

GE Smallworld (UK) Limited
(formerly Smallworld Systems Limited)
Annual report
for the year ended 30 June 2000



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(formerly Smallworld Systems Limited)

Annual report
for the year ended 30 June 2000

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Directors and advisers

Executive directors

R T Green
M A Cartwright

Secretary and registered office

I H McShane
Elizabeth House
1 High Street
Chesterton
Cambridge
CB4 1WR

Bankers

Barclays Bank plc
Bene't Street Corporate Business Centre
PO Box No 2
Cambridge
CB2 3PZ

Registered Auditors

PricewaterhouseCoopers
Abacus House
Castle Park
Cambridge
CB3 0AN

Solicitors

Mills & Reeve
112 Hills Road
Cambridge
CB2 1PH

Directors' report for the year ended 30 June 2000

The directors present their report and the audited financial statements for the year ended 30 June 2000.

Principal activities

The company markets software used for modelling physical networks and enabling related applications for engineering, business and operations support.

Review of business and future developments

The company has continued to develop its operations. The directors continue to be optimistic about the future of the business. There has been a significant increase in revenues for the year largely due to consulting services, which attract lower margins than other revenues. Accordingly, the company incurred a small operating loss for the year.

Post balance sheet events

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.

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

On 31 March 2001, the operations of GE Smallworld (UK) Limited were transferred to GE Smallworld, the UK limited partnership established on 29 January 2001, of which GE Energy Europe BV holds 99.9% and Smallworldwide plc holds 0.1%.

Results and dividends

The loss for the year was £107,000 (1999: profit of £78,000). The directors do not recommend the payment of a dividend (1999: £nil).

Directors

The directors of the company, all of whom have been directors for the whole of the year ended 30 June 2000, unless otherwise stated, were:

R T Green	
M A Cartwright	(appointed 3 December 1999)
A P Stafford	(resigned 3 December 1999)

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Directors' interests

R T Green was a director of the holding company, Smallworldwide plc, at 30 June 2000.
M A Cartwright was appointed as a director of the holding company on 15 October 1999.
The director's interests in shares and options over shares of Smallworldwide plc are disclosed in the financial statements of that company.

By order of the board

A handwritten signature in black ink, appearing to read 'I H McShane', written over a horizontal line.

I H McShane
Company Secretary

19 October 2001

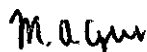
Statement of directors' responsibilities

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 of the company for that year. 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 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.

By order of the board



M A Cartwright
Director

19 October 2001

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

We have audited the financial statements on pages 6 to 16 which have been prepared in accordance with the accounting policies set out on pages 8 to 10.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 4, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and 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 United Kingdom Companies Act. 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 is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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 at 30 June 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Cambridge
19 October 2001

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Profit and loss account
for the year ended 30 June 2000

	Notes	2000 £'000	1999 £'000
Turnover	2	7,120	4,249
Cost of sales		(5,036)	(1,941)
Gross profit		2,084	2,308
Net operating expenses	3	(2,267)	(2,161)
Operating (loss)/profit		(183)	147
Interest receivable and similar income		13	1
Interest payable and similar charges	6	(4)	(6)
(Loss)/profit on ordinary activities before taxation	7	(174)	142
Tax on (loss)/profit on ordinary activities	8	67	(64)
Retained (loss)/profit for the financial year	15	(107)	78

All revenue and expenses included in the profit and loss account relate to continuing operations.

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 loss on ordinary activities before taxation and the retained loss stated above, and their historical cost equivalents.

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Balance sheet
at 30 June 2000

	Notes	2000 £'000	1999 £'000
Fixed assets			
Tangible assets	9	41	228
Current assets			
Work in progress		3	343
Debtors	10	1,828	2,417
Cash at bank and in hand		609	465
		2,440	3,225
Creditors: amounts falling due within one year	11	2,312	3,129
Net current assets		128	96
Total assets less current liabilities		169	324
Creditors: amounts falling due after more than one year	12	-	35
Provisions for liabilities and charges	13	14	27
Net assets		155	262
Capital and reserves			
Called up share capital	14	600	600
Profit and loss account	15	(445)	(338)
Equity shareholders' funds	16	155	262

The financial statements on pages 6 to 16 were approved by the board of directors on 19 October 2001 and were signed on its behalf by:

M. A. Cartwright

M A Cartwright
Director

Notes to the financial statements for the year ended 30 June 2000

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

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, Smallworldwide plc.

