

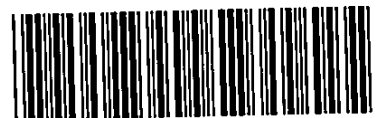
GE Caledonian Limited

Directors' report and financial statements

for the year ended 31 December 2012

Registered number: SC064580

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GE Caledonian Limited

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GE Caledonian Limited

Directors' report

The directors present their report and the financial statements for the year ended 31 December 2012.

Principal activities

The principal activity of the company continues to be the overhaul of aircraft engines.

Business review

The company achieved another satisfactory result for the year to 31st December 2012 against the background of a sustained downturn in the global CF6 engine overhaul market and an increasingly challenging competitive environment.

Turnover was \$618.5m - a decrease of 20% from the previous year and operating profit decreased from \$47.2m in the previous year to \$39.6m due largely to volume decrease. 179 Shop Visits (SVs) being output in 2012 versus 217 SVs output in 2011.

Future outlook

CF6 Engines

Whilst the company has previously enjoyed a steady volume of CF6 engines, the sustained downturn in the Global CF6 engine overhaul market will impact the company's volume for 2013 with 145 SVs being forecast.

Genx Engines

Since being named the designated repair station for the Genx engine, the company has committed £23.3m in capital expenditure to support the Genx overhaul program - £17.3m being committed in 2007 to 2012 and £5.0m being committed in 2013. In addition to this, a further £8.8m is expected to be spent during 2013 and 2014. This engine is GE's next evolution of aircraft engine and will eventually replace the more mature CF6 engine currently overhauled at GE Caledonian. We continue to make good progress in readying the site for this new engine type:

(a) Validation Engines - Genx 1B completed in 2009 and Genx 2B completed in 2011. The validation engines provide the means for GE Caledonian to prove the site capable of overhauling these engines and provide evidence to allow CAA approval for our capability, which was received in May 2011.

(b) Overhaul Engines - The first Genx SV was successfully overhauled in Caledonian and tested in Peebles Ohio, USA in March 2012, with a further 4 SVs being completed between August and December 2012. The forecast for 2013 is 16-24 SVs with 24 SVs being the current capability at Caledonian.

(c) Test Cell Upgrade - CF6-80E Test Capability which commenced in 2011 is now in the final stage of completion. The structural and thrust enhancements to adapt the existing Test Cell to incorporate CF6-80E Test Capability have been completed and the CF6-80E engine correlated in March 2013.

Financing

GE Caledonian Limited, being part of GE Company, benefits from the advantage of funding which is managed centrally by GE Corporate Treasury. The directors of GE Caledonian Limited review cash forecasts and plans on an on-going basis and are satisfied that GE Caledonian Limited, in the context of the group cash pool arrangement, will be able to operate within its available funding levels.

GE Caledonian Limited

Directors' report

Business review (continued)

The principal risks and uncertainties affecting the business include the following:

Foreign currency exchange; the company monitors closely short, medium and long term exchange rates and has a policy of hedging against currency fluctuations relating to trading transactions to minimise foreign exchange risk.

Environmental, health and safety risks; the company places considerable emphasis upon environmental compliance and not only seeks to ensure ongoing compliance with relevant legislation but also strives to ensure that environmental best practice is incorporated into its key processes. The company continues to pursue ways of ensuring that a safe and healthy working environment is progressively improved.

Customers; the company maintains strong relationships with each of its key customers and has established credit control parameters. Appropriate credit terms are agreed with all customers and these are closely managed. The company factors most of its invoices via GE Capital. In addition to this, the majority of factored invoices are insured thus limiting the company's exposure to any unforeseen bad debt risk.

Major disruption/disaster; business continuity planning is reviewed regularly. In addition to this, a formal Business Continuity Plan has been trailed and implemented.

The effect of legislation or other regulatory activities; the company monitors forthcoming and current legislation regularly.

Pension fund risk; the company is subject to funding risks, principally poor performance of the equity investment. Such risks could result in increased contributions by the company to the pension scheme. The move to the GE Pension Plan from the GE Caledonian Plan in 2006 has reduced this risk.

Litigation; the company is subject to litigation from time to time. The outcome of legal action is always uncertain and there is always a risk that it may prove more costly and time consuming than expected. There is a risk that litigation could be instigated in the future, which could materially impact the company.

