**REGISTRATION DOCUMENT** | **The date of this Registration Document is April 5, 2012**

# General Electric Capital Corporation

**(Incorporated under the laws of the State of Delaware, United States of America)**

**GE Capital Australia Funding Pty, Ltd.**
(A.B.N. 67085675467)

(Incorporated with limited liability under the laws of Australia and registered in Victoria)

**GE Capital European Funding**

(Incorporated with unlimited liability under the Companies Acts 1963 to 2009 of Ireland)

**GE Capital UK Funding**
(Incorporated with unlimited liability under the Companies Acts, 1963 to 2009 of Ireland)

# Programme for the Issuance of Euro Medium-Term Notes and Other Debt Securities Due 9 Months or More from Date of Issue

General Electric Capital Corporation ("**GE Capital**"), GE Capital Australia Funding Pty, Ltd. ("**GE Capital Australia Funding**"), GE Capital European Funding and GE Capital UK Funding (together with GE Capital Australia Funding and GE Capital European Funding, the "**Subsidiary Issuers**") (GE Capital and the Subsidiary Issuers with each affiliate of GE Capital that is designated in the future as an additional issuer each an "**Issuer**" and, collectively, the "**Issuers**"), may offer at various times Euro Medium-Term Notes and other Debt Securities (together, the "**Notes**") under a Programme for the Issuance of Euro Medium-Term Notes and Other Debt Securities Due 9 Months or More from Date of Issue (the "**Programme**"). The current base prospectus relating to the Programme is dated April 5, 2012 (the "**Base Prospectus**"). This document constitutes a registration document (the "**Registration Document**") for the purposes of Article 5.3 of Directive 2003/71/EC (the "**Prospectus Directive**") in respect of each Issuer for use in connection with the issue of Notes under the Programme. Notes issuable under the Programme by way of this Registration Document shall be documented in a securities note (the "**Securities Note**") and in addition, a summary (a "**Summary**") may also be prepared. Each such Securities Note and Summary should be read together, and construed in accordance, with this Registration Document. Notes issued by an Issuer other than GE Capital will be unconditionally and irrevocably guaranteed by GE Capital (in such capacity, the "**Guarantor**") on either a senior or subordinated basis as set out in the relevant Securities Note.

**See "Risk Factors" in the applicable Securities Note and/or incorporated by reference herein (see "Incorporation by Reference") for a discussion of certain risks that should be considered in connection with an investment in the Notes.**

| | |
|---|---|
| **Banca IMI** | **HSBC** |
| **Barclays** | **J.P. Morgan** |
| **BNP PARIBAS** | **Lloyds Bank** |
| **BofA Merrill Lynch** | **Morgan Stanley** |
| **Citigroup** | **RBC Capital Markets** |
| **Commerzbank** | **The Royal Bank of Scotland** |
| **Credit Suisse** | **Santander Global Banking & Markets** |
| **Deutsche Bank** | **TD Securities** |
| **GE Money Bank** | **UBS Investment Bank** |
| **Goldman Sachs International** | **UniCredit Bank** |

## IMPORTANT NOTICE

With respect to GE Capital the information contained within the whole of this Registration Document constitutes GE Capital's Registration Document. The Registration Document in respect of each issuer other than GE Capital (each a "**Subsidiary Issuer**") includes all information contained within this Registration Document except for any information relating to any other Subsidiary Issuer.

Each Issuer (and in the case of Notes issued by a Subsidiary Issuer, the Guarantor) (each, a "**Responsible Person**" and together, the "**Responsible Persons**") accepts responsibility for the information contained in its Registration Document as described above, and the information contained in any applicable Securities Note. To the best of the knowledge and belief of each such Responsible Person (each having taken all reasonable care to ensure that such is the case) the information contained in its Registration Document is (and with respect to any Securities Note, will be) in accordance with the facts and does not (and with respect to any Securities Note, will not) contain any omission likely to affect the import of such information.

All information contained or incorporated by reference herein which relates to or refers to General Electric Company, the ultimate parent company of each of the Issuers, has been extracted from reports and other information filed with the United States Securities and Exchange Commission. GE Capital confirms that all such information has been accurately reproduced and that, so far as GE Capital is aware, and is able to ascertain from information published by General Electric Company, no facts have been omitted which would render such information inaccurate or misleading in any material respect. See "**Incorporation by Reference**" below.

This Registration Document should be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "**Incorporation by Reference**" below) and for a particular issue of or Tranche of Notes, in conjunction with any applicable Securities Note and summary document (as the case may be), which together, constitute a Prospectus for the purposes of the Prospectus Directive.

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## INCORPORATION BY REFERENCE

The Annual Report on Form 10-K of GE Capital for the fiscal year ended December 31, 2011 filed with the Commission on February 24, 2012 ("**Form 10-K**") (excluding the documents listed as Exhibits in Part IV, Item 15, on pages 125—127 of such Form 10-K) which Annual Report contains audited historical financial information in respect of the fiscal year ended December 31, 2010 and the fiscal year ended December 31, 2011 (together with the audit reports thereon, which can be found on pages 55 to 56 of such Form 10-K) which has previously been published and filed with the United States Securities and Exchange Commission and which has been filed with the Financial Services Authority, shall be deemed to be incorporated in, and to form part of, this Registration Document.

Each document incorporated by reference herein excludes any exhibits or other documents incorporated by reference into such document. Any non-incorporated parts of a document referred to herein are either deemed not relevant for an investor or are otherwise covered elsewhere in this Registration Document or the applicable Securities Note.

