

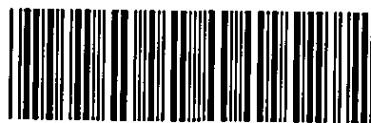
# T.I.P. Europe Limited

## Directors' report and financial statements

For the year ended 31 December 2006

Registered number 02004028

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# T.I.P. Europe Limited

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# T.I.P. Europe Limited

## Directors' report

The directors present their report and the financial statements for the year ended 31 December 2006

### Principal activities

The principal activity of the company is the provision of trailer rental and leasing facilities

### Business review

The results for the company show a pre-tax loss of £15.8 million (2005: £38.8 million) for the year and sales of £41.4 million (2005: £44.2 million)

The company has net assets of £131.6 million (2005: £150.7 million) of which £4.2 million (2005: £4.1 million) is owed to fellow GE group companies

### Research and development

We continue to invest in modern fleet rental units and, in 2006, launched our new vehicle satellite tracking technology to provide added security to our customers' goods. The directors regard the investment in research and development as integral to the continuing success of the business.

### Future outlook

The external commercial environment is expected to remain competitive in 2007 as fuel prices are expected to increase raising the economic burden on road transportation companies. However, with our additional innovative product offerings and value for money service, we remain confident that we will improve our current level of performance in the future.

### Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks. The key business risks and uncertainties affecting the company are considered to relate to competition from UK and overseas rental operators, rising fuel prices, and legislative changes on fuel emissions.

### Key performance indicators (KPI's)

We have made significant progress in the year on the group'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.

	2006	2005	Definition/method of calculation
Growth in sales (%)	(6)%	(9)%	Year on year sales growth expressed as a percentage
Sales again have been disappointing. This is a result of falling prices in a competitive transportation market.			
Gross margin (%)	9%	14%	Ratio of gross profit to sales expressed as a percentage (excluding defleeting and PP&E depreciation)
The drop in gross margin is due only to the drop in sales. With year on year level sales the gross margin would have been 14%.			
Utilisation (%)	89%	66%	Ratio of fleet out on hire compared to total fleet. Expressed as a percentage.

The increase is a result of repositioning the fleet to meet customer requirements by defleeting those assets no longer required and higher utilisation accruing from new fleet additions.

# T.I.P. Europe Limited

## Directors' report

### Results and dividends

The loss for the year, after taxation, amounted to £25,561,000 (2005 - Loss £32,501,000)

The directors do not recommend the payment of a final dividend (2005 £NIL)

### Directors and directors' interests

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

J L Oliver (resigned 1 May 2006)

D E Worrall

R A Fast

D S P Little

J S Murray

Since the company meets the definition in s736 (2)(3) of the Companies Act 1985 of a wholly owned subsidiary of a body corporate incorporated outside Great Britain, the company has taken advantage of regulation 3 (1)(a) of Statutory Instrument 1985/802 exempting the company from the requirement to disclose directors' share interests and options in group companies

### Provision of information to auditors

So far as each of the directors is aware at the time the report is approved

- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

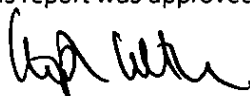
### Auditors

The auditors, KPMG Audit Plc, will be proposed for reappointment in accordance with section 385 of the Companies Act 1985

This report was approved by the board on

19 June 2007

and signed on its behalf



D S P Little  
Director

100 Barbican Square  
Manchester  
M2 3AB

# T.I.P. Europe Limited

## Statement of directors' responsibilities For the year ended 31 December 2006

The directors are responsible for preparing the annual 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). The financial statements are required by law to 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 proper accounting records that 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 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# T.I.P. Europe Limited

## Independent Auditors' report to the members of T.I.P. Europe Limited

We have audited the financial statements of T.I.P. Europe Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared in accordance with the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

