Turbine Blading Limited

Directors' report and financial statements

Registered Number 1265008

31 December 2000

Contents

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2000.

Principal activities

The principal activity of the company during the year was precision engineering, specialising in the manufacture of turbine blades.

Business review

The company made a profit of £2,543,000 in the year.

Proposed dividend

The directors do not recommend the payment of a dividend for the year (*1999: £nil*).

Directors and directors' interests

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

Paul Daniell

Ernest Gault

Andrew White

Since the company and its subsidiaries meet the definition in s736 (2)(3) of the Companies Act 1985 of wholly owned subsidiaries of body corporates incorporated outside Great Britain, they have taken advantage of regulation 3 (1)(a) of Statutory Instrument 1985/802 exempting them from the requirement to disclose directors' share interests and options in group companies.

Directors' report *(continued)*

Political and charitable contributions

The group made no political or charitable contributions during the year.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

Paul Daniell

Paul Daniell
Director

25 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 group and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

kpmg

KPMG Audit Plc
PO Box 695
8 Salisbury Square
London EC4Y 8BB
United Kingdom

Report of the auditors to the members of Turbine Blading Limited

We have audited the financial statements on pages 5 to 17.

Respective responsibilities of directors and auditors

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the group is not disclosed.

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 group'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 affairs of the company as at 31 December 2000 and of the profit of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
Chartered Accountants
Registered Auditor

2001

Profit and loss account
for the year ended 31 December 2000

	Note	**Year ended 31 December 2000 £000**	Year ended 31 December 1999 £000
Turnover	*2*	**13,195**	10,894
Cost of sales		**(8,474)**	(7,059)
Gross profit		**4,721**	3,835
Selling and distribution costs		**(306)**	(330)
Administrative expenses		**(1,013)**	(1,071)
Other operating income		**245**	-
Operating profit		**3,647**	2,434
Other interest receivable and similar income	*6*	**14**	12
Interest payable and similar charges	*7*	**(223)**	(238)
Profit on ordinary activities before taxation	*3*	**3,438**	2,208
Tax on profit on ordinary activities	*8*	**(895)**	(81)
Retained profit for the year		**2,543**	2,127

There are no recognised gains or losses other than the profit for the financial year, and therefore no separate statement of total recognised gains and losses has been prepared.

The results in the above profit and loss account relate entirely to continuing operations.

The notes on pages 8-17 form part of these financial statements.

Balance sheet
at 31 December 2000

	Note		2000		1999
		£000	£000	£000	£000
Fixed assets					
Tangible assets	*9*		**4,581**		2,459
Investments	*10*		**-**		1
			4,581		2,460
Current assets					
Stocks	*11*	**2,218**		2,043	
Debtors	*12*	**4,663**		5,593	
Investments		**103**		116	
Cash at bank and in hand		**90**		660	
		7,074		8,412	
Creditors: amounts falling due within one year	*13*	**(4,761)**		(4,571)	
Net current assets/(liabilities)			**2,313**		3,841
Total assets less current liabilities			**6,894**		6,301
Creditors: amounts falling due after more than one year	*14*		**(3,754)**		(5,664)
Provisions	*15*		**(15)**		(55)
Net assets/(liabilities)			**3,125**		582
Capital and reserves					
Called up share capital	*18*		**12**		12
Share premium account	*19*		**7**		7
Revaluation reserve	*19*		**20**		30
Profit and loss account	*19*		**3,086**		533
Equity shareholders' funds			**3,125**		582

The notes on pages 8 to 17 form part of these financial statements.

These financial statements were approved by the board of directors on 25 OCTOBER 2001 and were signed on its behalf by:

Paul Daniell

Paul Daniell
Director

Note of historical cost profits and losses
for the year ended 31 December 2000

	Year ended 31 December 2000 £000	Year ended 31 December 1999 £000
Reported profit on ordinary activities before taxation	3,438	2,208
Realisation of property revaluation gains of previous years	10	10
Historical cost profit on ordinary activities before taxation	3,448	2,218
Tax	(895)	-
Historical cost profit for the year retained after taxation and dividends	2,553	2,218

Notes
(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the group's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, modified to include the revaluation of certain fixed assets.

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

As the company is a wholly owned subsidiary of General Electric Company, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Turbine Blading Group Limited, within which this company is included, can be obtained from the address given in note 19.

Tangible fixed assets and depreciation

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

Freehold buildings	-	1½% on revalued amount
Plant and machinery	-	10% on cost
Fixtures and fittings	-	10-25% on cost
Computers	-	25% and 33 ⅓ % on cost
Motor vehicles	-	25% on cost

Patents and trade marks

Patent and trademark fees are written off as incurred.