No information contained in any website or webpages referred to herein shall be deemed to be incorporated in, or form a part of, this Registration Document.

The following sections of the Base Prospectus and which document has been approved by the Financial Services Authority, shall be deemed to be incorporated in, and to form part of this Registration Document:

(i) Risk Factors (contained at pages 7 to 20 of the Base Prospectus);

(ii) Description of GE Capital (contained at pages 21 to 25 of the Base Prospectus);

(iii) Description of GE Capital Australia Funding (contained at page 26 to 27 of the Base Prospectus);

(iv) Description of GE Capital European Funding (contained at pages 28 to 29 of the Base Prospectus);

(v) Description of GE Capital UK Funding (contained at pages 30 to 31 of the Base Prospectus);

(vi) Description of the Guarantee (contained at page 61 of the Base Prospectus); and

(vii) General Information (including the litigation statement and the no material adverse change and no significant change statements on page 81 of the Base Prospectus).

Any statement contained in a document, all or a portion of which is deemed to be incorporated by reference herein, shall be deemed to be modified or superseded for the purposes of this Registration Document to the extent that a statement contained herein modifies or supersedes such statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Registration Document. Unless otherwise specified in any supplement to this Registration Document, any document incorporated by reference herein excludes exhibits or other any documents incorporated by reference into such document. Any non-incorporated parts of a document referred to herein are deemed not relevant for an investor.

This Registration Document should be read and construed with any other document incorporated by reference herein and, in relation to any Series, should be read and construed together with the relevant Securities Note.

## DOCUMENTS AVAILABLE

From the date hereof and throughout the lifetime of this Registration Document, copies of the following documents will be available free of charge to each person, including any beneficial owner of a Note, to whom a copy of this Registration Document has been delivered, on the written or oral request of such person, from the registered offices of the Irish Issuers or from the specified office of the Principal Paying Agent in London:

(i) the constitutional documents of each of the Issuers;

(ii) the audited consolidated annual financial statements of each of the Issuers for each of the years ended December 31, 2011 and December 31, 2010;

(iii) the GE Capital Guarantee;

(iv) the Base Prospectus;

(v) the Distribution Agreement;

(vi) the Fiscal Agency Agreement; and

(vii) any Final Terms to the Base Prospectus, Securities Notes, and any documents incorporated by reference in the Base Prospectus or this Registration Document.

## HISTORICAL FINANCIAL INFORMATION OF THE SUBSIDIARY ISSUERS

**GE CAPITAL AUSTRALIA FUNDING PTY, LTD.**

**AUDITED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS OF GE CAPITAL AUSTRALIA FUNDING PTY, LTD. FOR THE FINANCIAL PERIOD ENDED DECEMBER 31, 2011, TOGETHER WITH THE AUDIT REPORT THEREON**

## Directors' report

The directors present their report with the financial statements on the consolidated entity (referred to hereafter as the Group) consisting of GE Capital Australia Funding Pty Ltd (the Company) and the entities it controlled at the end of, or during, the year ended 31 December 2011 and the auditor's report thereon.

**Directors**
The following persons were directors of the Company at any time during the financial year, and up to the date of this report:

Mr S Sargent
Mr C Vanderkley
Ms F Crockett

**Principal activities**
The principal activity of the Group during the course of the financial year was to raise financing in the external market to fund the operations of related parties in Australia. The Group's activities expose it to changes in interest rates. The Group is also exposed to credit, liquidity and cash flow risks from its operations. The Group uses derivative financial instruments to hedge fair values and cash flows subject to interest rates and foreign exchange risks. Derivative financial instruments are not held for speculative purposes.

**Review of operations**
The total comprehensive loss of the Group for the year ended 31 December 2011 was $16,377,000 and $24,276,000 loss for the Parent (2010: $1,168,000 loss for the Group and $3,756,000 loss for the Parent).

As at 2 March 2011 the GE Liquidity Partnership has been dissolved.

The majority partner being GE Capital Australia Funding Pty Ltd held a 99.99% share in GE Liquidity Partnership as at 31 December 2010. GE Capital Australia Funding Pty Ltd purchased the remaining 0.01% share from GE Investments Australia Pty Ltd on 2 March 2011 for a total of $1,000,000. On this same date, GE Liquidity Partnership also distributed $272,438 of undistributed profits to GE Investments Australia Pty Ltd. As a result of the dissolution of GE Liquidity Partnership there has been no gain or loss recognised.

**Dividends**
No dividends were paid or declared by the Company in respect of the current financial year (2010: $Nil).

**Significant changes in the state of affairs**
During the year, the Group obtained 100% control of the GE Liquidity Partnership. The GE Liquidity Partnership was subsequently dissolved as at 2 March 2011.

**Matters subsequent to the end of the financial year**
No other matters or circumstances have arisen since 31 December 2011 that has significantly affected, or may significantly affect:
(a) the Group's operations in future financial years, or
(b) the results of those operations in future financial years, or
(c) the Group's state of affairs in future financial years.

**Likely developments and expected results of operations**
Further information on likely developments in the operations of the Group and the expected results of operations have not been included in these annual financial statements because the directors believe it would be likely to result in unreasonable prejudice to the Group.