# T.I.P. Europe Limited

## Independent Auditors' report to the members of T I P Europe Limited

### Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

*KPMG Audit Plc*

KPMG Audit Plc

Chartered Accountants  
Registered Auditor

St James Square  
Manchester  
M2 6DS

Date *19 June 2007*

# T.I.P. Europe Limited

## Profit and loss account For the year ended 31 December 2006

	Note	2006 £000	2005 £000
<b>Turnover</b>		<b>41,380</b>	44,162
Cost of sales		<u>(41,985)</u>	<u>(43,386)</u>
<b>Gross (loss)/profit</b>		<b>(605)</b>	776
Administrative expenses		<b>(14,633)</b>	(41,546)
Other operating (expenses)/income		<u>(276)</u>	<u>1,882</u>
<b>Operating loss</b>	2	<b>(15,514)</b>	(38,888)
Interest receivable and similar income	6	<b>319</b>	374
Interest payable and similar charges	7	<u>(649)</u>	<u>(324)</u>
<b>Loss on ordinary activities before taxation</b>		<b>(15,844)</b>	(38,838)
Tax on loss on ordinary activities	8	<u>(9,717)</u>	<u>6,337</u>
<b>Loss on ordinary activities after taxation</b>	17	<b>(25,561)</b>	(32,501)

All amounts relate to continuing operations

The notes on pages 9 to 26 form part of these financial statements



# T.I.P. Europe Limited

## Statement of total recognised gains and losses For the year ended 31 December 2006

	Note	2006 £000	2005 £000
<b>Loss for the financial year</b>		<b>(25,561)</b>	<b>(32,501)</b>
Actuarial loss related to pension scheme	19	(770)	(3,060)
Deferred tax attributable to actuarial loss		231	918
		<hr/>	<hr/>
<b>Total recognised loss relating to the year</b>		<b>(26,100)</b>	<b>(34,643)</b>
		<hr/>	<hr/>

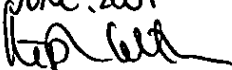
The notes on pages 9 to 26 form part of these financial statements

# T.I.P. Europe Limited

## Balance sheet As at 31 December 2006

	Note	£000	2006 £000	£000	2005 £000
<b>Fixed assets</b>					
Tangible fixed assets	10		139,867		156,248
Fixed asset investments	11		-		1,883
			<u>139,867</u>		<u>158,131</u>
<b>Current assets</b>					
Debtors	12	12,944		17,265	
Cash at bank and in hand		264		2,238	
		<u>13,208</u>		<u>19,503</u>	
Creditors: amounts falling due within one year	13	(19,937)		(19,177)	
<b>Net current (liabilities)/assets</b>			<u>(6,729)</u>		<u>326</u>
<b>Total assets less current liabilities</b>			<u>133,138</u>		<u>158,457</u>
Creditors: amounts falling due after more than one year	14		(1,582)		(1,172)
<b>Net assets excluding pension scheme liabilities</b>			<u>131,556</u>		<u>157,285</u>
Defined benefit pensions scheme liability	19		-		(6,620)
<b>Net assets including pension scheme assets/(liabilities)</b>			<u>131,556</u>		<u>150,665</u>
<b>Capital and reserves</b>					
Called up share capital	16		36,523		36,523
Share premium account	17		225,138		225,138
Special reserves	17		27,460		27,460
Employee share based equity reserve	17		14		-
Profit and loss account	17		(157,579)		(138,456)
<b>Shareholders' funds - all equity</b>	18		<u>131,556</u>		<u>150,665</u>

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

19 JUNE 2007  


D S P Little  
Director

The notes on pages 9 to 26 form part of these financial statements

# T.I.P. Europe Limited

## Notes to 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 financial statements, except as noted below

In these financial statements the following new standard has been adopted for the first time

- FRS 20 'Share-based payments'

The accounting policy under this new standard is set out below together with an indication of the effect of its adoption. The corresponding amounts in these financial statements have not been restated as the effect of adopting FRS 20 is not material

#### 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

The company is itself a subsidiary company and is exempt from the requirement to prepare group accounts by virtue of section 228A of the Companies Act 1985. These financial statements therefore present information about the company as an individual undertaking and not about its group

#### 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, exclusive of Value Added Tax and trade discounts. All turnover arose in the United Kingdom

#### 1.4 Goodwill

Purchased goodwill arising in respect of acquisitions since 1 January 1999 is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life of twenty years

