

# GE Caledonian Limited

## Directors' report and financial statements

For the year ended 31 December 2009

Registered number: SC064580

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# GE Caledonian Limited

## Contents

	Page
<b>Directors' report</b>	1 - 4
<b>Statement of directors' responsibilities</b>	5
<b>Independent auditors' report</b>	6 - 7
<b>Profit and loss account</b>	8
<b>Balance sheet</b>	9
<b>Notes to the financial statements</b>	10 - 24

# GE Caledonian Limited

## Directors' report

The directors present their report and the financial statements for the year ended 31 December 2009.

### Principal activities

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

### Business review

The company achieved another satisfactory result for the year to 31 December 2009, against a background of a global economic downturn and an increasingly challenging competitive environment.

Turnover, impacted by the reduction in airline cargo volumes in 2009, fell from \$778.2m in the previous year to \$646.8m. Operating profit, impacted favourably by foreign exchange, increased from \$37.1m in 2008 to \$40.9m in 2009.

### Future outlook

The economic downturn being experienced globally within the Aviation Business since the last quarter of 2008 is forecast to continue, shop visits for 2010 are forecast to be 10% lower than 2009, airline cargo volume continuing to be down year on year.

Since being named the designated repair station for the Genx engine, the company has committed \$8.4m of its budgeted investment of \$53m in capital expenditure to support the Genx overhaul program over the next 6 years, \$7.3m being committed in 2007/2008 and \$1.1m being committed in 2009. For 2010 \$1.4m is planned to be committed.

The single item business, which has also been impacted by the global economic downturn in 2009 is expected to maintain volume in line with 2009, the inload of CF6 Fan Blades from ATI replacing the shortfall in CFM56 and CF6 single item business.

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

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

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

**Environmental risks;** the company places considerable emphasis upon environmental compliance and not only seeks to ensure ongoing compliance with relevant legislation but also strives to ensure that environmental best practice is incorporated into its key processes.

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

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

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

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

# GE Caledonian Limited

## Directors' report

### Business review (continued)

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

**Competitive risk;** the company operates in highly competitive markets. Competition is mainly from major airline shops. These include Air France, KLM and Lufthansa, with MTU also a competitive threat as an independent overhaul provider.

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

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

**Health and Safety;** the company continues to seek ways of ensuring that a safe and healthy working environment is progressively improved.

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

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

Financial	2009	2008	Measure
Stock Turnover	12.1	10.7	Turnover/stock
Debtor Days	36.4	42.2	Trade debtors/average turnover
Creditor Days	29	24.1	Trade creditors/average purchases
Sales per employee (\$000)	761	839	Turnover / average employees
Operating profit per employee (\$000)	48	40	Operating profit/average employees
Non financial	2009	2008	Measure
Reportable accidents	6	7	Number of accidents reported
Shop Visit Inputs	187	260	Number of engines inducted
Shop Visit Outputs	199	244	Number of engines output

# GE Caledonian Limited

## Directors' report

### Results and dividends

The profit for the year, after taxation, amounted to \$19,868,000 (2008: \$21,497,000).

On 27 November 2009 the company paid an interim dividend of \$127,398,000 (2008: \$32,232,000).

The directors do not recommend the payment of a final dividend (2008: \$nil).

### Directors

The directors who served during the year were:

D J Crews (resigned 28 October 2009)

R H Kraatz (resigned 28 October 2009)

W A Fitzgerald

M G Quinn

J T Beck (appointed 28 October 2009)

A J Kelly (appointed 28 October 2009)

### Political and charitable contributions

The company made no political contributions during the year (2008: \$nil). Donations to UK charities during the year amounted to \$4,721 (2008: \$5,680).

### Financial instruments

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

### Employee involvement

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

### Provision of information to auditors

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

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

# GE Caledonian Limited

## Directors' report

### 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 12<sup>th</sup> February 2011 and signed on its behalf.

M G Quinn

M G Quinn  
Director

Monument Crescent  
Shawfarm Industrial Estate  
Ayrshire  
KA9 2RX

# GE Caledonian Limited

## Statement of directors' responsibilities for the year ended 31 December 2009

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.

# GE Caledonian Limited

## Independent auditors' report to the members of GE Caledonian Limited

We have audited the financial statements of GE Caledonian Limited for the year ended 31 December 2009, 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 Sections 495 and 496 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 statement of directors' responsibilities, 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 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.