Competitive risk; the company operates in highly competitive markets. Competition is mainly from major airline shops. These include European shops KLM and Lufthansa, with MTU also a competitive threat as an independent overhaul provider. In addition we are now experiencing competition out with Europe from EGAT and internally from GE Celma.

Sales and Marketing; new and replacement business is won continually, new markets have been developed in line with the company's strategy; key customer relationships are monitored on a regular basis.

Production; new repairs continue to be developed for both existing and development components; production efficiencies have been gained and new initiatives for process and efficiency improvements are constantly being developed.

Competitive advantage; the company focuses on areas where it has a competitive advantage including faster turnaround time and excellent quality which places it well in terms of superior long term income/cash flow growth potential.

GE Caledonian Limited

Directors' report

Business review (continued)

Key financial performance indicators include the monitoring of the management of profitability and working capital.

Key non - financial performance indicators include the monitoring of our employees' health and safety in addition to the company's environmental impact and energy consumption.

Financial	2012	2011	Measure
Stock Turnover	5.2	8.8	Cost of sales/stock
Debtor Days	29.8	51.9	Trade debtors/average turnover
Creditor Days	75	36	Trade creditors / average purchases
Sales per employee (\$000)	693	847	Turnover / average employees
Operating profit per employee (\$000)	44	52	Operating profit/average employees
Non financial	2012	2011	Measure
Reportable accidents	7	9	Number of accidents reported
Shop Visit Inputs	167	204	Number of engines inducted
Shop Visit Outputs	179	217	Number of engines output

Results and dividends

The profit for the year, after taxation, amounted to \$27,028,000 (2011: \$16,285,000).

The directors paid an interim dividend of \$nil (2011: \$57,375,000).

The directors do not recommend the payment of a final dividend (2011: \$nil).

Directors

The directors who served during the year and up to the date of the directors' report were:

M G Quinn
J T Beck
A J Kelly
A J Aiello

Political and charitable contributions

The company made no political contributions during the year (2011 \$nil). Donations to UK charities during the year amounted to \$11,991 (2011 \$11,116).

Financial instruments

The company monitors closely short, medium and long term exchange rates and has a policy of hedging against currency fluctuations.

GE Caledonian Limited

Directors' report

Employee involvement

The company is committed to the continued involvement and participation of all employees in the performance of the business through a policy of communication and consultation. The company's policy for training and career development is to give full and fair consideration to any suitable person, including disabled persons, for all vacancies and opportunities.

Provision of information to auditors

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information.

Auditors

The auditors, KPMG Audit Plc, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 21 June 2013 and signed on its behalf.



J T Beck
Director

Monument Crescent
Shawfarm Industrial Estate
Prestwick
KA9 2RX

GE Caledonian Limited

Directors' responsibilities statement for the year ended 31 December 2012

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

GE Caledonian Limited

Independent auditors' report to the members of GE Caledonian Limited

We have audited the financial statements of GE Caledonian Limited for the year ended 31 December 2012, which comprise the profit and loss account, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

GE Caledonian Limited

Independent auditors' report to the members of GE Caledonian Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Martin Ross (senior statutory auditor)

for and on behalf of
KPMG Audit Plc

Statutory Auditors
Chartered Accountants

191 West George Street
Glasgow
G2 2LJ

Date: 24 June 2013

GE Caledonian Limited

Profit and loss account for the year ended 31 December 2012

	Note	2012 \$000	2011 \$000
Turnover	2	618,461	774,575
Cost of sales		(563,272)	(715,726)
Gross profit		55,189	58,849
Selling and distribution costs		(4,532)	(4,457)
Administrative expenses		(11,066)	(7,186)
Operating profit	3	39,591	47,206
Interest receivable and similar income	7	269	-
Interest payable and similar charges	8	(26,009)	(28,192)
Profit on ordinary activities before taxation		13,851	19,014
Tax on profit on ordinary activities	9	13,177	(2,729)
Profit for the financial year	17	27,028	16,285

All amounts relate to continuing operations.

There were no recognised gains and losses for 2012 or 2011 other than those included in the profit and loss account.

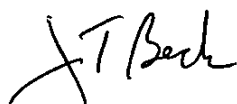
The notes on pages 10 to 25 form part of these financial statements.