**Environmental regulation**
The Group's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation.

**Indemnification and insurance of officers**

*Indemnification*

The Company shall:

indemnify each person who holds (or has held) a Managerial Office (as defined in the constitution) in the Company against every liability incurred by the person in the performance of, or in connection with the performance of, that Office (except a liability for legal costs); and

pay (whether by way of advance, loan or otherwise) all legal costs incurred by a person who holds (or has held) a Managerial Office in the Company in defending or resisting (or otherwise in connection with) proceedings, whether civil or criminal or of an administrative or investigatory nature, in which the person becomes involved because they hold (or have held) a Managerial Office in the Company,

Except to the extent that:

the Company is forbidden by statute or would have been forbidden by statute if the person was an Officer (as defined in the Corporations Act 2001); or

an indemnity or payment by the Company would, if given, be made void by statute or would have been made void if the person was an Officer.

To the maximum extent permitted by law, the Company may indemnify a person holding a Managerial Office in the Company against legal costs incurred in good faith in obtaining legal advice on issues relevant to the performance of their functions and discharge of their duties in that Managerial Office or the management of a subsidiary, if that expenditure has been approved by the board of directors.

*Insurance of officers*

During the financial year ended 31 December 2011, General Electric Company (the ultimate parent entity) has paid premiums on behalf of the Company in respect of directors' and officers' liability insurance (non-indemnifiable coverage only) in respect of that year.

Subsequently, the ultimate parent entity has agreed to pay premiums on behalf of the Company, in respect of directors' and officers' liability insurance (non-indemnifiable coverage only) in respect of the period ending 11 June 2012.

Such insurance policies insure directors and officers against certain limited liabilities.

Directors have not included details of the nature of the liabilities covered or the amount of the premium paid as such disclosure is prohibited under the terms of the insurance policy.

The Company has not during or since the end of the financial year paid or agreed to pay any premiums in respect of any person who has been an auditor of the Company for the purposes of indemnifying them against any claims by third parties arising from their audit report.

**Lead auditor's independence declaration**
The lead auditor's independence declaration as required under section 307C of the *Corporations Act 2001* forms part of the Directors' Report for the year ended 31 December 2011 and is set out on page 3.

**Rounding of amounts**
The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report. Amounts in the directors' report and the accompanying financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, unless otherwise stated.

This report is made in accordance with a resolution of directors.

Mr C Vanderkley
Director

Melbourne
29 March 2012

***Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001***

To: the directors of GE Capital Australia Funding Pty Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 December 2011 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

BW Szentirmay
*Partner*

Melbourne

29 March 2012

| | Notes | Consolidated | | Parent entity | |
|---|---|---|---|---|---|
| | | **2011** | 2010 | **2011** | 2010 |
| | | **$'000** | $'000 | **$'000** | $'000 |
| Finance income | 4 | **2,379,442** | 2,173,659 | **1,679,684** | 1,298,823 |
| Finance expenses | 4 | **(2,437,648)** | (2,188,083) | **(1,799,052)** | (1,699,157) |
| **Net finance income/(expense)** | | **(58,206)** | (14,424) | **(119,368)** | (400,334) |
| **Non-interest income** | | | | | |
| Partnership income | | **-** | - | **47,932** | 382,160 |
| Gains/(losses) on financial instruments | 5 | **30,702** | 32,446 | **28,773** | 32,437 |
| **Total other income** | | **30,702** | 32,446 | **76,705** | 414,597 |
| **Operating expenses** | | | | | |
| Other expenses | | **(2,585)** | (2,133) | **(2,366)** | (1,910) |
| Employee costs | | **(1,161)** | (588) | **-** | - |
| **(Loss)/profit before income tax** | | **(31,250)** | 15,301 | **(45,029)** | 12,353 |
| Income tax (expense)/benefit | 6 | **16,623** | (16,982) | **20,753** | (16,109) |
| (Loss) from continuing operations | | **(14,627)** | (1,681) | **(24,276)** | (3,756) |
| **(Loss) for the year** | | **(14,627)** | (1,681) | **(24,276)** | (3,756) |
| **Other comprehensive income/(loss)** | | | | | |
| Changes in the fair value of cash flow hedges | | **(2,500)** | 733 | **-** | - |
| Income tax relating to components of other comprehensive income | | **750** | (220) | **-** | - |
| **Other comprehensive loss for the year, net of tax** | | **(1,750)** | 513 | **-** | - |
| **Total comprehensive (loss) for the year** | | **(16,377)** | (1,168) | **(24,276)** | (3,756) |
| Profit/(Loss) is attributable to: | | | | | |
| Owners of GE Capital Australia Funding Pty Ltd | | **(14,627)** | (1,719) | **(24,276)** | (3,756) |
| Profit attributable to minority interest | | **-** | 38 | **-** | - |
| | | **(14,627)** | (1,681) | **(24,276)** | (3,756) |
| Total comprehensive (loss) for the year is attributable to: | | | | | |
| Owners of GE Capital Australia Funding Pty Ltd | | **(16,377)** | (1,206) | **(24,276)** | (3,756) |
| Profit attributable to minority interest | | **-** | 38 | **-** | - |
| | | **(16,377)** | (1,168) | **(24,276)** | (3,756) |