#### 1.5 Tangible fixed assets and depreciation

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

Freehold property	- 50 years
Plant and vehicles	- 3 to 15 years

Freehold land is not depreciated

#### 1.6 Investments

Investments in subsidiaries are valued at cost less provision for impairment

# T.I.P. Europe Limited

## Notes to the financial statements

### **1 7 Assets for lease**

Assets held for use in operating leases are recorded as tangible fixed assets and depreciated as described in the accounting policy note above

Rental income from operating leases is recognised on a straight line basis over the lease term

### **1 8 Deferred taxation**

Full provision is made for deferred tax assets and 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 9 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 10 Pensions**

The company operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses

The company is also 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

# T.I.P. Europe Limited

## Notes to the financial statements

### 1 11 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. Such shares are purchased monthly in the market and held by the trustees until distribution to the employees in accordance with the rules of the scheme. The company's costs of these purchases are charged to the profit and loss account as incurred.

### 1 12 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 Operating loss

The operating loss is stated after charging/(crediting)

	2006 £000	2005 £000
Amortisation - intangible fixed assets	-	21,471
Depreciation of tangible fixed assets		
- owned by the company	27,093	28,957
Operating lease rentals		
- plant and machinery	4	9
Foreign exchange loss/(gains)	101	(79)
Profit on sale of tangible fixed assets	(262)	(851)
Amounts written off against investments	1,883	10
Dividend received from group undertakings	(1,895)	(1,525)
	<hr/>	<hr/>

## 3 Auditors' remuneration

Remuneration of £8,000 (2005: £9,000) paid to the auditors for their services to the company was borne by a fellow group undertaking.

# T.I.P. Europe Limited

## Notes to the financial statements

### 4. Staff costs

Staff costs, including directors' remuneration, were as follows

	2006 £000	2005 £000
Wages and salaries	5,090	4,752
Social security costs	523	472
Other pension costs (note 19)	880	463
	<u>6,493</u>	<u>5,687</u>

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

	2006 No.	2005 No
Production and operations	94	88
Administration	30	23
Sales and distribution	30	28
	<u>154</u>	<u>139</u>

### 5. Directors' remuneration

	2006 £000	2005 £000
Emoluments	228	237

During the year retirement benefits were accruing to 3 directors (2005 - 3) in respect of defined benefit pension schemes

The highest paid director received remuneration of £119,000 (2005 - £136,000)

The total accrued pension provision of the highest paid director at 31 December 2006 amounted to £31,000 (2005 - £26,000)

### 6 Interest receivable and similar income

	2006 £000	2005 £000
Interest receivable from group companies	319	361
Other interest receivable	-	13
	<u>319</u>	<u>374</u>

# T.I.P. Europe Limited

## Notes to the financial statements

### 7. Interest payable and similar charges

	2006 £000	2005 £000
Other finance costs related to FRS 17	170	220
On loans from group undertakings	479	104
	<u>649</u>	<u>324</u>

### 8. Taxation

	2006 £000	2005 £000
<b>Analysis of tax charge in the year</b>		
<b>Current tax (see note below)</b>		
UK corporation tax charge on profits for the year	3,347	3,438
Adjustments in respect of prior periods	2,102	2,661
	<u>5,449</u>	<u>6,099</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(7,984)	(7,533)
Adjustment in respect of prior years	(59)	(4,903)
Movement in deferred tax not provided	12,311	-
	<u>4,268</u>	<u>(12,436)</u>
<b>Tax on loss on ordinary activities</b>		
	<u>9,717</u>	<u>(6,337)</u>

# T.I.P. Europe Limited

## Notes to the financial statements

### 8 Taxation (continued)

#### *Factors affecting tax charge for the year*

The tax assessed for the year is higher than the standard rate of corporation tax in the UK (30%) The differences are explained below

	2006 £000	2005 £000
Loss on ordinary activities before tax	(15,844)	(38,838)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2005 - 30%)	(4,753)	(11,651)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	766	8,277
Depreciation in excess of capital allowances	8,030	8,411
Short term timing differences	(46)	(878)
Non taxable income	(569)	(457)
Adjustments to tax charge in respect of prior periods	2,102	2,661
Other	(81)	(264)
<b>Current tax charge for the year (see note above)</b>	<b>5,449</b>	<b>6,099</b>

