000
Turnover	2	6,753	7,120
Cost of sales		(4,244)	(5,036)
Gross profit		2,509	2,084
Selling and distribution expenses		(2,230)	(2,225)
Administrative expenses		-	(42)
Operating profit/(loss)	3	279	(183)
Profit from disposal of assets and liabilities	4	7,375	-
Other interest receivable and similar income	7	433	13
Interest payable and similar charges	8	(3)	(4)
Profit/(loss) on ordinary activities before taxation	3	8,084	(174)
Tax (charge)/credit on profit/(loss) on ordinary activities	9	(210)	67
Retained profit/(loss) on ordinary activities after taxation for the period/year		7,874	(107)

All items included in the profit and loss account relate to trading operations that ceased at 2 April 2001.

The company has no recognised gains and losses other than those included in profits and losses above and therefore no separate statement of total recognised gains and losses has been presented.

There is no material difference between the profit on ordinary activities before taxation and the retained profit stated above and their historical cost equivalents.

Balance sheet
at 31 December 2001

	Note	31 December 2001		30 June 2000	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	10		-		41
Current assets					
Work in progress		-		3	
Debtors	11	8,971		1,828	
Cash at bank and in hand		-		609	
Creditors: amounts falling due within one year	12	8,971		2,440	
		(942)		(2,312)	
Net current assets			8,029		128
Total assets less current liabilities			8,029		169
Creditors: amounts falling due after more than one year			-		-
Provisions for liabilities and charges	13		-		(14)
Net assets			8,029		155
Capital and reserves					
Called up share capital	15		600		600
Profit and loss account	16		7,429		(445)
Equity shareholders' funds	17		8,029		155

The notes on pages 7 to 16 form part of these financial statements.

These financial statements were approved by the board of directors on 26-3-02 and were signed on its behalf by:

M.A. Cartwright
MA Cartwright
 Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements except as noted below. The company has adopted FRS 18 'Accounting policies' in these financial statements. The comparative figures have been restated accordingly.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Cash flow statement

The company has taken advantage of the exemption available not to include a cash flow statement. A consolidated cash flow statement is included in the consolidated financial statements of the parent company, IGE USA Investments.

Turnover

The company's revenue, which excludes sales taxes and trade discounts, is derived primarily from two sources, across many industries: (i) generic and applications product licence revenue, derived mainly from product sales to end users and (ii) service and support revenue, derived primarily from providing software upgrades, support and education and consulting services to end users.

The company recognises product revenue upon shipment, if evidence of an arrangement exists, the fee is fixed and determinable, collection of resulting receivables is probable and product returns are reasonably estimable. Estimated product returns are recorded upon recognition of revenue from customers having rights of return, including exchange rights for unsold products and product upgrades. Provisions for estimated warranty costs and anticipated retroactive price adjustments are recorded at the time products are shipped.

For contracts with multiple obligations, the company allocates revenue to each component of the contract based on objective evidence of its fair value, which is specific to the company, or for products not yet being sold separately, the price established by management. The company recognises revenue allocated to undelivered products when the criteria for product revenue set forth are met. The company recognises revenue allocated to maintenance fees for ongoing customer support and product upgrades rateably over the period of the maintenance contract. Payments for maintenance fees are generally made in advance and are non-refundable. For revenue allocated to training and consulting services, the company recognises revenue as the related services are performed.

For contracts where customisation forms a significant part of the contract, revenues are recognised by the percentage of completion method where reasonably dependable estimates can be made. Progress toward completion is determined by input or output measures, depending upon management's view as to which will represent the most reliable and meaningful measure of the project's progress.

Provisions for estimated losses on incomplete contracts are recognised in the period in which the likelihood of such losses is determined.

Notes (continued)

1 Accounting policies (continued)

Tangible fixed assets

The cost of fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Office equipment	-	20%
Motor vehicles	-	33%
Computer equipment	-	25% - 33%
Computer software	-	25%

Warranties

The company's products carry formal guarantees of satisfactory performance for varying periods following their purchase by customers. Provision is made for the estimated costs of unexpired warranties based on assessments of the levels of support required for new and existing customers.

Finance and operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term. Leasing agreements which transfer to the company substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit so as to give a constant periodic rate of charge on the remaining balance outstanding at each accounting year end. Assets held under finance leases are depreciated over the shorter of the lease term or the useful lives of equivalent owned assets.