*The above consolidated statements of comprehensive income should be read in conjunction with the accompanying notes.*

| | | Consolidated | | Parent entity | |
|---|---|---|---|---|---|
| | | **2011** | 2010 | **2011** | 2010 |
| | Notes | **$'000** | $'000 | **$'000** | $'000 |
| **ASSETS** | | | | | |
| **Current assets** | | | | | |
| Cash and cash equivalents | 7 | **6,837,186** | 6,519,219 | **947,921** | - |
| Receivables | 8 | **2,400,959** | 463,004 | **128,148** | 194,950 |
| Derivative financial instruments | 10 | **6,741** | 7,196 | **6,741** | 7,196 |
| Current tax receivables | | **21,534** | - | **21,534** | - |
| Total current assets | | **9,266,420** | 6,989,419 | **1,104,344** | 202,146 |
| **Non-current assets** | | | | | |
| Receivables | 9 | **12,948,848** | 20,414,596 | **9,990,797** | 9,794,470 |
| Derivative financial instruments | 10 | **153,709** | 1,627,054 | **153,709** | 8,996 |
| Other financial assets | 11 | **-** | - | **628,678** | 8,727,911 |
| Deferred tax assets | 12 | **880** | 9,097 | **838** | 9,822 |
| Total non-current assets | | **13,103,437** | 22,050,747 | **10,774,022** | 18,541,199 |
| **Total assets** | | **22,369,857** | 29,040,166 | **11,878,366** | 18,743,345 |
| **LIABILITIES** | | | | | |
| **Current liabilities** | | | | | |
| Payables | 13 | **212,768** | 292,208 | **212,745** | 292,022 |
| Interest bearing liabilities | 14 | **3,393,852** | 5,072,548 | **3,390,287** | 4,870,468 |
| Derivative financial instruments | 10 | **23,196** | 20,956 | **23,196** | 20,956 |
| Current tax liabilities | | **-** | 15,185 | **-** | 15,185 |
| Provisions | 15 | **138** | 83 | **-** | - |
| Total current liabilities | | **3,629,954** | 5,400,980 | **3,626,228** | 5,198,631 |
| **Non-current liabilities** | | | | | |
| Interest bearing liabilities | 16 | **18,593,014** | 23,474,089 | **8,163,323** | 13,430,792 |
| **Total liabilities** | | **22,222,968** | 28,875,069 | **11,789,551** | 18,629,423 |
| **Net assets** | | **146,889** | 165,097 | **88,815** | 113,922 |
| **EQUITY** | | | | | |
| Contributed equity | 17 | **479,900** | 479,900 | **479,900** | 479,900 |
| Reserves | 18(a) | **(26,475)** | (23,894) | **(26,475)** | (25,644) |
| Accumulated losses | 18(b) | **(306,536)** | (291,909) | **(364,610)** | (340,334) |
| Parent entity interest | | **146,889** | 164,097 | **88,815** | 113,922 |
| Non-controlling interests | | **-** | 1,000 | **-** | - |
| **Total equity** | | **146,889** | 165,097 | **88,815** | 113,922 |

*The above consolidated statements of financial position should be read in conjunction with the accompanying notes.*

| **Consolidated** | **Contributed equity $'000** | **Reserves $'000** | **Retained earnings $'000** | **Non-controlling interests $'000** | **Total equity $'000** |
|---|---|---|---|---|---|
| **Balance at 1 January 2010** | **479,900** | **5,560** | **(290,190)** | **1,000** | **196,270** |
| Profit/(loss) for the year | - | - | (1,719) | - | (1,719) |
| **Other comprehensive income** | | | | | |
| Cash flow hedges | - | 733 | - | - | 733 |
| Income tax relating to components of other comprehensive income | - | (220) | - | - | (220) |
| **Total other comprehensive income for the year** | **-** | **513** | **-** | **-** | **513** |
| Tax consolidation reserve | - | (29,967) | - | - | (29,967) |
| **Balance at 31 December 2010** | **479,900** | **(23,894)** | **(291,909)** | **1,000** | **165,097** |
| **Balance at 1 January 2011** | **479,900** | **(23,894)** | **(291,909)** | **1,000** | **165,097** |
| Profit/(loss) for the year | - | - | (14,627) | - | (14,627) |
| **Other comprehensive income** | | | | | |
| Cash flow hedges | - | (2,500) | - | - | (2,500) |
| Income tax relating to components of other comprehensive income | | 750 | | | 750 |
| **Total other comprehensive income for the year** | **-** | **(1,750)** | **-** | **-** | **(1,750)** |
| Tax consolidation reserve | - | (831) | - | - | (831) |
| Movements in minority interest | - | - | - | (1,000) | (1,000) |
| **Balance at 31 December 2011** | **479,900** | **(26,475)** | **(306,536)** | **-** | **146,889** |

| **Parent** | **Ordinary shares $'000** | **Reserves $'000** | **Retained earnings $'000** | **Total equity $'000** |
|---|---|---|---|---|
| **Balance at 1 January 2010** | **479,900** | **4,323** | **(336,578)** | **147,645** |
| Profit/(loss) for the year | - | - | (3,756) | (3,756) |
| Tax consolidation reserve | - | (29,967) | - | (29,967) |
| **Balance at 31 December 2010** | **479,900** | **(25,644)** | **(340,334)** | **113,922** |
| **Balance at 1 January 2011** | **479,900** | **(25,644)** | **(340,334)** | **113,922** |
| Profit/(loss) for the year | - | - | (24,276) | (24,276) |
| Tax consolidation reserve | - | (831) | - | (831) |
| **Balance at 31 December 2011** | **479,900** | **(26,475)** | **(364,610)** | **88,815** |