Stocks and work in progress

Work in progress and raw material stocks are stated at the lower of cost and net realisable value. Cost includes all direct costs incurred in bringing stocks and work in progress to their present location and condition, including an appropriate proportion of manufacturing overheads and, in the case of long term contracts, an appropriate proportion of commercial, administration and selling overheads. Provision is made for all anticipated liabilities and foreseeable losses on long term contracts.

A deduction is made to the extent that finished goods and work in progress are covered by progress payments received and receivable.

Deferred taxation

Deferred taxation is provided for in full.

Hire purchase

Additions to fixed assets purchased under hire purchase and lease purchase contracts are capitalised at cost. Interest applicable to the accounting period is charged in the profit and loss account.

Notes *(continued)*

Leasing and rental transactions

Lease and rental payments for items acquired under operating leases are charged to the profit and loss account as incurred.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated at the GE monthly operating rate. Exchange differences are included in administration expenses.

2 Analysis of turnover by business segment

The table below sets out information for each of the group's geographic areas of operation.

By geographical market	**Year to 31 December 2000 £000**	Year to 31 December 1999 £000
United Kingdom	**2,883**	5,409
European Union	**828**	103
USA	**5,202**	890
Rest of the World	**4,282**	4,492
	13,195	10,894

3 Profit on ordinary activities before taxation

	Year to 31 December 2000 £000	Year to 31 December 1999 £000
Profit on ordinary activities before taxation is stated after charging / (crediting)		
Auditors' remuneration:		
Audit	**19**	19
Depreciation and other amounts written off tangible fixed assets:		
Owned and leased	**428**	407
Hire of plant and machinery - rentals payable under operating leases	**68**	26
Exchange gains	**(245)**	-

Notes *(continued)*

4 Remuneration of directors

The directors received no remuneration in respect of services performed for the Company.

5 Staff numbers and costs

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

	Year to 31 December 2000 Number	Year to 31 December 1999 Number
Production	**95**	109
Management and administration	**23**	27
	118	136

The aggregate payroll costs of these persons were as follows:

	Year to 31 December 2000 £000	Year to 31 December 1999 £000
Wages and salaries	**2,887**	3,111
Social security costs	**221**	256
Other pension costs	**229**	224
	3,337	3,591

Notes *(continued)*

6 Other interest receivable and similar income

	Year to 31 December 2000 £000	Year to 31 December 1999 £000
Bank interest received	**14**	12

7 Interest payable and similar charges

	Year to 31 December 2000 £000	Year to 31 December 1999 £000
On bank loans and overdrafts	**187**	171
Finance charges payable in respect of finance leases and hire purchase contracts	**36**	67
	223	238

Of the above amount £nil *(year to 31 December 1999: £nil)* was payable to group undertakings.

8 Taxation

	Year to 31 December 2000	Year to 31 December 1999 £000
UK Corporation tax at 30% on ordinary activities (1999: 20.25%)	**935**	25
Deferred taxation at 30%	**(40)**	56
	895	81

Notes *(continued)*

9 Tangible fixed assets

	Freehold Land and Buildings	Plant and machinery	Fixtures, fittings, tools and Equipment	Total
	£000	£000	£000	£000
Cost or valuation				
At beginning of year	713	4,035	1,517	6,265
Additions	181	2,266	103	2,550
At end of year	894	6,301	1,620	8,815
Depreciation				
At beginning of year	58	2,639	1,109	3,806
Charge for year	10	248	170	428
At end of year	68	2,887	1,279	4,234
Net book value				
At 31 December 2000	**826**	**3,414**	**341**	**4,581**
At 31 December 1999	655	1,396	408	2,459

Particulars relating to revalued assets are given below:

	31 December 2000 £000
Land and buildings	
At 1994 open market value	**650**
Historical cost of revalued assets	**621**

The freehold properties of the company were revalued as at 21 April 1994 by international property consultants, Chesterton of 84 Colmore Row, Birmingham, B3 2HG, on the basis of full, vacant possession. An impairment review was carried out in 1998.

Notes *(continued)*

Included in the total net book value of plant and machinery and fixtures, fittings, tools and equipment is £480,000 *(31 December 1999: £756,000)* in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the period on these assets was £72,000 *(31 December 1999: £155,000).*

10 Fixed asset investments

	Shares in Listed company £000
Shares	
Cost	
At 31 December 1999	1
Disposals	(1)
At 31 December 2000	0
Provisions	
At beginning and end of period	0
Net book value	
At 31 December 2000	**0**
At 31 December 1999	1

11 Stocks

	31 December 2000 £000	31 December 1999 £000
Raw materials and consumables	**322**	431
Work in progress	**1,383**	1,468
Finished goods and goods for resale	**513**	144
	2,218	2,043

Consignment stock of £9,366 was held by the company on behalf of suppliers at the year end. The stock was not accounted for as stock held by the company.

