

Turbine Blading Limited

Directors' report and financial statements

for the year ended 31 December 2011

Registered number 01265008



Turbine Blading Limited

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Turbine Blading Limited

Directors' report

The directors present their report and the financial statements for the year ended 31 December 2011

Principal activity

The principal activity of the company is precision engineering, specialising in the manufacture of turbine blades

Business review

The results for the company show a pre-tax profit of £0.8 million (2010: £4.3 million) for the year and sales of £7.5 million (2010: £17.8 million)

The company has net assets of £31.8 million (2010: £29.9 million) of which £27.6 million (2010: £28.0 million) is due from fellow GE group companies

Future outlook

The global commercial environment with regard to our unique product and service portfolio is expected to remain very competitive in 2012. However, with our innovative product offerings and a re-focused global sales group, we remain confident that we will remain in a competitive position.

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks including the general economic outlook in Europe and the US and the competitive market pressures in the demanding business environment in which the company operated.

Key Performance Indicators (KPI's)

We have made significant progress in the year on the company's overriding objective and key elements of our strategy for growth.

Performance during the year, together with historical trend data is set out in the table below.

	2011	2010	Definition, method of calculation
Growth in sales (%)	(58%)	(1%)	Year on year sales movement expressed as a percentage. The fluctuation in sales is in line with our expectations.
Operating margin (%)	10%	24%	Operating margin is the ratio of operating profit before exceptional items to sales expressed as a percentage. Operating margin has decreased compared to last year but remains consistent with expectation.
Return on invested capital (%)	2%	14%	Operating profit expressed as a percentage of net assets. Return on invested capital has decreased compared to last year but remains consistent with expectation.

Results and dividends

The profit for the year, after taxation, amounted to £1,899,000 (2010: £4,234,000).

The directors do not recommend payment of a dividend (2010: £nil).

Turbine Blading Limited

Directors' report

Directors

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

A M Clark (resigned 22 August 2011)
M A Robertson
P D Everett
H A Wake

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

Under section 487 of the Companies Act 2006, KPMG Audit Plc will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier

This report was approved by the board on 27 June 2012 and signed on its behalf



P D Everett
Director

The Arena
Downshire Way
Bracknell
Berkshire
RG12 1PU

Turbine Blading Limited

Directors' responsibilities statement for the year ended 31 December 2011

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 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.

Turbine Blading Limited

Independent auditors' report to the members of Turbine Blading Limited

We have audited the financial statements of Turbine Blading Limited for the year ended 31 December 2011, 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 2011 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.

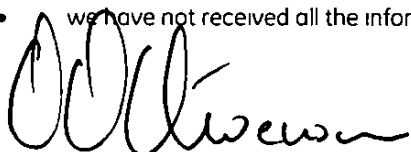
Turbine Blading Limited

Independent auditors' report to the members of Turbine Blading 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



R A Stevenson (senior statutory auditor)

for and on behalf of

KPMG Audit Plc

Statutory Auditor
Chartered Accountants

Arlington Business Park
Theale
Reading
RG7 4SD
United Kingdom

28 June 2012

Turbine Blading Limited

Profit and loss account for the year ended 31 December 2011

	Note	2011 £000	2010 £000
Turnover	2	7,469	17,837
Cost of sales		(5,758)	(12,171)
Gross profit		1,711	5,666
Selling and distribution costs		(49)	(204)
Administrative expenses		(905)	(1,186)
Operating profit	3	757	4,276
Interest receivable and similar income	7	86	46
Profit on ordinary activities before taxation		843	4,322
Tax on profit on ordinary activities	8	1,056	(88)
Profit for the financial year	15	1,899	4,234

All amounts relate to continuing operations

There were no recognised gains and losses for 2011 or 2010 other than those included in the profit and loss account

The notes on pages 8 to 19 form part of these financial statements

Turbine Blading Limited
Registered number 01265008

Balance sheet
as at 31 December 2011

	Note	£000	2011 £000	2010 £000
Fixed assets				
Tangible assets	9		1,156	1,344
Current assets				
Stocks	10	3,516		2,517
Debtors	11	28,992		29,402
Cash at bank		92		15
		32,600		31,934
Creditors amounts falling due within one year	12	(1,959)		(3,380)
Net current assets			30,641	28,554
Net assets			31,797	29,898
Capital and reserves				
Called up share capital	14		12	12
Share premium account	15		7	7
Other reserves	15		1,896	1,896
Employee share based equity reserve	15		14	14
Profit and loss account	15		29,868	27,969
Shareholders' funds	16		31,797	29,898

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 27 June 2012


P D Everett
Director

The notes on pages 8 to 19 form part of these financial statements

Turbine Blading 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 and in accordance with applicable accounting standards

On the basis of their assessment of the company's financial position and resources, the directors believe that the company is well placed to manage its business risks. Therefore the company's directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

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 comprises revenue recognised by the company in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation less depreciation. Depreciation is not charged on freehold land. Depreciation on other tangible fixed assets is provided at rates calculated to write off the cost of those assets, less their estimated residual value, over their expected useful lives on the following bases

Freehold property	-	5% per annum
Plant & machinery	-	2-25% per annum

1.5 Operating leases

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

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate

1.6 Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads

Turbine Blading Limited

Notes to the financial statements

1 Accounting policies (continued)

1.7 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

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

1.8 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction

Exchange gains and losses are recognised in the profit and loss account.