*The above consolidated statements of changes in equity should be read in conjunction with the accompanying notes.*

| | Notes | Consolidated | | Parent entity | |
|---|---|---|---|---|---|
| | | **2011** | 2010 | **2011** | 2010 |
| | | **$'000** | $'000 | **$'000** | $'000 |
| **Cash flows from operating activities** | | | | | |
| Profit before income tax | | **(31,250)** | 15,301 | **(45,029)** | 12,353 |
| Adjustment for non-cash items: | | | | | |
| Income tax | | **16,623** | (16,982) | **20,753** | (16,109) |
| Tax consolidations | | **(831)** | (29,967) | **(4,978)** | (29,967) |
| Fair value of derivatives | | **(27,655)** | (15,178) | **(25,423)** | (15,178) |
| Unrealised foreign exchange | | **(1,749)** | (5,647) | **(2,052)** | (5,647) |
| Debt amortisation | | **5,545** | (11,438) | **5,545** | (11,438) |
| Swap interest income | | **(808,266)** | (1,147,650) | **(768,029)** | (772,972) |
| Swap interest expense | | **682,847** | 688,506 | **682,847** | 658,153 |
| Interest expense on debt | | **605,060** | 619,837 | **591,708** | 619,837 |
| Income distribution | | **-** | - | **(47,932)** | (382,160) |
| (Increase)/decrease in current receivables | | **(5,842)** | (6,903) | **(3,469)** | - |
| (Increase)/decrease in other financial assets | | **-** | - | **-** | (883) |
| (Increase)/decrease in loans receivable | | **7,143,742** | 745,011 | **(196,325)** | 222,941 |
| (Increase)/decrease in deferred tax assets | | **8,216** | 30,512 | **8,982** | 30,522 |
| Increase/(decrease) in payables | | **8,103** | (723) | **8,265** | (780) |
| Increase/(decrease) in provisions | | **55** | - | **-** | - |
| Increase/(decrease) in current tax liabilities | | **(36,720)** | 15,185 | **(36,719)** | 15,185 |
| Increase/(decrease) in interest-bearing liabilities | | **(4,162,417)** | 6,008,755 | **(4,547,061)** | 932,846 |
| **Net cash (outflow)/inflow from operating activities** | | **3,395,461** | 6,888,619 | **(4,358,917)** | 1,256,703 |
| **Cash flows from investing activities** | | | | | |
| Swap receipts | | **861,075** | 1,147,650 | **860,923** | 772,972 |
| Swap payments | | **(725,774)** | (673,928) | **(705,470)** | (643,573) |
| **Net cash (outflow)/inflow from investing activities** | | **135,301** | 473,722 | **155,453** | 129,399 |
| **Cash flows from financing activities** | | | | | |
| Interest expense on debt | | **(691,818)** | (758,864) | **(678,568)** | (647,049) |
| Proceeds from issuance of debt | | **7,191,725** | 5,560,000 | **7,191,725** | 5,560,000 |
| Payments for debt maturities | | **(9,687,155)** | (6,339,000) | **(9,488,536)** | (6,339,000) |
| Partnership capital redemption | | **(1,000)** | - | **8,103,379** | - |
| Partnership cash distribution | | **-** | - | **47,932** | - |
| **Net cash inflow/(outflow) from financing activities** | | **(3,188,248)** | (1,537,864) | **5,175,932** | (1,426,049) |
| **Net increase/(decrease) in cash and cash equivalents** | | **342,514** | 5,824,477 | **972,468** | (39,947) |
| Cash and cash equivalents at the beginning of the financial year | | **6,494,672** | 670,195 | **(24,547)** | 15,400 |
| **Cash and cash equivalents at end of year** | 7 | **6,837,186** | 6,494,672 | **947,921** | (24,547) |

*The above consolidated statements of cash flows should be read in conjunction with the accompanying notes.*

## 1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for GE Capital Australia Funding Pty Ltd as an individual entity and the consolidated entity consisting of GE Capital Australia Funding Pty Ltd and its subsidiaries.

### (a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial statements of the Group and the financial statements of the Company comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

GE Capital Australia Funding Pty Ltd has a preference to prepare parent entity financial statements. As a result GE Capital Australia Funding Pty Ltd has adopted ASIC Class Order 10/654 and continues to disclose four column annual financial statements.

The financial report has been prepared on a going concern basis, which contemplates continuity of normal activities, realisation of assets and settlement of liabilities in the normal course of business. The directors have had regard to funding sources currently available, the rollover of external debts and the business performance in determining the going concern basis.

*Historical cost convention*
These financial statements have been prepared under the historical cost convention, except for certain assets which, as noted, are at fair value.

Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year. Comparative information is reclassified where appropiate to enhance comparability.

*Critical accounting estimates and judgements*
Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year for the Group are in relation to the following and are described in the referred notes:

- impairment of loans and receivables (refer note 1(i))

- recoverability of deferred tax assets (refer note 1(e))

- derivatives and hedging activities (refer note 1(j))

- employee benefits (refer note 1(n))

### (b) Principles of consolidation

The consolidated financial statements of the Group include the financial statements of the Company, being the parent entity, and its controlled entities. Where an entity either began or ceased to be controlled during the year, the results are included only from the date control commenced or up to the date control ceased. The balances, and effects of transactions, between controlled entities included in the consolidated financial statements have been eliminated.

The Company's subsidiaries are consolidated in line with AASB 127 as they are either 100% owned or controlled by GE Capital Australia Funding Pty Ltd.

Control is the ability to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable. The acquisition date is the date on which contol is transferred to the acquirer. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another.

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of GE Capital Australia Funding Pty Ltd ("Company" or "parent entity") and the results of all subsidiaries for the year ended 31 December 2011. GE Capital Australia Funding Pty Ltd and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

## 1 Summary of significant accounting policies (continued)

### (b) Principles of consolidation (continued)

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been amended where necessary to ensure consistency with the policies adopted by the Group.

