

IGE USA Group Limited

Directors' report and financial statements

For the year ended 31 December 2006

Registered number 3053570

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IGE USA Group Limited

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IGE USA Group Limited

Directors' report

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

Principal activities

The company acts as a holding company for selected European subsidiaries of General Electric Company

Results and dividends

The loss for the year, after taxation, amounted to £14,725,000 (2005 - Profit £16,509,000)

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

Directors

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

G M Wheeler (appointed 30 June 2006)

M Risinger

R G Clark (resigned 30 June 2006)

W H Morris (resigned 14 August 2006)

Z J Citron

S J Dwyer (appointed 20 January 2006, resigned 30 June 2006 & appointed 30 June 2006)

P R Hitchin (appointed 30 June 2006 & resigned 6 March 2007)

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, are deemed to be reappointed in accordance with section 386 of the Companies Act 1985 by virtue of an elective resolution passed by the members on 11 July 1996

This report was approved by the board on

28/6/07

and signed on its behalf



Z J Citron
Director

100 Barbican Square
Manchester
M2 3AB

IGE USA Group 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.

IGE USA Group Limited

Independent Auditors' report to the members of IGE USA Group Limited

We have audited the financial statements of IGE USA Group Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet 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.

IGE USA Group Limited

Independent Auditors' report to the members of IGE USA Group 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

8 Salisbury Square
London
EC4Y 8BB

Date

29 June 2007

IGE USA Group Limited

Profit and loss account For the year ended 31 December 2006

	Note	2006 £000	2005 £000
Administrative income/(expenses)		<u>7</u>	<u>(11)</u>
Operating profit/(loss)		7	(11)
Amounts written off investments		<u>(38,621)</u>	<u>-</u>
Loss on ordinary activities before interest		(38,614)	(11)
Interest receivable and similar income	5	23,998	23,881
Interest payable and similar charges	6	<u>-</u>	<u>(285)</u>
(Loss)/profit on ordinary activities before taxation		(14,616)	23,585
Tax on (loss)/profit on ordinary activities	7	<u>(109)</u>	<u>(7,076)</u>
(Loss)/profit on ordinary activities after taxation	12	<u>(14,725)</u>	<u>16,509</u>

All amounts relate to continuing operations

There were no recognised gains and losses for 2006 or 2005 other than those included in the profit and loss account

The notes on pages 7 to 13 form part of these financial statements

IGE USA Group Limited

Balance sheet As at 31 December 2006

	Note	£000	2006 £000	£000	2005 £000
Fixed assets					
Fixed asset investments	8		876,099		914,720
Current assets					
Debtors	9	496,912		476,478	
Creditors' amounts falling due within one year	10	-		(3,462)	
Net current assets			<u>496,912</u>		<u>473,016</u>
Total assets less current liabilities			<u><u>1,373,011</u></u>		<u><u>1,387,736</u></u>
Capital and reserves					
Called up share capital	11		970,032		970,032
Share premium account	12		87,773		87,773
Profit and loss account	12		<u>315,206</u>		<u>329,931</u>
Shareholders' funds - all equity	13		<u><u>1,373,011</u></u>		<u><u>1,387,736</u></u>

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

29/6/07



Z J Citron
Director

The notes on pages 7 to 13 form part of these financial statements

IGE USA Group 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

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 FRS1.

1.3 Investments

Investments in subsidiaries are valued at cost less provision for impairment.

1.4 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.

1.5 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.

1.6 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.

IGE USA Group Limited

Notes to the financial statements

1 7 Dividends on shares presented within shareholders' funds

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 as required by FRS 21. Compliance with this standard has had no impact as no dividends have been proposed in the two preceding years ending 31 December 2006.

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:

1) 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

2) where the instrument will or maybe 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 is a derivative that will be settled by the Company's 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.

Where a financial instrument that contains both equity and financial liability components exists, these components are separated and accounted for individually under the above policy. The finance cost on the financial liability component is correspondingly higher over the life of the instrument.

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 (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholders' funds. Compliance with this standard has had no impact to these financial statements as all existing shares remain within shareholders' funds.

2 Auditors' remuneration

Remuneration of £9,000 (2005 - £9,000) paid to the auditors for their services to the company during the current and preceding financial year was borne by a fellow group undertaking.

3 Directors' remuneration

During the year, no director received any emoluments (2005 - £NIL).

4 Staff costs

The company had no employees during the year (2005- £NIL).