1.9 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.

1.10 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.

1.11 Patents and trademarks

Patents and trademarks fees are written off as incurred

Turbine Blading Limited

Notes to the financial statements

1 Accounting policies (continued)

1.12 Share based payments

Share options and restricted 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.

2 Turnover

A geographical analysis of turnover is as follows:

	2011 £000	2010 £000
United Kingdom	259	624
Rest of European Union	419	2,961
USA	4,808	9,492
Rest of the world	1,983	4,760
	<u>7,469</u>	<u>17,837</u>

3 Operating profit

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

	2011 £000	2010 £000
Depreciation of tangible fixed assets		
- owned by the company	292	314
Operating lease rentals		
- other operating leases	15	19
Difference on foreign exchange	1	(59)
	<u>308</u>	<u>274</u>

During the year, no director received any emoluments (2010: £NIL).

Turbine Blading Limited

Notes to the financial statements

4. Auditors' remuneration

	2011 £000	2010 £000
Fees payable to the company's auditor for the audit of the company's annual accounts	27	27

5 Staff costs

Staff costs were as follows

	2011 £000	2010 £000
Wages and salaries	2,068	3,015
Social security costs	185	220
Other pension costs	603	681
	2,856	3,916

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

	2011 No	2010 No
Production	54	72
Management and administration	13	20
	67	92

6 Directors' remuneration

The directors, who are employed by other companies within the GE Group, did not receive any remuneration in the year (2010 nil)

7 Interest receivable and similar income

	2011 £000	2010 £000
Interest receivable from group companies	86	37
Other interest receivable	-	9
	86	46

Turbine Blading Limited

Notes to the financial statements

8. Taxation

	2011 £000	2010 £000
Analysis of tax (credit)/charge in the year		
Current tax (see note below)		
UK corporation tax charge on profit for the year	300	1,295
Adjustments in respect of prior periods	(1,295)	(1,090)
	<u>(995)</u>	<u>205</u>
Foreign tax on income for the year	1	-
Total current tax	<u>(994)</u>	<u>205</u>
Deferred tax		
Origination and reversal of timing differences	(66)	(75)
Adjustment in respect of prior periods	-	(42)
Effect of decreased tax rate	4	-
Total deferred tax (see note 13)	<u>(62)</u>	<u>(117)</u>
Tax on profit on ordinary activities	<u>(1,056)</u>	<u>88</u>

Factors affecting current tax charge for the year

The current tax assessed for the year is lower than (2010 lower than) the standard rate of corporation tax in the UK of 26.5% (2010 28%). The differences are explained below

	2011 £000	2010 £000
Profit on ordinary activities before tax	<u>843</u>	<u>4,322</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 26.5% (2010 28%)	223	1,210
Effects of		
Expenses not deductible for tax purposes	11	10
Depreciation in excess of capital allowances	66	75
Adjustments to tax charge in respect of prior periods	(1,295)	(1,090)
Overseas tax difference	1	-
Current tax (credit)/charge for the year (see note above)	<u>(994)</u>	<u>205</u>

Turbine Blading Limited

Notes to the financial statements

8 Taxation (continued)

Factors that may affect future tax charges

Deferred tax assets and liabilities on all timing differences have been calculated at 25%, 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 2012 (the overall average rate for which would otherwise be 25.25%). 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 rate of UK corporation tax that was enacted at the balance sheet date was 25% which is applicable from 1 April 2012. Subsequently, the UK government has announced that the UK corporation tax rate will reduce from 26% to 24% on 1 April 2012. It is expected that the corporation tax rate will reduce to 22% over the following two years. There are no other factors that may significantly affect future tax charges.

9 Tangible fixed assets

	Freehold land buildings £000	Plant & machinery £000	Total £000
Cost or valuation			
At 1 January 2011	700	6,581	7,281
Additions	-	104	104
Disposals	-	(349)	(349)
At 31 December 2011	700	6,336	7,036
Depreciation			
At 1 January 2011	87	5,850	5,937
Charge for the year	40	252	292
On disposals	-	(349)	(349)
At 31 December 2011	127	5,753	5,880
Net book value			
At 31 December 2011	573	583	1,156
At 31 December 2010	613	731	1,344

Turbine Blading Limited

Notes to the financial statements

9 Tangible fixed assets (continued)

Included in land and buildings is freehold land at a cost of £270,000 (2010 £270,000) which is not depreciated

Cost or valuation at 31 December 2009 is as follows

	Land and buildings £000
<i>At 21 April 1994 on open market value</i>	650
<i>Revaluation</i>	
At 28 June 2004 on open market value basis	305
Devaluations at 31 March 2009	(255)
	<u>700</u>

The freehold land and buildings of the company were valued on 31 March 2009 by international property consultants, Cushmen & Wakefield LLP, 43/45 Portman Square, London, W1A 3BG. The basis of valuation was an existing use value.