### (c) Foreign currency translation

*(i) Functional and presentation currency*
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (‘the functional currency’). The consolidated financial statements are presented in Australian dollars, which is GE Capital Australia Funding Pty Ltd’s functional and presentation currency.

*(ii) Transactions and balances*
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

### (d) Revenue recognition

*(i) Finance income*

Revenue is measured at the fair value of the consideration received or receivable. Interest income and commitment fee income is recognised on an accrual basis using the effective interest method.

### (e) Income tax

Income tax in the statement of comprehensive income for the periods presented comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

*Tax consolidation legislation*
The Company is the head entity in a tax consolidated group incorporating the Company, its wholly-owned subsidiaries and GE Investments Australia Pty Ltd. The implementation date of the tax consolidations system for the tax consolidated group was 1 January 2004.

## 1 Summary of significant accounting policies (continued)

### (e) Income tax (continued)

The head entity, GE Capital Australia Funding Pty Ltd, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, GE Capital Australia Funding Pty Ltd also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Tax transactions between the head entity and members of the tax consolidated group who are also members of the consolidated entity are recognised by the head entity as increases or decreases (as appropriate) in the value of the investment in subsidiary. Tax transactions between the head entity and members of the tax consolidated group who are not members of the consolidated entity are transferred to the tax consolidation reserve.

### (f) Impairment of assets

The carrying amount of the Group's assets are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future pre-tax cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

### (g) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

### (h) Investments

Investments in controlled entities are carried in the Company's financial statements at the lower of cost and recoverable amount.

### (i) Receivables and other financial assets

*(i) Loans and receivables*
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the consolidated entity provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the statement of financial position date which are classified as non-current assets. Loans and receivables are included in receivables in the statement of financial position.

*(ii) Provision for losses on loans and receivables*
The Group first assesses whether objective evidence of impairment exists for individual financial assets that are individually significant. Where objective evidence of impairment exists, the financial asset is recognised at the present value of its estimated future cash flows.

Objective evidence that not all the principal and interest will be collected in accordance with the loan agreement includes default on a repayment or a change in risk rating.

Financial assets, other than those individually significant financial assets that have been assessed as impaired are grouped with other financial assets with similar credit risk characteristics and collectively assessed for impairment. When evidence of impairment exists, the determination of an appropriate allowance for losses is based upon past loss experience for portfolios with similar payment history.

## 1 Summary of significant accounting policies (continued)

### (j) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values of hedged items.

*(i) Fair value hedge*
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of comprehensive income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the effective portion of interest rate swaps to hedge fixed rate borrowings, is included in the statement of comprehensive income within gains/(losses) on financial instruments. The gains or loss relating to the ineffective portion and the changes in the fair value of hedged fixed rate borrowings attributable to interest rate risk is also included in the statement of comprehensive income within gains/(losses) on financial instruments.

*(ii) Cash flow hedge*
The effective portion of changes in the fair value of derivatives that are designated and qualify as a cash flow hedge is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the statement of comprehensive income within gains/(losses) on financial instruments.

Amounts accumulated in equity are reflected in the statement of comprehensive income in the periods when the hedged item will affect the profit or loss amount.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the statement of comprehensive income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the statement of comprehensive income.

*(iii) Derivatives that do not qualify for hedge accounting*
Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the statement of comprehensive income and are included within gains/(losses) in financial instruments.

### (k) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which remain unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

### (l) Borrowings

Interest bearing liabilities are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

### (m) Borrowing costs

Borrowing costs are expensed as incurred.

## 1 Summary of significant accounting policies (continued)

### (n) Employee benefits

*(i) Wages and salaries, annual leave and sick leave*
The provisions for employee entitlements to wages, salaries and annual leave due to be settled within 12 months of year end represents the amount which the Group has a present obligation to pay resulting from employees' services provided up to the balance date. The provisions have been calculated at undiscounted amounts based on wage and salary rates that the Group expects to pay including related on-costs.

*(ii) Long service leave*
The liability for employees entitled to long service leave represents the present value of the estimated future cash outflows to be made by the Group resulting from employees' services provided up to the balance date.

Liabilities for employee entitlements, which are not due to be settled within 12 months are discounted using the rates attaching to national government securities at balance date, which most closely match the terms of maturity of the related liabilities.

In determining the liability for employee entitlements, consideration has been given to future increases in wage and salary rates, and the consolidated entity's experience with staff departures. Related on-costs have also been included in the liability.

### (o) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

### (p) Dividends

Provision is made for the amount of any dividend declared, that has been appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at balance date.

No dividends were paid or declared by the Company in respect of the current financial year (2010: $Nil).

### (q) New accounting standards and interpretations

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Group.

None of these are expected to have a significant effect on the financial statements of the Company.

### (r) Rounding of amounts

The Company is of a kind referred to in Class order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

## 2 Financial risk management

The Group's activities expose it to a variety of financial risks:

- market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk)
- credit risk
- liquidity risk

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as cross currency swaps and interest rate swaps to hedge certain risk exposures. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and foreign exchange and ageing analysis for credit risk.

Risk management is carried out by a central treasury department (Group Treasury) under policies approved by the Board of Directors. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides principles for overall risk management.

### (a) Market risk

*(i) Foreign exchange risk*
The Group operate internationally and are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and Singapore dollar.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities that are denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis.