GE Caledonian Limited
Registered number: SC064580

Balance sheet
as at 31 December 2012

	Note	\$000	2012 \$000	\$000	2011 \$000
Fixed assets					
Tangible fixed assets	10		42,692		37,001
Current assets					
Stocks	11	91,283		86,415	
Debtors	12	152,701		130,390	
Cash at bank		512		1,319	
		<u>244,496</u>		<u>218,124</u>	
Creditors: amounts falling due within one year	13	<u>(178,214)</u>		<u>(173,208)</u>	
Net current assets			<u>66,282</u>		<u>44,916</u>
Total assets less current liabilities			<u>108,974</u>		<u>81,917</u>
Creditors: amounts falling due after more than one year	14		<u>(275,000)</u>		<u>(275,000)</u>
Net liabilities			<u>(166,026)</u>		<u>(193,083)</u>
Capital and reserves					
Called up share capital	16		28,556		28,556
Share premium account	17		9,517		9,517
Revaluation reserve	17		1,848		1,926
Employee share based payments	17		327		298
Other reserves	17		(273,437)		(273,437)
Profit and loss account	17		67,163		40,057
Shareholders' deficit	18		<u>(166,026)</u>		<u>(193,083)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 21 June 2013.


J T Beck
Director

The notes on pages 10 to 25 form part of these financial statements.

GE Caledonian Limited

Notes to the financial statements

1. Accounting policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention as modified by the revaluation of fixed assets and in accordance with applicable accounting standards.

The company regards the US dollar as its functional currency.

The financial statements have been prepared on a going concern basis, notwithstanding net liabilities of £166,026,000 (2011: £193,083,000).

The directors have reviewed the financial position of the company, including the arrangements with group undertakings. The directors have considered the financial position of the company's immediate group and ultimate parent.

On the basis of their assessment of the company's financial position and of the enquiries made by the directors, the company's directors have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the immediate group to continue as a going concern. Accordingly they expect that the company will be able to continue in operational existence for the foreseeable future and hence continue to adopt the going concern basis of accounting in preparing the annual financial statements.

In addition, debt of \$275 million included in 'Creditors: amounts falling due after more than one year' represents shares reclassified as debt which are due for payment only on the winding up of the company although interest is payable annually (see note 16).

1.2 Cash flow

The company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1.

1.3 Turnover

Turnover represents the value of work completed during the year in respect of the repair and refurbishment of aero engines and related components.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Freehold property	-	8 to 40 years
Plant & equipment	-	5 to 20 years

No depreciation is provided on freehold land. Assets in the course of construction are not depreciated.

GE Caledonian Limited

Notes to the financial statements

1. Accounting policies (continued)

1.5 *Revaluation of tangible fixed assets*

As permitted by the transitional provisions of FRS 15, the company has elected not to adopt a policy of revaluation of tangible fixed assets. The company will retain the book value of land and buildings, previously revalued at 31 October 1986 and will not update that valuation.

1.6 *Operating leases*

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

1.7 *Stocks and work in progress*

Stocks are valued at the lower of cost and net realisable value. In determining the cost of raw materials, the weighted average purchase price is used. For work in progress, cost comprises direct materials, direct labour and an appropriate proportion of manufacturing fixed and variable overheads.

1.8 *Classification of financial instruments issued by the company*

Following the adoption of FRS 25, financial instruments issued by the company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

- they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
- where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or a derivative that will be settled by the company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds, are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

GE Caledonian Limited

Notes to the financial statements

1. Accounting policies (continued)

1.9 Taxation

Taxation for the year is based on the profit for the year.

Full provision is made for deferred tax liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

Deferred tax is not provided on timing differences arising from the revaluation of fixed assets in the financial statements.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

1.10 Foreign currencies

Normal trading transactions denominated in foreign currencies are recorded in US dollars at actual exchange rates as of the date of the transaction or, if hedged, at the forward contract rate. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is reported as an exchange gain or loss in the profit and loss account. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end or, if appropriate, at the forward contract rate.

1.11 Pensions

The company is a member of a larger group pension scheme providing benefits based on final pensionable pay. The group pension scheme, GE Pension Plan, covers a number of United Kingdom subsidiary companies of General Electric Company. Because the company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17 'Retirement benefits', the scheme has been accounted for in these financial statements as if the scheme was a defined contribution scheme.

The company also operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

1.12 Dividends on shares presented within shareholders' deficit

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

GE Caledonian Limited

Notes to the financial statements

1. Accounting policies (continued)

1.13 Share based payments

Share options and restricted stock units over the shares of General Electric Company, the ultimate parent entity, are granted to certain employees and executives of the company. The fair value of options and units granted is recognised as an employee expense with a corresponding increase in equity.