The difference between the historical cost value and the revalued amount is not significant.

10 Stocks

	2011 £000	2010 £000
Raw materials	-	258
Work in progress	3,516	2,259
	<u>3,516</u>	<u>2,517</u>

11 Debtors

	2011 £000	2010 £000
Trade debtors	802	940
Amounts owed by group undertakings	28,093	28,432
Other debtors	21	19
Prepayments and accrued income	6	3
Deferred tax asset (see note 13)	70	8
	<u>28,992</u>	<u>29,402</u>

Turbine Blading Limited

Notes to the financial statements

12 Creditors Amounts falling due within one year

	2011 £000	2010 £000
Trade creditors	294	374
Amounts owed to group undertakings	454	454
Corporation tax	300	1,295
Other creditors	230	39
Accruals and deferred income	681	1,218
	<u>1,959</u>	<u>3,380</u>

13 Deferred tax asset

	2011 £000	2010 £000
At beginning of year	8	(109)
Credit for the year	62	117
	<u>70</u>	<u>8</u>

The deferred tax asset is made up as follows

	2011 £000	2010 £000
Difference between accumulated depreciation and capital allowances	<u>70</u>	<u>8</u>

There were no amounts of unprovided deferred taxation as at 31 December 2011 or 31 December 2010

14 Share capital

	2011 £000	2010 £000
Authorised		
100,000 ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted, called up and fully paid		
12,300 ordinary shares of £1 each	<u>12</u>	<u>12</u>

Turbine Blading Limited

Notes to the financial statements

15 Reserves

	Share premium account £000	Other reserve £000	Employee share based equity reserve £000	Profit and loss account £000
At 1 January 2011	7	1,896	14	27,969
Profit for the year	-	-	-	1,899
At 31 December 2011	<u>7</u>	<u>1,896</u>	<u>14</u>	<u>29,868</u>

16 Reconciliation of movement in shareholders' funds

	2011 £000	2010 £000
Opening shareholders' funds	29,898	25,664
Profit for the year	<u>1,899</u>	<u>4,234</u>
Closing shareholders' funds	<u>31,797</u>	<u>29,898</u>

17 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%.

During the year the company contributed £603,000 (2010: £681,000) to the scheme.

18 Operating lease commitments

At 31 December 2011 the company had annual commitments under non-cancellable operating leases as follows:

	2011 £000	2010 £000
Expiry date		
Within 1 year	5	-
Between 2 and 5 years	<u>4</u>	<u>19</u>

Turbine Blading Limited

Notes to the financial statements

19 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

	2011 Weighted average exercise price \$	2011 Number of options No	2010 Weighted average exercise price \$	2010 Number of options No
Outstanding at the beginning of the year	35.09	7,325	36.32	8,825
Forfeited during the year	40.99	(4,125)	42.33	(1,500)
Outstanding at the end of the year	<u>27.47</u>	<u>3,200</u>	<u>35.09</u>	<u>7,325</u>

	2011 Weighted average exercise price \$	2011 Number of options No	2010 Weighted average exercise price \$	2010 Number of options No
Exercisable at the end of the year	<u>27.47</u>	<u>3,200</u>	<u>35.09</u>	<u>7,325</u>

	\$	\$
For share options exercised during the year weighted average share price on date of exercise	-	-

Turbine Blading Limited

Notes to the financial statements

19. Share based payments (continued)

	Minimum \$	Maximum \$	Minimum \$	Maximum \$
Range of exercise price for outstanding options	<u>27.05</u>	<u>30.03</u>	<u>27.05</u>	<u>43.75</u>
		Years		Years
Weighted average remaining contractual life of outstanding options in years		0.94		1.20

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 2011, 2010 and 2009 was \$4.00, \$4.11 and \$3.81, respectively.

The following assumptions were used in arriving at the fair value of options granted during 2011, 2010 and 2009, respectively: risk-free interest rates of 2.6%, 2.9% and 3.2%, dividend yields of 3.9%, 3.9% and 3.9%, expected volatility of 30%, 35% and 49%, and expected lives of seven years and eight months, six years and eleven months, and six years and ten months.

Risk-free interest rates reflect the yield on zero-coupon US Treasury securities. Expected dividend yields presume a set dividend rate and 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 behaviour.

(b) Restricted stock units

The total number of restricted stock units granted during the year was nil (2010: 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 2011, 2010 and 2009 was \$16.74, \$15.89 and \$13.63, respectively.

The average monthly exchange rate at the year end was \$1.60/£1.

The opening exchange rate was \$1.56/£1.

The closing exchange rate was \$1.55/£1.

Turbine Blading Limited

Notes to the financial statements

19 Share based payments (continued)

(c) Expense arising from share based payment transactions

	2011 £000	2010 £000
Share options	-	-
Restricted stock units	-	-
	<u>-</u>	<u>-</u>

20 Contingent liabilities

Turbine Blading Limited has given bank guarantees to customers relating to performance of its products. Total guarantees amounted to £170,000 at 31 December 2011 (2010: £170,000).

21 Ultimate parent undertaking and controlling party

The company's immediate parent undertaking is GE Inspection and Repair Services Limited, 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.