Management has set up a policy requiring group companies to manage their foreign exchange risk against their functional currency. The group companies are required to mitigate their foreign exchange risk exposure arising from future commercial transactions and recognised assets and liabilities using cross currency swaps with terms reflecting the underlying loan receivable or liability.

*Sensitivity analysis*
Refer to the summarised sensitivity analysis at (iii).

*(ii) Cash flow and fair value interest rate risk*
The Group's main interest rate risk arises from long-term borrowings. As the Group's assets are floating rate assets, borrowings issued at fixed rates expose the Group to interest rate risk. The Group's policy is to manage interest rate risk through use of interest rate swaps to swap fixed rate borrowings to floating rate borrowings. During 2011 and 2010, the Group's borrowings at variable rates were denominated in Australian dollars and Singapore dollars.

## 2 Financial risk management (continued)

*(iii) Summarised sensitivity analysis*

The following table summarises the sensitivity of the Group's financial assets and financial liabilities to interest rate risk and foreign exchange risk.

| **Consolidated** | | Interest rate risk | | | | Foreign exchange risk | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | -100bps | | +100bps | | -10% | | +10% | |
| **31 December 2011** | Carrying amount $'000 | Profit $'000 | Equity $'000 | Profit $'000 | Equity $'000 | Profit $'000 | Equity $'000 | Profit $'000 | Equity $'000 |
| **Financial assets** | | | | | | | | | |
| Cash and cash equivalents | 6,837,186 | (68,372) | - | 68,372 | - | - | - | - | - |
| Receivables | 15,349,807 | (153,498) | - | 153,498 | - | - | - | - | - |
| Derivative financial instruments | 160,450 | 154,733 | - | (150,670) | - | - | - | - | - |
| **Financial liabilities** | | | | | | | | | |
| Interest bearing liabilities | 21,986,866 | 59,263 | - | (63,236) | - | (8,538) | - | 6,985 | - |
| Derivative financial instruments | 23,196 | (201) | - | 201 | - | 8,551 | - | (6,996) | - |
| **Total increase/(decrease)** | | (8,075) | - | 8,165 | - | 13 | - | (11) | - |

| **Consolidated** | | Interest rate risk | | | | Foreign exchange risk | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | -100bps | | +100bps | | -10% | | +10% | |
| **31 December 2010** | Carrying amount $'000 | Profit $'000 | Equity $'000 | Profit $'000 | Equity $'000 | Profit $'000 | Equity $'000 | Profit $'000 | Equity $'000 |
| **Financial assets** | | | | | | | | | |
| Cash and cash equivalents | 6,519,219 | (65,192) | - | 65,192 | - | - | - | - | - |
| Receivables | 20,877,600 | (206,827) | - | 206,827 | - | - | - | - | - |
| Derivatives financial instruments | 1,634,250 | 188,948 | 1,397 | (183,621) | (1,403) | - | (715) | - | 517 |
| **Financial liabilities** | | | | | | | | | |
| Interest bearing liabilities | 28,546,637 | 89,688 | - | (94,889) | - | (8,549) | - | 6,995 | - |
| Derivative financial instruments | 20,956 | (210) | - | 210 | - | 8,945 | - | (7,318) | - |
| **Total increase/(decrease)** | | 6,407 | 1,397 | (6,281) | (1,403) | 396 | (715) | (323) | 517 |

| **Parent entity** | | Interest rate risk | | | | Foreign exchange risk | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | -100bps | | +100bps | | -10% | | +10% | |
| **31 December 2011** | Carrying amount $'000 | Profit $'000 | Equity $'000 | Profit $'000 | Equity $'000 | Profit $'000 | Equity $'000 | Profit $'000 | Equity $'000 |
| **Financial assets** | | | | | | | | | |
| Cash and cash equivalents | 947,921 | (9,479) | - | 9,479 | - | - | - | - | - |
| Receivables | 10,118,945 | (101,189) | - | 101,189 | - | - | - | - | - |
| Derivatives financial instruments | 160,450 | 154,733 | - | (150,670) | - | - | - | - | - |
| **Financial liabilities** | | | | | | | | | |
| Interest bearing liabilities | 11,553,610 | (45,070) | - | 41,097 | - | (8,538) | - | 6,985 | - |
| Derivative financial instruments | 23,196 | (201) | - | 201 | - | 8,551 | - | (6,996) | - |
| **Total increase/(decrease)** | | (1,206) | - | 1,296 | - | 13 | - | (11) | - |

| **Parent entity** | | Interest rate risk | | | | Foreign exchange risk | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | -100bps | | +100bps | | -10% | | +10% | |
| **31 December 2010** | Carrying amount $'000 | Profit $'000 | Equity $'000 | Profit $'000 | Equity $'000 | Profit $'000 | Equity $'000 | Profit $'000 | Equity $'000 |
| **Financial assets** | | | | | | | | | |
| Receivables | 9,989,420 | (97,945) | - | 97,945 | - | - | - | - | - |
| Derivative financial instruments | 16,192 | 188,948 | 1,397 | (183,621) | (1,403) | - | (715) | - | 517 |
| **Financial liabilities** | | | | | | | | | |
| Interest bearing liabilities | 18,301,260 | (12,766) | - | 7,565 | - | (8,549) | - | 6,995 | - |
| Derivative financial instruments | 20,956 | (210) | - | 210 | - | 8,945 | - | (7,318) | - |
| **Total increase/(decrease)** | | 78,027 | 1,397 | (77,901) | (1,403) | 396 | (715) | (323) | 517 |

## 2 Financial risk management (continued)

### (b) Credit risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

The credit risk on financial assets of the Group which have been recognised on the statement of financial position is the carrying amount of the assets, net of any provision for doubtful debts.