The fair value is measured at grant date using the Black-Scholes option pricing model, and is recognised as an expense over the period the employees become unconditionally entitled to the options/units. The amount recognised as an expense is adjusted to reflect the actual number of options/units expected to vest. Any recharges by the ultimate parent entity are offset against reserves.

In addition the company has established an employee share ownership scheme, under which employees are able to acquire a number of shares in the ultimate parent company, General Electric Company, with the company matching the employees' purchases. The company's costs of these purchases are charged to the profit and loss account as incurred.

1.14 Transactions with related parties

The company, as a wholly owned subsidiary undertaking of General Electric Company, has taken advantage of an exemption contained in FRS 8, "Related Party Disclosures", in preparing its financial statements. This exemption allows the company not to disclose details of transactions with other group companies or investees of the group qualifying as related parties, as the consolidated financial statements of General Electric Company, in which the company is included, are publicly available.

2. Turnover

A geographical analysis of turnover is as follows:

	2012 \$000	2011 \$000
United Kingdom	28,140	41,703
Rest of European Union	17,344	55,888
USA	513,473	615,385
Other	59,504	61,599
	<u>618,461</u>	<u>774,575</u>

3. Operating profit

The operating profit is stated after charging/(crediting):

	2012 \$000	2011 \$000
Depreciation of tangible fixed assets:		
- owned by the company	4,227	4,618
Operating lease rentals:		
- plant and machinery	537	580
Difference on foreign exchange	(597)	301
Loss on sale of tangible fixed assets	31	2
	<u>31</u>	<u>2</u>

GE Caledonian Limited

Notes to the financial statements

4. Auditors' remuneration

	2012 \$000	2011 \$000
Fees payable to the company's auditor and its associates for the audit of the company's annual accounts	<u>97</u>	<u>102</u>

5. Staff costs

Staff costs, including directors' remuneration, were as follows:

	2012 \$000	2011 \$000
Wages and salaries	59,092	59,795
Social security costs	4,691	4,885
Other pension costs	10,284	10,343
	<u>74,067</u>	<u>75,023</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2012 No	2011 No
Production	846	872
Administration	46	43
	<u>892</u>	<u>915</u>

6. Directors' remuneration

	2012 \$000	2011 \$000
Emoluments	<u>433</u>	<u>417</u>

During the year retirement benefits were accruing to 2 directors (2011: 2) in respect of defined benefit pension schemes.

The highest paid director received remuneration of \$307,000 (2011: \$380,000).

The total accrued pension provision of the highest paid director at 31 December 2012 amounted to \$74,000 (2011: \$42,000).

GE Caledonian Limited

Notes to the financial statements

7. Interest receivable and similar income

	2012 \$000	2011 \$000
Interest receivable from group companies	72	-
Other interest receivable	197	-
	<u>269</u>	<u>-</u>

8. Interest payable and similar charges

	2012 \$000	2011 \$000
On loans from group undertakings	4,696	6,879
Dividend on preference shares classified as debt	21,313	21,313
	<u>26,009</u>	<u>28,192</u>

9. Taxation

	2012 \$000	2011 \$000
Analysis of tax (credit)/charge in the year		
Current tax (see note below)		
UK corporation tax charge on profit for the year	-	12,705
Adjustments in respect of prior periods	(12,705)	(9,254)
Total current tax	<u>(12,705)</u>	<u>3,451</u>
Deferred tax		
Origination and reversal of timing differences	(929)	(1,101)
Effect of decreased tax rate	457	379
Total deferred tax (see note 15)	<u>(472)</u>	<u>(722)</u>
Tax on profit on ordinary activities	<u>(13,177)</u>	<u>2,729</u>

GE Caledonian Limited

Notes to the financial statements

9. Taxation (continued)

Factors affecting current tax (credit)/charge for the year

The current tax assessed for the year is lower than (2011: lower than) the standard rate of corporation tax in the UK of 24.5% (2011: 26.5%). The differences are explained below:

	2012 \$000	2011 \$000
Profit on ordinary activities before tax	13,851	19,014
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 24.5% (2011: 26.5%)	3,393	5,037
Effects of:		
Capital allowances for year in excess of depreciation	933	1,108
Short term timing differences	(4)	(7)
Expenses not deductible for tax purposes	5,704	6,567
Group relief	(10,026)	-
Adjustments to tax charge in respect of prior periods	(12,705)	(9,254)
Current tax (credit)/charge for the year (see note above)	(12,705)	3,451

No current tax charge arises on the profit for the year because the company is claiming group relief from other group companies for £nil consideration.