Tangible fixed assets

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

Depreciation is calculated so as to write off the cost of tangible fixed assets on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

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

Work in progress

Work in progress is valued at the lower of cost and net realisable value. Work in progress represents time and materials chargeable against specific customer consulting contracts which have not been invoiced at the balance sheet date.

Warranty provision

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 measurements 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

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on the remaining balance outstanding at each accounting year. Assets held under finance leases are depreciated over the shorter of the lease terms or the useful lives of equivalent owned assets.

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.

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.

Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. The results of foreign transactions are translated into sterling at the rate of exchange ruling on the date of the transaction.

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

Pension costs

The company contributes a fixed percentage of 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.

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Deferred taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

2 Turnover

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

	2000 £'000	1999 £'000
United Kingdom	6,759	3,921
Rest of Europe	248	305
Other	113	23
	<hr/> 7,120	<hr/> 4,249

3 Net operating expenses

	2000 £'000	1999 £'000
Selling and distribution expenses	2,225	2,085
Administrative expenses	42	76
	<hr/> 2,267	<hr/> 2,161

4 Directors' emoluments

	2000 £'000	1999 £'000
Emoluments (including benefits in kind)	128	84
Compensation for loss of office	-	40
Pension contributions	13	4

All the directors of Smallworld Systems 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.

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5 Employee information

The average monthly number of persons (including executive directors) employed by the company during the year was:

	2000 Number	1999 Number
By activity		
Sales and marketing	34	33

	2000 £'000	1999 £'000
Staff costs (for the above persons)		
Wages and salaries	1,728	1,198
Social security costs	189	113
Other pension costs	70	48
	1,987	1,359

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.

6 Interest payable and similar charges

	2000 £'000	1999 £'000
On finance leases and hire purchase agreements	4	6

7 (Loss)/profit on ordinary activities before taxation

	2000 £'000	1999 £'000
(Loss)/profit on ordinary activities before taxation is stated after charging:		
Depreciation charge for the year:		
Tangible owned fixed assets	43	154
Tangible fixed assets held under finance leases	39	49
Auditors' remuneration:		
- audit	17	18
- other	4	3
Hire of other assets - operating leases	146	204
Hire of plant and equipment - operating leases	10	10
Foreign exchange	(3)	-

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8 Tax on (loss)/profit on ordinary activities

	2000 £'000	1999 £'000
United Kingdom corporation tax at 30% (1999: 30.75%):		
Group relief	(67)	64
	(67)	64

9 Tangible fixed assets

	Office equipment £'000	Motor vehicles £'000	Computer equipment £'000	Computer software £'000	Total £'000
Cost					
At 1 July 1999	106	153	453	14	726
Additions	-	22	71	2	95
Intra-group transfers	-	-	(477)	-	(477)
Disposals	(1)	(175)	(47)	-	(223)
At 30 June 2000	105	-	-	16	121
Depreciation					
At 1 July 1999	46	88	353	11	498
Charge for the year	22	18	40	2	82
Intra-group transfers	-	-	(346)	-	(346)
Disposals	(1)	(106)	(47)	-	(154)
At 30 June 2000	67	-	-	13	80
Net book value at 30 June 2000	38	-	-	3	41
Net book value at 30 June 1999	60	65	100	3	228

The net book value of tangible fixed assets held under finance leases and hire purchase contracts included in the above figures are:

	2000 £'000	1999 £'000
Computer equipment	-	77

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Sale and leaseback transactions

The company entered into two sale and leaseback arrangements during 1999 in relation to computer hardware fixed assets. These were accounted for as finance leases in accordance with Statement of Standard Accounting Practice 21. The leases have primary periods of 24 or 36 months, after which there exists an option to enter into a secondary lease period. The lease obligation recorded at 30 June 1999 resulting from these transactions amounted to £73,000. All leases were transferred to the parent company during the year.