### **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 2009 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

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



# GE Caledonian Limited

## Independent auditors' report to the members of GE Caledonian Limited

### Matters on which we are required to report by exception

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

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



P Galloway (senior statutory auditor)

for and on behalf of

**KPMG Audit Plc**

Statutory Auditors  
Chartered Accountants

191 West George Street  
Glasgow  
G2 2LJ

Date: 17 February 2011

# GE Caledonian Limited

## Profit and loss account for the year ended 31 December 2009

	Note	2009 \$000	2008 \$000
<b>Turnover</b>	2	<b>646,789</b>	778,233
Cost of sales		(587,142)	(710,189)
<b>Gross profit</b>		<b>59,647</b>	68,044
Selling and distribution costs		(5,200)	(6,409)
Administrative expenses		(13,468)	(24,518)
<b>Operating profit</b>	3	<b>40,979</b>	37,117
Interest receivable and similar income	7	525	7,304
Interest payable and similar charges	8	(23,791)	(27,023)
<b>Profit on ordinary activities before taxation</b>		<b>17,713</b>	17,398
Tax on profit on ordinary activities	9	2,155	4,099
<b>Profit for the financial year</b>	18	<b>19,868</b>	21,497

All amounts relate to continuing operations.

There were no recognised gains and losses for 2009 or 2008 other than those included in the profit and loss account.

The notes on pages 10 to 24 form part of these financial statements.

GE Caledonian Limited  
Registered number: SC064580

Balance sheet  
as at 31 December 2009

	Note	\$000	2009 \$000	\$000	2008 \$000
<b>Fixed assets</b>					
Tangible fixed assets	10		34,562		36,552
<b>Current assets</b>					
Stocks	11	53,415		73,056	
Debtors	12	202,922		329,345	
Cash at bank		491		275	
		<u>256,828</u>		<u>402,676</u>	
<b>Creditors: amounts falling due within one year</b>	13	<u>(178,823)</u>		<u>(218,301)</u>	
<b>Net current assets</b>			<u>78,005</u>		<u>184,375</u>
<b>Total assets less current liabilities</b>			<u>112,567</u>		<u>220,927</u>
<b>Creditors: amounts falling due after more than one year</b>	14		<u>(275,000)</u>		<u>(275,000)</u>
Provisions for liabilities	15		-		(890)
<b>Net liabilities</b>			<u>(162,433)</u>		<u>(54,963)</u>
<b>Capital and reserves</b>					
Called up share capital	16		28,556		28,556
Share premium account	18		9,517		9,517
Revaluation reserve	18		2,082		2,160
Employee share based payments	18		196		136
Other reserves	18		(273,437)		(273,437)
Profit and loss account	18		<u>70,653</u>		<u>178,105</u>
<b>Shareholders' deficit</b>	19		<u>(162,433)</u>		<u>(54,963)</u>

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

*M G Quinn*

*10<sup>th</sup> February 2011.*

**M G Quinn**  
Director

The notes on pages 10 to 24 form part of these financial statements.

# GE Caledonian Limited

## Notes to the financial statements

### 1. Accounting policies

#### 1.1 Basis of preparation of financial statements

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

The company regards the US dollar as its functional currency.

Notwithstanding the net liabilities position of US\$162.4 million the directors consider it appropriate to prepare the accounts on a going concern basis as debt of US\$275 million included in 'Creditors: amounts falling due after more than one year' represents shares reclassified as debt which are due for payment only on the winding up of the company although interest is payable annually (see note 16).

#### 1.2 Cash flow

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

#### 1.3 Turnover

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

#### 1.4 Tangible fixed assets and depreciation

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

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

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

#### 1.5 Revaluation of tangible fixed assets

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

#### 1.6 Operating leases

Rentals under operating leases are charged on a straight line basis over the lease term.

#### 1.7 Stocks and work in progress

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

# GE Caledonian Limited

## Notes to the financial statements

### 1. Accounting policies (continued)

#### 1.8 Classification of financial instruments issued by the company

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

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

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

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

#### 1.9 Taxation

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

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

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

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

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

Deferred tax assets and liabilities are not discounted.

#### 1.10 Foreign currencies

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

# GE Caledonian Limited

## Notes to the financial statements

### 1. Accounting policies (continued)

#### 1.11 Pensions

The company is a member of a larger group pension scheme providing benefits based on final pensionable pay. The group pension scheme, GE Pension Plan, covers a number of United Kingdom subsidiary companies of General Electric Company. As 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. As a result, the amount charged to the profit and loss account represents the contribution to the scheme in respect of the accounting period.