Adjustments in respect of prior periods represent the effect on the tax charges for those periods of group relief received for £nil consideration.

Factors that may affect future tax charges

Deferred tax assets and liabilities on all timing differences have been calculated at 23%, being the rate of UK corporation tax that was enacted at the balance sheet date, including those expected to reverse in the year ended 31 December 2013 (the overall average rate for which would otherwise be 23.25%). The impact of this, and that of the below changes in the corporation tax rate, on the financial statements is not considered to be material.

The UK corporation tax rate was reduced from 26% to 24% on 1 April 2012. It was announced that this rate would be further reduced to 23% with effect from 1 April 2013. This is the rate which was enacted at the balance sheet date. It is expected that the corporation tax rate will reduce to 20% by 2015. There are no other factors that may significantly affect future tax charges.

GE Caledonian Limited

Notes to the financial statements

10. Tangible fixed assets

	Freehold land \$000	Freehold buildings \$000	Plant and equipment \$000	Total \$000
Cost or valuation				
At 1 January 2012	508	30,737	98,942	130,187
Additions	-	159	9,793	9,952
Disposals	-	-	(169)	(169)
Transfer between classes	-	53	(53)	-
At 31 December 2012	508	30,949	108,513	139,970
Depreciation				
At 1 January 2012	-	19,032	74,154	93,186
Charge for the year	-	1,011	3,216	4,227
On disposals	-	-	(135)	(135)
At 31 December 2012	-	20,043	77,235	97,278
Net book value				
At 31 December 2012	508	10,906	31,278	42,692
At 31 December 2011	508	11,705	24,788	37,001

Buildings were revalued on an open market value for existing use basis as at 31 October 1986 as follows:

	2012 \$000	2011 \$000
Buildings		
At valuation	10,515	10,515
Aggregate depreciation thereon	(5,775)	(5,565)
Net book value	4,740	4,950

If the above buildings had not been included at valuation they would have been included under the historical cost convention as follows:

	2012 \$000	2011 \$000
Cost	6,639	6,639
Accumulated depreciation	(3,747)	(3,615)
Net book value	2,892	3,024

GE Caledonian Limited

Notes to the financial statements

11. Stocks

	2012 \$000	2011 \$000
Raw materials	11,048	13,281
Work in progress	80,235	73,134
	<u>91,283</u>	<u>86,415</u>

12. Debtors

	2012 \$000	2011 \$000
Trade debtors	13,967	36,770
Amounts owed by group undertakings	131,325	82,980
Other debtors	475	2,128
Prepayments and accrued income	1,458	3,508
Deferred tax asset (see note 15)	5,476	5,004
	<u>152,701</u>	<u>130,390</u>

13. Creditors: Amounts falling due within one year

	2012 \$000	2011 \$000
Trade creditors	12,187	17,204
Amounts owed to group undertakings	115,268	107,067
Corporation tax	-	12,705
Social security and other taxes	557	2,353
Proposed dividend on preference shares classified as debt	44,069	21,313
Other creditors	341	1,619
Accruals and deferred income	5,792	10,947
	<u>178,214</u>	<u>173,208</u>

All inter group borrowings are repayable on demand.

14. Creditors: Amounts falling due after more than one year

	2012 \$000	2011 \$000
Fair value of share capital treated as debt (note 16)	273,437	273,437
Share capital treated as debt (note 16)	1,563	1,563
	<u>275,000</u>	<u>275,000</u>

Disclosure of the terms and conditions attached to the non-equity shares is made in note 16.

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Notes to the financial statements

15. Deferred tax asset

	2012 \$000	2011 \$000
At beginning of year	5,004	4,282
Credit for the year	472	722
At end of year	<u>5,476</u>	<u>5,004</u>

The deferred tax asset is made up as follows:

	2012 \$000	2011 \$000
Accelerated capital allowances	2,742	2,027
Other timing differences	2,734	2,977
	<u>5,476</u>	<u>5,004</u>

There were no amounts of unprovided deferred taxation as at 31 December 2012 or 31 December 2011.