10 Debtors

	2000 £'000	1999 £'000
Amounts falling due within one year		
Trade debtors	1,742	1,968
Prepayments and accrued income	82	449
Group relief	4	-
	<hr/>	<hr/>
	1,828	2,417
	<hr/>	<hr/>

11 Creditors: amounts falling due within one year

	2000 £'000	1999 £'000
Trade creditors	389	303
Obligations under finance leases and hire purchase contracts	-	38
Amounts owed to parent company	222	1,427
Amounts owed to other subsidiary companies	-	7
Other taxation and social security	330	186
Other creditors	235	-
Accruals	664	470
Deferred income	472	698
	<hr/>	<hr/>
	2,312	3,129
	<hr/>	<hr/>

12 Creditors: amounts falling due after more than one year

	2000 £'000	1999 £'000
Obligations under finance leases and hire purchase contracts:		
Due between one and two years	-	31
Due between two and five years	-	4
	<hr/>	<hr/>
	-	35
	<hr/>	<hr/>

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The group 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 year was £70,000 (1999: £48,000). At the year end there were no outstanding pension obligations.

13 Provisions for liabilities and charges

a) Warranty provision

	£'000
At 1 July 1999	27
Utilised in the year	-
Charged to profit and loss account	3
Released in the year	(16)
At 30 June 2000	14

The company provides warranties against some products, in general for a period of three months after sale. This provision is for the cost of rectifying faults in goods sold.

b) Deferred taxation

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

	Amount unrecognised	
	2000 £'000	1999 £'000
Tax effect of timing differences because of:		
Excess of tax allowances over depreciation	31	49
Other timing differences	4	1
	35	50

14 Called up share capital

	2000 £'000	1999 £'000
Authorised		
600,000 (1999: 600,000) ordinary shares of £1 each	600	600
Allotted, called up and fully paid		
600,000 (1999: 600,000) ordinary shares of £1 each	600	600

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15 Reserves

	£'000
At 1 July 1999	(338)
Loss for the financial year	(107)
At 30 June 2000	(445)

16 Reconciliation of movements in shareholders' funds

	2000 £'000	1999 £'000
(Loss)/profit for the financial year	(107)	78
Net decrease in shareholders' funds	(107)	78
Opening shareholders' funds	262	184
Closing shareholders' funds	155	262

17 Financial commitments

At 30 June 2000 annual commitments under non-cancellable operating leases taken out by the company were as follows:

	Land and buildings £'000	2000 Other £'000	Land and buildings £'000	1999 Other £'000
Expiring within one year	-	2	-	5
Expiring within two to five years	-	3	-	6
	-	5	-	11

At 30 June 2000, a number of non-cancellable operating lease contracts had been taken out by Smallworldwide plc, the parent company, on behalf of the company. These are disclosed in the financial statements of Smallworldwide plc.

At 30 June 2000 and 1999, the company had no capital commitments.

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18 Related party transactions

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 Smallworldwide plc. There were no other material transactions with related parties which require disclosure.

19 Post balance sheet events

On 16 August 2000, the Board of Directors of Smallworldwide plc unanimously approved an offer from General Electric Company to acquire Smallworldwide plc, the parent company of GE Smallworld (UK) Limited (formerly Smallworld Systems Limited). The Board recommended that the shareholders accept the offer. The acquisition agreement was signed later that day.

On 3 October 2000 the acquisition was completed and Smallworldwide plc became a wholly owned subsidiary of GE Power Systems Equities Inc.

On 29 January 2001, Smallworldwide plc and GE Energy Europe BV agreed to establish and register a limited partnership called GE Smallworld under the Limited Partnerships Act 1907. GE Energy Europe BV took a 99.9% share in the partnership and Smallworldwide plc took a 0.1% share.

On 31 March 2001, the operations of GE Smallworld (UK) Limited were transferred to GE Smallworld, the UK limited partnership.

20 Ultimate parent company

At 30 June 2000, the directors regard Smallworldwide plc, a company registered in England and Wales, as the immediate and ultimate parent company. The directors do not consider there to be an ultimate controlling party. Copies of the parent's consolidated financial statements may be obtained from:

The Secretary
Smallworldwide plc
Elizabeth House
1 High Street
Chesterton
Cambridge
CB4 1WR