#### 1.12 Dividends on shares presented within shareholders' deficit

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

#### 1.13 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.

#### 1.14 Transactions with related parties

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

# GE Caledonian Limited

## Notes to the financial statements

### 2. Turnover

A geographical analysis of turnover is as follows:

	2009 \$000	2008 \$000
United Kingdom	41,839	63,594
Rest of European Union	27,280	54,371
USA	523,144	586,386
Other	54,526	73,882
	<u>646,789</u>	<u>778,233</u>

Net assets are situated in the United Kingdom and relate to the company's principal activity which originates in that location.

### 3. Operating profit

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

	2009 \$000	2008 \$000
Depreciation of tangible fixed assets:		
- owned by the company	4,942	4,818
Operating lease rentals:		
- plant and machinery	563	441
Difference on foreign exchange	(3,819)	12,820
Loss on sale of tangible fixed assets	778	1
	<u>778</u>	<u>1</u>

### 4. Auditors' remuneration

	2009 \$000	2008 \$000
Fees payable to the company's auditor for the audit of the company's annual accounts	85	110
	<u>85</u>	<u>110</u>

# GE Caledonian Limited

## Notes to the financial statements

### 5. Staff costs

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

	2009 \$000	2008 \$000
Wages and salaries	46,446	64,561
Social security costs	4,042	5,074
Other pension costs	8,991	11,039
	<u>59,479</u>	<u>80,674</u>

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

	2009 No	2008 No
Production	810	878
Administration	39	49
	<u>849</u>	<u>927</u>

### 6. Directors' remuneration

	2009 \$000	2008 \$000
Emoluments	<u>509</u>	<u>474</u>

During the year retirement benefits were accruing to 2 directors (2008: 2) in respect of defined benefit pension schemes.

The highest paid director received remuneration of \$393,000 (2008: \$343,000).

The total accrued pension provision of the highest paid director at 31 December 2009 amounted to \$53,000 (2008: \$99,000).

### 7. Interest receivable and similar income

	2009 \$000	2008 \$000
Interest receivable from group companies	512	7,304
Bank interest receivable	13	-
	<u>525</u>	<u>7,304</u>



# GE Caledonian Limited

## Notes to the financial statements

### 8. Interest payable and similar charges

	2009 \$000	2008 \$000
On loans from group undertakings	2,478	5,710
Dividend on preference shares classified as debt	21,313	21,313
	<u>23,791</u>	<u>27,023</u>

### 9. Taxation

	2009 \$000	2008 \$000
<b>Analysis of tax credit in the year</b>		
<b>Current tax</b> (see note below)		
UK corporation tax charge on profit for the year	13,444	11,649
Adjustments in respect of prior periods	(11,649)	(13,499)
<b>Total current tax</b>	<u>1,795</u>	<u>(1,850)</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(1,740)	271
Effect of decreased tax rate	-	(5)
Adjustments in respect of prior periods	(2,210)	(2,515)
<b>Total deferred tax</b> (see note 15)	<u>(3,950)</u>	<u>(2,249)</u>
<b>Tax on profit on ordinary activities</b>	<u>(2,155)</u>	<u>(4,099)</u>

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

The current tax assessed for the year is lower than (2008: lower than) the standard rate of corporation tax in the UK 28% (2008: 28.5%). The differences are explained below:

	2009 \$000	2008 \$000
Profit on ordinary activities before tax	<u>17,713</u>	<u>17,398</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2008: 28.5%)	4,960	4,958
<b>Effects of:</b>		
Capital allowances for year in excess of depreciation	1,415	(290)
Short term timing differences	325	19
Expenses not deductible for tax purposes	6,744	6,962
Adjustments to tax charge in respect of prior periods	(11,649)	(13,499)
<b>Current tax charge/(credit) for the year</b> (see note above)	<u>1,795</u>	<u>(1,850)</u>

# GE Caledonian Limited

## Notes to the financial statements

### 9. Taxation (continued)

#### *Factors that may affect future tax charges*

Deferred tax assets and liabilities on all timing differences have been calculated at 28% being the rate of UK corporation tax effective at 31 December 2009. Future tax charges may be impacted by the change in tax rate to 27%, effective from 1 April 2011. The impact of this has not been quantified in the financial statements as the directors do not consider it practicable to do so.