IGE USA Group Limited

Notes to the financial statements

5 Interest receivable and similar income

	2006 £000	2005 £000
Interest receivable from group companies	23,998	23,881

6 Interest payable and similar charges

	2006 £000	2005 £000
On loans from group undertakings	-	285

7 Taxation

	2006 £000	2005 £000
Analysis of tax charge in the year		
UK corporation tax charge on (loss)/profits for the year	7,202	7,076
Adjustments in respect of prior periods	(7,093)	-
Total current tax	109	7,076
Tax on (loss)/profit on ordinary activities	109	7,076

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)/profit on ordinary activities before tax	(14,616)	23,585
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2005 - 30%)	(4,385)	7,075
Effects of		
Expenses not deductible for tax purposes	11,587	1
Adjustments to tax charge in respect of prior periods	(7,093)	-
Current tax charge for the year (see note above)	109	7,076

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.

There were no amounts of provided or unprovided deferred taxation as at 31 December 2006 or 31 December 2005.

IGE USA Group Limited

Notes to the financial statements

8 Fixed asset investments

	Shares in subsidiary undertakings £000
Cost or valuation	
At 1 January 2006 and 31 December 2006	972,709
Impairment	
At 1 January 2006	57,989
Charge for the year	38,621
At 31 December 2006	96,610
Net book value	
At 31 December 2006	876,099
At 31 December 2005	914,720

Details of the company's subsidiaries are listed below. All subsidiary undertakings are incorporated in England and Wales.

Name and nature of business	Class of shares held	Percentage of shares held
International General Electric (USA) <i>Holding company</i>	Ordinary	100%
Smallworldwide Limited <i>Providing loans to group undertakings</i>	Ordinary	100%
PII Group Limited <i>Holding company</i>	Ordinary 'A'	100%
GE Speciality Materials (UK) Limited <i>Non trading</i>	Ordinary	100%
Advanced Ceramics (Europe) Limited <i>Non trading</i>	Ordinary	100%

International General Electric (USA) holds investments in a number of group undertakings, details of which are disclosed in that company's financial statements.

IGE USA Group Limited

Notes to the financial statements

9 Debtors

	2006 £000	2005 £000
Amounts owed by group undertakings	493,518	476,478
Corporation tax	3,394	-
	<u>496,912</u>	<u>476,478</u>

10 Creditors: Amounts falling due within one year

	2006 £000	2005 £000
Corporation tax	-	3,447
Accruals and deferred income	-	15
	<u>-</u>	<u>3,462</u>

11 Share capital

	2006 £000	2005 £000
Authorised		
850,000,000 ordinary shares of £1 each	850,000	850,000
350,000,000 'Y' shares of £1 each	350,000	350,000
25,000,000 preference shares of £1 each	25,000	25,000
300,000,000 redeemable shares of £1 each	300,000	300,000
	<u>1,525,000</u>	<u>1,525,000</u>
Allotted, called up and fully paid		
570,715,931 ordinary shares of £1 each	570,716	570,716
99,315,912 'Y' shares of £1 each	99,316	99,316
300,000,000 redeemable shares of £1 each	300,000	300,000
	<u>970,032</u>	<u>970,032</u>

IGE USA Group Limited

Notes to the financial statements

	2006 £000	2005 £000
Shares classified as liabilities	-	-
Shares classified in shareholders' funds	(970,032)	(970,032)
Total	<u>(970,032)</u>	<u>(970,032)</u>

The redeemable shares rank pari passu with the other issued shares in the company, save that any redeemable shares may be redeemed at par at any time. The redeemable shares can be only redeemed at the discretion of the directors of the company.

The 'Y' shares entitle holders to receive, in priority to other members, a dividend equal to the maximum amount which could have been paid by way of dividend by one of the company's indirect subsidiary undertakings, GE Capital Corporation. Other than as aforesaid, holders of 'Y' shares have no further rights to participation in the profits of the company. On a winding up, holders of 'Y' shares are entitled to receive, in priority to other members, an amount equal to the net after tax sale proceeds of the share capital or net assets of GE Capital Corporation. Other than as aforesaid, holders of 'Y' shares shall have no further rights to participate in the assets of the company on a winding up or other return of capital.

Holders of 'Y' shares are entitled to 100 votes for each 'Y' share held.

12 Reserves

	Share premium account £000	Profit and loss account £000
At 1 January 2006	87,773	329,931
Loss retained for the year	-	(14,725)
At 31 December 2006	<u>87,773</u>	<u>315,206</u>

13 Reconciliation of movement in shareholders' funds

	2006 £000	2005 £000
Opening shareholders' funds	1,387,736	1,371,227
(Loss)/profit for the year	(14,725)	16,509
Closing shareholders' funds	<u>1,373,011</u>	<u>1,387,736</u>

IGE USA Group Limited

Notes to the financial statements

14 Ultimate parent undertaking and controlling party

The company's immediate parent undertaking is IGE USA Investments, 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 the company's 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 or at www.ge.com