Pension costs

The company contributes a fixed percentage of substantially all employees' salaries to their individual personal pension plans. The charge for pension costs in the profit and loss account represents the amount of contributions payable in respect of the accounting period.

Deferred taxation

Deferred taxation is calculated and recognised, using the liability method, on all material timing differences to the extent that it is probable that the actual liability will crystallise.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

All foreign exchange differences are taken to the profit and loss account in the period in which they arise.

Notes (continued)

2 Turnover

The analysis by geographical area of the company's turnover is set out below:

	18 months ended 31 December 2001 £000	Year ended 30 June 2000 £000
United Kingdom	6,753	6,759
Rest of Europe	-	248
Other	-	113
	<u>6,753</u>	<u>7,120</u>

3 Profit/(loss) on ordinary activities before taxation

	18 months ended 31 December 2001 £000	Year ended 30 June 2000 £000
<i>Profit/(loss) on ordinary activities before taxation is stated after charging:</i>		
Auditors' remuneration:		
Audit	15	17
Other	7	4
Depreciation and other amounts written off tangible fixed assets:		
Owned	17	43
Leased	-	39
Hire of other assets - operating leases	-	146
Hire of plant and equipment - operating leases	2	10
Foreign exchange	(2)	(3)
	<u></u>	<u></u>

Notes (continued)

4 Profit from disposal of assets and liabilities

On 2 April 2001 the company sold its operations to GE Smallworld, a UK limited partnership.

	£000
<i>Net assets disposed of:</i>	
Fixed assets	24
Debtors	3,422
Other assets	1,355
Net amounts owed to group undertakings	(229)
Creditors and accruals	(952)
Deferred revenue	(2,605)
	<hr/>
Net cash proceeds	1,015
	8,390
	<hr/>
Profit on disposal	7,375
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5 Remuneration of directors

	18 months ended 31 December 2001 £000	Year ended 30 June 2000 £000
Directors' emoluments	69	128
Pension contributions	7	13
	<hr/>	<hr/>
	76	141
	<hr/>	<hr/>

All the directors of GE Smallworld (UK) Limited have been remunerated by other group companies throughout the year apart from one director, whose remuneration is disclosed above and to whom retirement benefits are accruing under a money purchase scheme.

Emoluments relating to directors who are also directors of Smallworldwide plc have been disclosed in the financial statements of Smallworldwide plc.

Notes (continued)

6 Staff numbers and costs

The average number of persons employed by the company (including directors) whilst trading during the period, analysed by category, was as follows:

	Number of employees	
	18 months ended 31 December 2001	Year ended 30 June 2000
Sales and marketing	47	34

At 31 December 2001 the company employed nil persons (30 June 2000: 42 persons).

The aggregate payroll costs of these persons were as follows:

	18 months ended 31 December 2001 £000	Year ended 30 June 2000 £000
Wages and salaries	2,143	1,728
Social security costs	271	189
Other pension costs	95	70
	<u>2,509</u>	<u>1,987</u>

Certain employees of the parent company provide services to the company. A management fee is paid for these services and the numbers and costs of these employees are not included in the above numbers.

7 Other interest receivable and similar income

	18 months ended 31 December 2001 £000	Year ended 30 June 2000 £000
Interest owed by group undertakings	433	-
Interest on short term deposits and investments	-	13
	<u>433</u>	<u>13</u>

Notes (continued)

8 Interest payable and similar charges

	18 months ended 31 December 2001 £000	Year ended 30 June 2000 £000
On bank loans and overdrafts	3	-
On finance leases and hire purchase agreements	-	4
	<u>3</u>	<u>4</u>

9 Taxation

	18 months ended 31 December 2001 £000	Year ended 30 June 2000 £000
UK corporation tax at 30% (30 June 2000: 30%)	(210)	67

10 Tangible fixed assets

	Office equipment £000	Computer software £000	Total £000
Cost			
At 30 June 2000	105	16	121
Disposals during the period	(105)	(16)	(121)
	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2001	-	-	-
Depreciation			
At 30 June 2000	67	13	80
Charge for the period	15	2	17
On disposals	(82)	(15)	(97)
	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2001	-	-	-
Net book value			
At 31 December 2001	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
At 30 June 2000	38	3	41
	<u>38</u>	<u>3</u>	<u>41</u>