Any future tax charges may be impacted by the announced change in the rate of corporation tax from 30% to 28%, effective from 1 April 2008. The impact of this has not been quantified in the financial statements, as the directors do not consider it practicable to do so

### 9. Intangible assets

	Goodwill £000
<b>Cost</b>	
At 1 January 2006 and 31 December 2006	32,006
<b>Amortisation</b>	
At 1 January 2006 and 31 December 2006	32,006
<b>Net book value</b>	
At 1 January 2006 and 31 December 2006	-

Goodwill in respect of the acquisition of the assets and liabilities of Central Trailer Rentco Limited has been fully impaired



# T.I.P. Europe Limited

## Notes to the financial statements

### 10. Tangible fixed assets

	Freehold property £000	Plant, machinery and motor vehicles £000	Assets used in operating leases £000	Total £000
<b>Cost</b>				
At 1 January 2006	13,305	2,022	353,670	368,997
Additions	132	161	20,328	20,621
Disposals	(403)	(64)	(40,690)	(41,157)
Transfers intra group	(166)	143	(6,738)	(6,761)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2006	12,868	2,262	326,570	341,700
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>				
At 1 January 2006	6,390	1,705	204,654	212,749
Charge for the year	512	8	26,573	27,093
On disposals	(72)	(56)	(32,940)	(33,068)
Transfers intra group	(196)	173	(4,918)	(4,941)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2006	6,634	1,830	193,369	201,833
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>				
At 31 December 2006	6,234	432	133,201	139,867
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2005	6,915	317	149,016	156,248
	<hr/>	<hr/>	<hr/>	<hr/>

### 11 Fixed asset investments

	Shares in group undertakings £000
<b>Cost or valuation</b>	
At 1 January 2006	1,883
Write down of investment	(1,883)
	<hr/>
At 31 December 2006	-
	<hr/>

On 15 August 2006, the company's only remaining subsidiary undertaking, Grand Transport Systems Limited, a company registered in England and Wales, was dissolved

# T.I.P. Europe Limited

## Notes to the financial statements

### 12 Debtors

	2006 £000	2005 £000
Trade debtors	8,251	8,092
Amounts owed by group undertakings	3,426	3,016
Social security and other taxes	-	36
Prepayments and accrued income	1,267	1,930
Deferred tax asset (see note 15)	-	4,191
	<u>12,944</u>	<u>17,265</u>

### 13. Creditors: Amounts falling due within one year

	2006 £000	2005 £000
Trade creditors	1,818	4,983
Amounts owed to group undertakings	6,027	5,904
Corporation tax	6,852	4,870
Social security and other taxes	885	-
Accruals and deferred income	4,355	3,420
	<u>19,937</u>	<u>19,177</u>

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

	2006 £000	2005 £000
Amounts owed to group undertakings	<u>1,582</u>	<u>1,172</u>

### 15. Deferred taxation

	2006 £000	2005 £000
At 1 January 2006	7,027	(6,327)
(Charge)/credit for the year	(4,268)	12,436
Amount credited to statement of total recognised gains and losses	231	918
On transfer of defined benefit scheme deficit to GE Pension Plan	(2,990)	-
	<u>-</u>	<u>7,027</u>
At 31 December 2006	-	7,027

# T.I.P. Europe Limited

## Notes to the financial statements

### 15. Deferred taxation (continued)

The deferred tax asset is made up as follows

	Recognised 2006 £000	Potential asset 2006 £000	Recognised 2005 £000	Potential asset 2005 £000
Difference between accumulated depreciation and capital allowances	-	12,250	4,222	4,222
Short term timing differences	-	61	(32)	(32)
	-	12,311	4,190	4,190
Deferred tax asset on pension liability	-	-	2,837	2,837
	-	12,311	7,027	7,027

### 16. Share capital

	2006 £000	2005 £000
<b>Authorised</b>		
745,900,000 ordinary shares of 5p each	37,295	37,295
<b>Allotted, called up and fully paid</b>		
730,465,864 ordinary shares of 5p each	36,523	36,523