### 10. Tangible fixed assets

	Freehold land \$000	Freehold buildings \$000	Plant and equipment \$000	Total \$000
<b>Cost or valuation</b>				
At 1 January 2009	508	29,592	85,393	115,493
Additions	-	-	3,790	3,790
Disposals	-	-	(864)	(864)
Transfer between classes	-	459	(459)	-
At 31 December 2009	508	30,051	87,860	118,419
<b>Depreciation</b>				
At 1 January 2009	-	15,888	63,053	78,941
Charge for the year	-	1,075	3,867	4,942
On disposals	-	-	(26)	(26)
At 31 December 2009	-	16,963	66,894	83,857
<b>Net book value</b>				
At 31 December 2009	508	13,088	20,966	34,562
At 31 December 2008	508	13,704	22,340	36,552

# GE Caledonian Limited

## Notes to the financial statements

### 10. Tangible fixed assets (continued)

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

	2009 \$000	2008 \$000
<b>Buildings</b>		
At valuation	10,515	10,515
Aggregate depreciation thereon	(5,145)	(4,935)
Net book value	<u>5,370</u>	<u>5,580</u>

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

	2009 \$000	2008 \$000
Cost	6,639	6,639
Accumulated depreciation	(3,351)	(3,219)
Net book value	<u>3,288</u>	<u>3,420</u>

### 11. Stocks

	2009 \$000	2008 \$000
Raw materials	14,448	17,305
Work in progress	38,967	55,751
	<u>53,415</u>	<u>73,056</u>

### 12. Debtors

	2009 \$000	2008 \$000
Trade debtors	21,055	25,924
Amounts owed by group undertakings	177,777	302,303
Other debtors	487	820
Prepayments and accrued income	543	298
Deferred tax asset (see note 15)	3,060	-
	<u>202,922</u>	<u>329,345</u>

# GE Caledonian Limited

## Notes to the financial statements

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

	2009 \$000	2008 \$000
Trade creditors	14,370	22,915
Amounts owed to group undertakings	114,439	138,496
Corporation tax	13,444	11,649
Social security and other taxes	2,335	2,108
Proposed dividend on preference shares classified as debt	21,313	21,313
Other creditors	363	1,309
Accruals and deferred income	12,559	20,511
	<u>178,823</u>	<u>218,301</u>

All inter group borrowings are repayable on demand.

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

	2009 \$000	2008 \$000
Fair value of share capital treated as debt (note 16)	273,437	273,437
Share capital treated as debt (note 16)	1,563	1,563
	<u>275,000</u>	<u>275,000</u>

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

### 15. Provisions for liabilities

	2009 \$000	2008 \$000
At beginning of year	(890)	(3,139)
Credit for the year	3,950	2,249
	<u>3,060</u>	<u>(890)</u>

The deferred taxation balance is made up as follows:

	2009 \$000	2008 \$000
Accelerated capital allowances	(48)	(2,922)
Other timing differences	3,108	2,032
	<u>3,060</u>	<u>(890)</u>

There were no amounts of unprovided deferred taxation as at 31 December 2009 or 31 December 2008.

# GE Caledonian Limited

## Notes to the financial statements

### 16. Share capital

	2009 \$000	2008 \$000
<b>Shares classified as capital</b>		
<b>Authorised</b>		
18,000,000 'A' ordinary shares of \$1 each	18,000	18,000
18,000,000 'B' ordinary shares of \$1 each	18,000	18,000
	<u>36,000</u>	<u>36,000</u>
<b>Allotted, called up and fully paid</b>		
14,277,915 'A' ordinary shares of \$1 each	14,278	14,278
14,277,914 'B' ordinary shares of \$1 each	14,278	14,278
	<u>28,556</u>	<u>28,556</u>
<b>Shares classified as debt</b>		
<b>Authorised</b>		
1,563,000 cumulative preference shares of £1 each	1,563	1,563
<b>Allotted, called up and fully paid</b>		
1,563,000 cumulative preference shares of £1 each	1,563	1,563

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

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

The rights of the preference shares are summarised below:

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

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

# GE Caledonian Limited

## Notes to the financial statements

### 16. Share capital (continued)

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

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

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

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

### 17. Dividends

	2009 \$000	2008 \$000
Interim dividend	127,398	32,232

On 27 November 2009 the company paid an interim dividend of \$127,398,000 (2008: \$32,232,000).

### 18. Reserves

	Share premium account \$000	Employee share based payments \$000	Revaluation reserve \$000	Other reserves \$000	Profit and loss account \$000
At 1 January 2009	9,517	136	2,160	(273,437)	178,105
Profit for the year	-	-	-	-	19,868
Dividends: Equity capital	-	-	-	-	(127,398)
Transfer from revaluation reserve	-	-	(78)	-	78
Equity compensation expense recognised during the year	-	77	-	-	-
Recharges made by GE Company in respect of share options exercised during the year	-	(17)	-	-	-
At 31 December 2009	9,517	196	2,082	(273,437)	70,653

Other reserves represents the difference between the fair value of the preference shares on the date of redesignation of US\$275 million and the nominal value of the shares at that date of US\$1.563 million (see note 14).