Notes *(continued)*

12 Debtors

	31 December 2000 £000	31 December 1999 £000
Trade debtors	**3,417**	5,106
Amounts recoverable on contracts	**300**	444
Amounts owed by group undertakings	**552**	-
Prepayments and accrued income	**394**	43
	4,663	5,593

13 Creditors: amounts falling due within one year

	31 December 2000 £000	31 December 1999 £000
Amounts owed to group undertakings	**1,023**	1,189
Obligations under finance leases and hire purchase contracts (see note 14)	**199**	271
Payments received on account	**-**	642
Trade creditors	**1,149**	699
Taxation and social security	**1,102**	267
Accruals and deferred income	**1,288**	1,503
	4,761	4,571

14 Creditors: amounts falling due after more than one year

	31 December 2000 £000	31 December 1999 £000
Obligations under finance leases and hire purchase contracts	**55**	259
Amounts owed to parent undertaking	**3,699**	5,405
	3,754	5,664

Notes *(continued)*

The maturity of obligations under finance leases and hire purchase contracts is as follows:

	31 December 2000 £000	31 December 1999 £000
Within one year	**199**	271
In the second to fifth years	**55**	259
	254	530

15 Provisions for liabilities and charges

	Taxation including deferred taxation £000
At beginning of the year	55
Reduction in deferred tax provision	(40)
At end of the year	15

The amounts provided for deferred taxation and the amounts not provided are set out below:

	December 2000		December 1999	
	Provided £000	**Unprovided £000**	Provided £000	Unprovided £000
Difference between accumulated depreciation and amortisation and capital allowances	**74**	-	**131**	-
Other timing differences	**(59)**	-	**(76)**	-
	15	-	**55**	-

16 Contingent liabilities

Turbine Blading Limited has given bank guarantees to customers relating to performance of its products. Total guarantees amounted to £227,000 at 31 December 2000.

Notes *(continued)*

17 Commitments

(a) Annual commitments under non-cancellable operating leases are as follows:

	31 December 2000	31 December 1999
	Other	Other
	£000	£000
Operating leases which expire:		
Within one year	**49**	32
In the second to fifth years inclusive	**25**	34
	74	66

(b) Capital commitments for which no provision has been made are as follows:

	31 December 2000	31 December 1999
	£000	£000
Contracted	**277**	22

18 Called up share capital

	31 December 2000	31 December 1999
	£000	£000
Authorised		
Equity: Ordinary shares of £1 each	**100**	100
Allotted, called up and fully paid		
Equity: Ordinary shares of £1 each	**12**	12

Notes *(continued)*

19 Reconciliation of movement in shareholders' funds

	Share capital	Share premium account	Revaluation reserve	Profit and loss account	Total
	£000	£000	£000	£000	£000
At beginning of year	12	7	30	533	582
Realisation of property gains	-	-	(10)	10	-
Retained profit for the year	-	-	-	2,543	2,543
At end of year	12	7	20	3,086	3,125

20 Pension scheme

The pension scheme is a funded defined benefit scheme. Formal actuarial valuations of the scheme are carried out every three years and the latest valuation was performed as at 6 April 1998, using the Projected Unit Method. The valuation showed assets £2,251,000 (market value £3,193,000) and a surplus of £172,000. The funding level was assessed to be 108%. A Minimum Funding Requirement analysis at the same date showed the value to be £2,763,000, giving a surplus of £430,000 on this basis. The actuary recommended a continued company contribution rate of 9.7% of pensionable pay until 5 April 1999, then a reduced rate of 8.95%. Active members pay an additional 4.25% of pensionable pay.

There was an accrual of £31,100 (*31 December 1999: £34,600*) in the balance sheet representing the difference between the amount charged in the profit and loss account and the amount paid into the pension scheme. The charge to the profit and loss account for the year was £228,000 (*year to 31 December 1999: £224,000*)

21 Ultimate parent company and parent undertaking of larger group of which the company is a member

The smallest group in which the results of the company are consolidated is that headed by Turbine Blading Group Limited. Turbine Blading Group Limited is also the immediate parent undertaking and controlling entity of the company. The consolidated financial statements are available to the public and can be obtained from Station Road, Shipston on Stour, Warwickshire, CV36 4BL.

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