### 17 Reserves

	Share premium account £000	Special reserves £000	Employee share based equity reserve £000	Profit and loss account £000
At 1 January 2006	225,138	27,460	-	(138,456)
Loss for the year	-	-	-	(25,561)
Actuarial loss related to pension scheme	-	-	-	(770)
Deferred tax attributable to actuarial loss				231
Transfer of defined benefit scheme deficit to GE Pension Plan	-	-	-	9,967
Tax on defined benefit scheme deficit transferred	-	-	-	(2,990)
Employee share based payments	-	-	14	-
At 31 December 2006	225,138	27,460	14	(157,579)

# T.I.P. Europe Limited

## Notes to the financial statements

### 18. Reconciliation of movement in shareholders' funds

	2006 £000	2005 £000
Opening shareholders' funds	150,665	185,308
Loss for the year	(25,561)	(32,501)
Actuarial loss related to pension scheme	(770)	(3,060)
Deferred tax attributable to actuarial loss	231	918
Employee share based equity reserve	14	-
Transfer of defined benefit scheme deficit to GE Pension Plan	9,967	-
Tax on defined benefit scheme deficit transferred	(2,990)	-
	<hr/>	<hr/>
Closing shareholders' funds	131,556	150,665
	<hr/>	<hr/>

### 19. Pension commitments

The company operates two defined final salary pension schemes, namely the TIP Europe Limited Pension Scheme and the Tiphook Group Retirement Benefits Scheme, which provide defined final salary benefits for all its employees

The company is also 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 2003 by a qualified independent actuary. At this date there was a funding deficit of £82.8 million and a funding level of 68%.

During the year the company contributed £520,000 (2005: £390,000) to the GE Pension Plan.

The company's total pension cost covering all schemes included within the operating loss for the year was £880,000 (2005: £463,000).

#### (i) TIP Europe Limited Pension Scheme

The latest actuarial valuation was carried out at 5 April 2003 and was updated for FRS 17 purposes to 30 September 2006. On 30 September 2006 the Tip Europe Limited Pension Scheme was transferred to the GE Pension Plan.

*The main financial assumptions used in the actuarial valuation were:*

	2006 %	2005 %	2004 %
Inflation	2.8	2.8	2.8
Rate of increase in salaries	4.8	4.8	4.8
Rate of increase in pensions in payment	2.8	2.8	2.8
Rate of increase for deferred pensioners	2.8	2.8	2.8
Discount rate	4.8	4.8	5.4

# T.I.P. Europe Limited

## Notes to the financial statements

### 19. Pension commitments (continued)

*The assets in the scheme and the expected rates of return were:*

	Long-term rate of return expected at 31 December 2006 %	Value at 31 December 2006 £000	Long-term rate of return expected at 31 December 2005 %	Value at 31 December 2005 £000	Long-term rate of return expected at 31 December 2004 %	Value at 31 December 2004 £000
Equities	-	-	8.4	5,570	8.6	4,490
Property	-	-	6.4	370	6.7	240
Corporate bonds	-	-	4.4	3,370	4.8	2,860
Others	-	-	3.8	100	3.8	60
Total market value of assets		-		9,410		7,650
Present value of scheme liabilities		-		(16,040)		(12,390)
Deficit in the scheme		-		(6,630)		(4,740)
Related deferred tax asset		-		1,990		1,420
Net pension liability		-		(4,640)		(3,320)

The following amounts have been recognised in the financial statements in the year to 31 December 2006 and 31 December 2005 under the requirements of FRS17

	2006 £000	2005 £000
<b>Operating loss</b>		
Current service cost	360	390
Total operating charge	360	390
<b>Analysis of amount recognised in the statement of total recognised gains and losses (STRGL)</b>		
(Loss)/gain on assets	(300)	810
Experience losses arising on the scheme liabilities	(150)	(260)
Changes in assumptions underlying the present value of the scheme liabilities	-	(2,530)
Actuarial loss recognised in STRGL	(450)	(1,980)