16. Share capital

	2012 \$000	2011 \$000
Shares classified as capital		
Allotted, called up and fully paid		
14,277,915 'A' ordinary shares of \$1 each	14,278	14,278
14,277,914 'B' ordinary shares of \$1 each	14,278	14,278
	<u>28,556</u>	<u>28,556</u>
Shares classified as debt		
Allotted, called up and fully paid		
1,000,000 cumulative preference shares of £1 each	<u>1,563</u>	<u>1,563</u>

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Notes to the financial statements

16. Share capital (continued)

In accordance with FRS 25 the cumulative preference shares are classified as liabilities and have been recorded at their fair value.

A fair value of US\$275 was attributed to each of the 1,000,000 cumulative preference shares of £1 each. As the preference shares are classified as liabilities, they are stated at fair value on the date of issue. The fair value of \$275 million was determined by reference to the present value of future cash flows. Dividends are payable on these preference shares, and are calculated at a rate of 7.75% p.a. on the deemed fair value of US\$275 per share, rather than the nominal value of £1 per share (see preference share rights below).

The rights of the preference shares are summarised below:

(a) A fixed cumulative preferential dividend calculated on the face value at the rate of 7.75% per calendar year is to be paid in priority to any dividend on any other class of shares. Such dividend is to be paid in arrears, to the extent permitted by law, on 15 February ("a Dividend Payment Date") and to the extent such dividend is not paid on the Dividend Payment Date interest shall accrue at the rate of 7.75% pa. for the period from the relevant Dividend Payment Date to the actual date of payment of such dividend.

(b) On a winding up of the company the assets of the company shall be applied in repaying to the preference shareholders the face value along with the arrears and accruals of dividend to be calculated from the relevant dividend date in priority to any other class of shares.

(c) The preference shares do not confer on the holders the right to vote.

The rights of the 'A' and 'B' ordinary shares are summarised as follows:

(a) At any general meeting of the company held at a time when a shareholder holds more than fifty percent of the 'A' ordinary shares in issue, then the number of votes that may be cast by the majority 'A' ordinary shareholder on a poll at such general meeting shall be no less than such number as gives the majority 'A' ordinary shareholder fifty one per cent of the total votes available to all shares then in issue that carry the right to vote on a poll at such general meeting.

(b) Save as provided in (a) above, the 'A' ordinary shares shall carry the same rights as, and rank pari passu with, the 'B' ordinary shares including, without limitation, as to dividends.

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Notes to the financial statements

17. Reserves

	Share premium account \$000	Employee share based payments \$000	Revaluation reserve \$000	Other reserves \$000	Profit and loss account \$000
At 1 January 2012	9,517	298	1,926	(273,437)	40,057
Profit for the year	-	-	-	-	27,028
Transfer from revaluation reserve	-	-	(78)	-	78
Equity compensation expense recognised during the year	-	74	-	-	-
Recharges made by GE Company in respect of share based payments	-	(45)	-	-	-
At 31 December 2012	<u>9,517</u>	<u>327</u>	<u>1,848</u>	<u>(273,437)</u>	<u>67,163</u>

Other reserves represents the difference between the fair value of the preference shares on the date of redesignation of US\$275 million and the nominal value of the shares at that date of US\$1.563 million (see note 16).

18. Reconciliation of movement in shareholders' deficit

	2012 \$000	2011 \$000
Opening shareholders' deficit	(193,083)	(152,040)
Profit for the year	27,028	16,285
Dividends (Note 19)	-	(57,375)
Equity compensation expense recognised during the year	74	89
Recharges made by GE Company in respect of share based payments	(45)	(42)
Closing shareholders' deficit	<u>(166,026)</u>	<u>(193,083)</u>

19. Dividends

	2012 \$000	2011 \$000
Dividends paid on equity capital	<u>-</u>	<u>57,375</u>

20. Capital commitments

At 31 December 2012 the company had capital commitments as follows:

	2012 \$000	2011 \$000
Contracted for but not provided in these financial statements	<u>8,096</u>	<u>-</u>

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Notes to the financial statements

21. Pension commitments

The company is a member of a larger group pension scheme providing benefits based on final pensionable pay. The group pension scheme, GE Pension Plan, covers a number of United Kingdom subsidiary companies of General Electric Company. Because the company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17 'Retirement benefits', the scheme has been accounted for, in these financial statements as if the scheme was a defined contribution scheme. The funding surplus/deficit in respect of this scheme is disclosed in the financial statements of IGE USA Investments, a company registered in England and Wales.