On 27 November 2009 the company paid an interim dividend of \$127,398,000 (2008: \$32,232,000).

# GE Caledonian Limited

## Notes to the financial statements

### 19. Reconciliation of movement in shareholders' deficit

	2009 \$000	2008 \$000
Opening shareholders' deficit	(54,963)	(44,229)
Profit for the year	19,868	21,497
Dividends	(127,398)	(32,232)
Equity compensation expense recognised during the year	77	3
Recharges made by GE Company in respect of share options exercised during the year	(17)	(2)
Closing shareholders' deficit	<u>(162,433)</u>	<u>(54,963)</u>

### 20. Pension commitments

The company is a member of a pension scheme providing benefits based on final pensionable pay. The group pension scheme, the 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 GE Pension Plan assets and liabilities on a consistent and reasonable basis, as permitted by FRS17 "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 2006 by a qualified independent actuary. At this date there was a funding deficit of £100.4 million and a funding level of 80%.

The company's total pension cost included within operating profit was \$8,991,000 (2008: \$11,039,000).

During 2009, the contribution to the GE Pension Plan was at the rate of 13.7% of pensionable salaries. In addition the plan received some special contributions in respect of some of the schemes that merged into the plan. It is expected that the same rate shall continue in the future to fund the deficit in the plan with any special contribution when required.

### 21. Operating lease commitments

At 31 December 2009 the company had annual commitments under non-cancellable operating leases as follows:

	Plant and machinery		Other	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
<b>Expiry date:</b>				
Within 1 year	17	12	4	-
Between 2 and 5 years	353	201	-	-
After more than 5 years	-	364	-	-

# GE Caledonian Limited

## Notes to the financial statements

### 22. 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](http://www.ge.com).

#### (a) Share options

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

	2009 Weighted average exercise price \$	2009 Number of options No	2008 Weighted average exercise price \$	2008 Number of options No
Outstanding at the beginning of the year	36.79	51,730	37.20	47,530
Granted during the year	11.00	26,750	28.46	3,000
Forfeited during the year	35.79	(2,250)	-	-
Employee transfers	38.82	(1,550)	41.72	1,200
Outstanding at the end of the year	<u>27.54</u>	<u>74,680</u>	<u>36.79</u>	<u>51,730</u>

	2009 Weighted average exercise price \$	2009 Number of options No	2008 Weighted average exercise price \$	2008 Number of options No
Exercisable at the end of the year	<u>37.39</u>	<u>42,590</u>	<u>37.52</u>	<u>45,530</u>

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



# GE Caledonian Limited

## Notes to the financial statements

### 22. Share based payments (continued)

	Minimum \$	Maximum \$	Minimum \$	Maximum \$
Range of exercise price for outstanding options	<u>27.05</u>	<u>43.75</u>	<u>27.05</u>	<u>43.75</u>
		Years		Years
Weighted average remaining contractual life of outstanding options in years		5.18		3.32

#### 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 2009 and 2008 was \$3.81 and \$5.26 respectively.

The following assumptions were used in arriving at the fair value of options granted during 2009 and 2008 respectively: risk-free interest rates of 3.2% and 3.4%; dividend yields of 3.9% and 4.4%; expected volatility of 49% and 27%; and expected lives of 6 years 10 months and 6 years 9 months.

Risk-free interest rates reflect the yield on zero-coupon US Treasury securities and expected dividend yields presume a set dividend rate. For stock options granted in 2009 and the fourth quarter of 2008, a historical five year average has been used for the dividend yield.

Expected volatilities are based on implied volatilities from traded options and historical volatility of GE stock. The expected option lives are based on GE's historical experience of employee exercise behaviour.

#### (b) Restricted stock units

The total number of restricted stock units granted during the year was nil (2008: 1,001).

#### Fair value of restricted stock units

The fair value of each restricted stock unit is the market price of GE stock on the date of grant. The weighted average grant date fair value of restricted stock units granted during 2009 and 2008 was \$13.63 and \$28.74 respectively.

The average monthly exchange rate at the year end was \$1.56:£1.

The opening exchange rate was \$1.51:£1.

The closing exchange rate was \$1.62:£1.

# GE Caledonian Limited

## Notes to the financial statements

### 22. Share based payments (continued)

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

	2009 \$000	2008 \$000
Share options	39	(8)
Restricted stock units	38	11
	<u>77</u>	<u>3</u>

### 23. Ultimate parent undertaking and controlling party

The company's immediate parent undertaking is GE UK Group 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](http://www.ge.com).