# T.I.P. Europe Limited

## Notes to the financial statements

### 19. Pension commitments (continued)

	2006	2005	
<b>Analysis of amounts charged to other finance costs</b>			
Interest on pension plan liabilities	(550)	(660)	
Expected return on assets in the pension plan	490	550	
	<hr/>	<hr/>	
<b>Net charge to other finance costs</b>	<b>(60)</b>	<b>(110)</b>	
	<hr/>	<hr/>	
Total profit and loss charge before deduction for tax	420	(500)	
	<hr/>	<hr/>	
	2006	2005	
	£000	£000	
<b>Movements in surplus/(deficit) during the year</b>			
Deficit in scheme at beginning of year	(6,630)	(4,740)	
Current year service cost	(360)	(390)	
Contributions	540	590	
Other finance charges	(60)	(110)	
Actuarial loss	(450)	(1,980)	
Transfer of defined benefit scheme deficit to GE Pension Plan	6,960	-	
	<hr/>	<hr/>	
Deficit in scheme at end of year	-	(6,630)	
	<hr/>	<hr/>	
<b>History of experience gains and losses in the scheme</b>			
	2006	2005	2004
(Loss)/gain on scheme assets			
Amount (£)	(300)	810	(50)
Percentage of scheme assets	n/a	8.6%	(0.7)%
Experience losses on scheme liabilities			
Amount (£)	(150)	(260)	30
Percentage of scheme liabilities	n/a	(1.6)%	0.2%
Total amount recognised in STRGL			
Amount (£)	(450)	(1,980)	(1,000)
Percentage of the present value of the scheme liabilities	n/a	(12.3)%	(8.1)%

# T.I.P. Europe Limited

## Notes to the financial statements

### 19 Pension commitments (continued)

#### (ii) Tiphook Group Retirement Benefits Scheme

The latest actuarial valuation was carried out at 5 April 2005 and was updated for FRS 17 purposes to 30 September 2006. On 30 September 2006 the Tiphook Group Retirement Benefits Scheme was transferred to the GE Pension Plan.

*The main financial assumptions used in the actuarial valuation were*

	2006 %	2005 %	2004 %
Inflation	2.8	2.8	2.8
Rate of increase in salaries	4.8	4.8	4.8
Rate of increase in pensions in payment	3% or 5%	3% or 5%	3% or 5%
Rate of increase for deferred pensioners	2.8	2.8	2.8
Discount rate	4.8	4.8	5.4

*The assets in the scheme and the expected rates of return were.*

	Long-term rate of return expected at 31 December 2006 %	Value at 31 December 2006 £000	Long-term rate of return expected at 31 December 2005 %	Value at 31 December 2005 £000	Long-term rate of return expected at 31 December 2004 %	Value at 31 December 2004 £000
Government bonds	-	-	4.3	2,970	4.6	2,770
Corporate bonds	-	-	4.5	2,980	5.1	2,780
Others	-	-	4.5	30	4.8	-
<b>Total market value of assets</b>		<b>-</b>		<b>5,980</b>		<b>5,550</b>
<b>Present value of scheme liabilities</b>		<b>-</b>		<b>(8,810)</b>		<b>(7,290)</b>
<b>Deficit in the scheme</b>		<b>-</b>		<b>(2,830)</b>		<b>(1,740)</b>
<b>Related deferred tax asset</b>		<b>-</b>		<b>850</b>		<b>520</b>
<b>Net pension liability</b>		<b>-</b>		<b>(1,980)</b>		<b>(1,220)</b>

# T.I.P. Europe Limited

## Notes to the financial statements

### 19. Pension commitments (continued)

The following amounts have been recognised in the financial statements in the year to 31 December 2006 and 31 December 2005 under the requirements of FRS17

	2006 £000	2005 £000
<b>Operating loss</b>		
Current service cost	-	-
Total operating charge	-	-
	2006 £000	2005 £000
<b>Analysis of amount recognised in the statement of total recognised gains and losses (STRGL)</b>		
(Loss)/gain on assets	(240)	190
Experience losses arising on the scheme liabilities	(80)	(140)
Changes in assumptions underlying the present value of the scheme liabilities	-	(1,130)
Actuarial loss recognised in STRGL	(320)	(1,080)
	2006	2005
<b>Analysis of amounts charged to other finance costs</b>		
Interest on pension plan liabilities	(310)	(660)
Expected return on assets in the pension plan	200	550
Net charge to other finance costs	(110)	(110)
Total profit and loss charge before deduction for tax	(110)	(500)
	2006 £000	2005 £000
<b>Movements in surplus/(deficit) during the year</b>		
Deficit in scheme at beginning of year	(2,830)	(1,740)
Current year service cost	-	-
Contributions	250	100
Other finance charges	(110)	(110)
Actuarial loss	(320)	(1,080)
Transfer of defined benefit scheme deficit to GE Pension Plan	3,010	-
Deficit in scheme at end of year	-	(2,830)