The last full actuarial valuation was carried out at 5 April 2009 by a qualified independent actuary. At this date there was a funding deficit of £695 million and a funding level of 66.7%.

The company also operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

The pension charge for the year was £10,284,000 (2011: £10,343,000), including £39,000 (2011: £nil) in respect of the defined contribution scheme. There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

22. Operating lease commitments

At 31 December 2012 the company had annual commitments under non-cancellable operating leases as follows:

	Plant and machinery	
	2012	2011
	\$000	\$000
Expiry date:		
Within 1 year	55	38
Between 2 and 5 years	369	440
After more than 5 years	1	23

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Notes to the financial statements

23. Share based payments

Certain employees of the company are selected to participate in share options and restricted stock units of General Electric Company under the terms of the General Electric Company Long Term Incentive Plan. Share options expire 10 years from grant date and vest over service periods ranging from one to five years. The option price is usually set as the closing day share price on grant date. Restricted stock units give the participants the right to receive shares in General Electric Company for no consideration. Restricted stock units vest over various service periods beginning three years from grant date through to grantee retirement. All grants of GE options under all plans must be approved by the Management Development and Compensation Committee of General Electric Company, which consists entirely of outside directors.

For further details on stock options and restricted stock units please refer to the GE annual report available at www.ge.com.

(a) Share options

The number and weighted average exercise price of share options is as follows:

	2012 Weighted average exercise price \$	2012 Number of options No	2011 Weighted average exercise price \$	2011 Number of options No
Outstanding at the beginning of the year	19.34	85,830	23.79	85,080
Granted during the year	21.59	12,500	18.58	24,750
Forfeited during the year	27.05	(6,900)	41.15	(17,500)
Exercised during the year	15.65	(7,000)	12.65	(6,500)
Employee transfers	5.92	(1,950)	-	-
Outstanding at the end of the year	<u>19.67</u>	<u>82,480</u>	<u>19.34</u>	<u>85,830</u>

	2012 Weighted average exercise price \$	2012 Number of options No	2011 Weighted average exercise price \$	2011 Number of options No
Exercisable at the end of the year	<u>24.03</u>	<u>26,880</u>	<u>26.64</u>	<u>24,780</u>
		\$		\$
For share options exercised during the year weighted average share price on date of exercise		20.80		16.68

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Notes to the financial statements

23. Share based payments (continued)

	Minimum \$	Maximum \$	Minimum \$	Maximum \$
Range of exercise price for outstanding options	<u>9.57</u>	<u>38.75</u>	<u>9.57</u>	<u>38.75</u>
		Years		Years
Weighted average remaining contractual life of outstanding options in years		7.05		7.51

Fair value of options granted

We measure the fair value of each stock option grant at the date of grant using a Black-Scholes option pricing model. The weighted average grant-date fair value of options granted during 2012 and 2011 was \$3.80 and \$4.00, respectively.

The following assumptions were used in arriving at the fair value of options granted during 2012 and 2011, respectively: riskfree interest rates of 1.3% and 2.6%, dividend yields of 4.0% and 3.9%, expected volatility of 29% and 30%, expected lives of 7.8 and 7.7 years.

Risk-free interest rates reflect the yield on zero-coupon U.S. Treasury securities. Expected dividend yields presume a set dividend rate. For stock options granted in 2012 and 2011, we used a historical five year average for the dividend yield.

Expected volatilities are based on implied volatilities from traded options and historical volatility of our stock. The expected option lives are based on our historical experience of employee exercise behavior.

(b) Restricted stock units

The total number of restricted stock units granted during the year was nil (2011: nil).

Fair value of restricted stock units

The fair value of each restricted stock unit is the market price of our stock on the date of grant. The weighted average grant date fair value of RSUs granted during 2012 and 2011 was \$20.79 and \$16.74 respectively.

The average monthly exchange rate during the year was \$1.58.

The opening exchange rate was \$1.55.

The closing exchange rate was \$1.61.

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Notes to the financial statements

23. Share based payments (continued)

(c) Expense arising from share based payment transactions

	2012 \$000	2011 \$000
Share options	70	81
Restricted stock units	4	8
	74	89

24. Ultimate parent undertaking and controlling party

The company's immediate parent undertaking is GE UK Group, a company registered in England and Wales.

The smallest and largest group in which the results of the company are consolidated is that headed by its 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, 06828, USA or at www.ge.com.