Notes (continued)

11 Debtors: amounts falling due within one year

	31 December 2001 £000	30 June 2000 £000
Trade debtors	3	1,742
Prepayments and accrued income	-	82
Group relief	-	4
Corporation tax	-	-
Amounts owed by group undertakings	8,968	-
	<u>8,971</u>	<u>1,828</u>

12 Creditors: amounts falling due within one year

	31 December 2001 £000	30 June 2000 £000
Trade creditors	-	389
Amounts owed to group undertakings	629	222
Corporation tax	313	-
Other taxation and social security	-	330
Other creditors	-	235
Accruals	-	664
Deferred income	-	472
	<u>942</u>	<u>2,312</u>

Notes (continued)

13 Provisions for liabilities and charges

a) Warranty provision

	£000
At 1 July 2000	14
Utilised in the period	-
Charged to profit and loss account	(14)
	<hr/>
At 31 December 2001	-
	<hr/>

The company provides warranties for certain products, usually for a period of three months after sale. This provision is for the cost of rectifying faults in goods sold. Subsequent to the cessation of trading on 2 April 2001, GE Smallworld, a UK limited partnership has assumed any liabilities in respect of the costs of warranty related work.

b) Deferred taxation

No deferred taxation has been recognised in the financial statements as the amount is an asset which is not expected to crystallise. The amount of the unrecognised asset is as follows:

	31 December 2001 £000	30 June 2000 £000
Tax effect of timing differences because of:		
Excess of tax allowances over depreciation	-	31
Other timing differences	-	4
	<hr/>	<hr/>
	-	35
	<hr/>	<hr/>

14 Pension

The company contributes a fixed percentage of substantially all employees' salaries to their individual pension plans and a defined contribution scheme for directors. The total pension cost for the company during the period ended 31 December was £94,000 (year ended 30 June 2000: £70,000). At the period end the company had no outstanding pension obligations.

Notes (continued)

15 Called up share capital

	31 December 2001 £000	30 June 2000 £000
<i>Authorised</i> 600,000 ordinary shares of £1 each	600	600
<i>Allotted, called up and fully paid</i> 600,000 ordinary shares of £1 each	600	600

16 Reserves

	£000
At 1 July 2000	(445)
Profit for the period	7,874
At 31 December 2001	7,429

17 Reconciliation of movements in shareholders' funds

	18 months ended 31 December 2001 £000	Year ended 30 June 2000 £000
Profit/(loss) for the period/year	7,874	(107)
Net increase/(decrease) in shareholders' funds	7,874	(107)
Opening shareholders' funds	155	262
Closing shareholders' funds	8,029	155

Notes (continued)

18 Financial commitments

At 31 December 2001 annual commitments under non-cancellable operating leases taken out by the company were as follows:

	31 December 2001		30 June 2000	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Expiring within one year	-	-	-	2
Expiring within two to five years	-	-	-	3
	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	-	5
	<hr/>	<hr/>	<hr/>	<hr/>

During the period the company terminated all of its operating lease commitments.

At 31 December 2001 and 30 June 2000, the company had no capital commitments.

19 Transactions with related parties and ultimate controlling party

The company is a wholly owned subsidiary of Smallworldwide plc and has applied the exemption in paragraph 3(c) of Financial Reporting Standard No 8 "Related Party Disclosures". This exemption permits the non-disclosure of transactions and balances with related parties that are included within the consolidated financial statements of IGE USA Investments. There were no other material transactions with related parties which require disclosure.

20 Ultimate parent company and parent undertakings of larger company

The company's immediate parent undertaking is Smallworldwide plc, a company registered in England and Wales.

The smallest group in which the results of the group are consolidated is that headed by IGE USA Investments, a company registered in England and Wales. The consolidated financial statements of this company are available to the public and may be obtained from 3rd Floor, 1 Trevelyan Square, Boar Lane, Leeds LS1 6HP.

The largest group in which the results of the company are consolidated is that headed by the company's ultimate parent undertaking, General Electric Company, a company incorporated in the United States of America. The consolidated financial statements of this company are available to the public and may be obtained from 3135 Easton Turnpike, Fairfield, Connecticut 06431, USA or at www.ge.com.