# T.I.P. Europe Limited

## Notes to the financial statements

### 19 Pension commitments (continued)

#### *History of experience gains and losses in the scheme*

	2006	2005	2004
(Loss)/gain on scheme assets			
Amount (£)	(240)	190	(100)
Percentage of scheme assets	n/a	3.2%	(1.8)%
Experience losses on scheme liabilities			
Amount (£)	(80)	(140)	-
Percentage of scheme liabilities	n/a	(1.7)%	n/a
Total amount recognised in STRGL			
Amount (£)	(320)	(1,080)	(220)
Percentage of the present value of the scheme liabilities	n/a	(12.3)%	(3.0)%

### 20 Operating lease commitments

At 31 December 2006 the company had annual commitments under non-cancellable operating leases as follows

	Land and buildings		Other	
	2006	2005	2006	2005
	£000	£000	£000	£000
<i>Expiry date.</i>				
Within 1 year	-	-	182	31
Between 2 and 5 years	248	219	109	454
After more than 5 years	786	941	-	-

### 21 Share based payments

Certain employees of the company are selected to participate in share options and restricted 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 units give the participants the right to receive shares in General Electric Company for no consideration. Restricted 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.

The recognition and measurement principles in FRS 20 have not been applied to share options granted before 7 November 2002.

# T.I.P. Europe Limited

## Notes to the financial statements

### 21. Share based payments (continued)

#### (a) Share options

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

	2006 Weighted average exercise price £	2006 Number of options No	2005 Weighted average exercise price £	2005 Number of options No
Outstanding at the beginning of the year	22.02	8,050	21.77	8,500
Granted during the year	19.07	1,050	-	-
Exercised during the year	-	-	17.36	(450)
Outstanding at the end of the year	21.68	9,100	22.02	8,050
Exercisable at the end of the year	22.43	7,400	22.80	6,124
For share options exercised during the year weighted average share price on date of exercise	-	-	-	22.10
	Minimum £	Maximum £	Minimum £	Maximum £
Range of exercise price for outstanding options	14.60	30.67	14.60	30.67
Weighted average remaining contractual life of outstanding options in years		4.89		5.32

#### Fair value of options granted

The fair value at grant date is determined using the Black-Scholes option pricing method. The key assumptions used in calculating the fair value of share options granted are detailed below:

	2006	2005
Weighted average fair value at measurement date	£4.70	-
Share price	£19.07	-
Exercise price	£19.07	-
Expected volatility (weighted average volatility)	25.4%	-
Option life (expected weighted average life)	6.19 years	-
Expected dividends	2.94%	-
Risk free interest rate (based on government bonds)	4.97%	-

# T.I.P. Europe Limited

## Notes to the financial statements

### 21. Share based payments (continued)

The expected volatility was based on historical volatility. The grants are subject to service conditions. Such conditions are not taken into account in the determination of the grant date fair value.

#### (b) Restricted units

The number of restricted units is as follows

	2006 Number	2005 Number
Outstanding at the beginning of the year	-	-
Granted during the year	234	-
Outstanding at the end of the year	234	-
Exercisable at the end of the year	-	-
Weighted average remaining contractual life of outstanding restricted units	9.31 years	-

#### Fair value of restricted units

The fair value of restricted units is calculated as the closing day share price on grant date.

The grants are subject to service conditions. Such conditions are not taken into account in the determination of the grant date fair value.

	2006	2005
Weighted average fair value at measurement date for restricted units granted during the year	£19.02	-

#### (c) Expenses arising from share based payment transactions

	2006 £000	2005 £000
Share options	13,849	-
Restricted units	529	-
	14,378	-

# T.I.P. Europe Limited

## Notes to the financial statements

### **22. Ultimate parent undertaking and controlling party**

The company's immediate parent undertaking is International General Electric (USA), 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](http://www.ge.com)