The Group is exposed to concentration of credit risk, as it provides funding only to related parties.

Swaps are subject to credit risk in relation to the relevant counterparties, which are principally related parties and high credit quality financial institutions. The credit risk on swap contracts is limited to the next amount to be received from counterparties on contracts that are favourable to the Group.

### (c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group Treasury aims at maintaining flexibility in funding by keeping committed credit lines available.

The tables below analyse the Group's financial liabilities and net settled derivative financial instruments into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows, except for interest rate swaps where the cash flows have been estimated using forward interest rates applicable at the reporting date. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

| **Contractual maturities of financial liabilities** | **Less than 1 year** | **Between 1 and 2 years** | **Between 2 and 5 years** | **Over 5 years** | **Total contractual cash flows** |
|---|---|---|---|---|---|
| **Group - at 31 December 2011** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| **Non-derivatives** | | | | | |
| Interest bearing liabilities | 3,572,199 | 1,425,626 | 3,771,714 | 17,880,459 | 26,649,998 |
| Payables | 212,768 | - | - | - | 212,768 |
| **Total** | 3,784,967 | 1,425,626 | 3,771,714 | 17,880,459 | 26,862,766 |
| **Derivatives** | | | | | |
| Gross settled | | | | | |
| - (inflow) | (78,341) | - | - | - | (78,341) |
| - outflow | 103,691 | - | - | - | 103,691 |
| **Total derivatives** | 25,350 | - | - | - | 25,350 |

## 2 Financial risk management (continued)

| Group - at 31 December 2010 | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years | Total contractual cash flows |
|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Non-derivatives** | | | | | |
| Interest bearing liabilities | 5,599,008 | 2,072,968 | 3,893,056 | 23,341,656 | 34,906,688 |
| Payables | 292,208 | - | - | - | 292,208 |
| **Total** | 5,891,216 | 2,072,968 | 3,893,056 | 23,341,656 | 35,198,896 |
| **Derivatives** | | | | | |
| Gross settled | | | | | |
| - (inflow) | (417,406) | (8,111,336) | - | - | (8,528,742) |
| - outflow | 48,639 | 6,328,671 | - | - | 6,377,310 |
| **Total derivatives** | (368,767) | (1,782,665) | - | - | (2,151,432) |

| **Contractual maturities of financial liabilities** | **Less than 1 year** | **Between 1 and 2 years** | **Between 2 and 5 years** | **Over 5 years** | **Total contractual cash flows** |
|---|---|---|---|---|---|
| **Parent - at 31 December 2011** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| **Non-derivatives** | | | | | |
| Interest bearing liabilities | 3,568,634 | 1,425,626 | 3,771,714 | 4,076,081 | 12,842,055 |
| Payables | 212,745 | - | - | - | 212,745 |
| **Total** | 3,781,379 | 1,425,626 | 3,771,714 | 4,076,081 | 13,054,800 |
| **Derivatives** | | | | | |
| Gross settled | | | | | |
| - (inflow) | (78,341) | - | - | - | (78,341) |
| - outflow | 103,691 | - | - | - | 103,691 |
| **Total derivatives** | 25,350 | - | - | - | 25,350 |

| Parent - at 31 December 2010 | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years | Total contractual cash flows |
|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Non-derivatives** | | | | | |
| Interest bearing liabilities | 5,396,929 | 2,072,968 | 3,893,056 | 10,223,709 | 21,586,662 |
| Payables | 292,022 | - | - | - | 292,022 |
| **Total** | 5,688,951 | 2,072,968 | 3,893,056 | 10,223,709 | 21,878,684 |
| **Derivatives** | | | | | |
| Gross settled | | | | | |
| - (inflow) | (3,405) | (77,339) | - | - | (80,744) |
| - outflow | 5,890 | 104,351 | - | - | 110,241 |
| **Total derivatives** | 2,485 | 27,012 | - | - | 29,497 |

The amounts expected to be payable in relation to the interest rate swaps have been estimated using forward interest rates applicable at the reporting date. The amounts disclosed in the table are the maximum amounts allocated to the earliest period in which the guarantee could be called upon. The Group does not expect these payments to eventuate.

## 2 Financial risk management (continued)

### (d) Interest rate risk

The Group's receivables are floating rate interest-bearing receivables. Therefore the Group's interest-rate risk arises from borrowings issued at fixed rates, which expose the Group to fair value interest-rate risk.

The Group manages its fair value interest-rate risk by using fixed-to-floating interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from fixed rates to floating rates. Generally, the Group raises long-term borrowings at both floating and fixed rates. Where it raises fixed rate borrowings, it swaps them into floating rates. Under the terms of the interest-rate swaps, the Group agrees with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts.

Refer Note 2 (a) (iii) 'Summarised sensitivity analysis' for a quantative illustration of the interest rate risk.

### (e) Fair value measurements

As at 31 December 2011 the Group held the following financial instruments at fair value:

In line with AASB 7 (revised) listed below is the heirarchy for determining and disclosing the fair value of financial instruments by valuation techniques:

Level 1: quoted prices in active markets

Level 2: other techniques for which all major drivers of fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not observable market data

| **Group - as at 31 December 2011** | **Level 1 $'000** | **Level 2 $'000** | **Level 3 $'000** | **Total $'000** |
|---|---|---|---|---|
| **Assets** | | | | |
| Derivative financial instruments | - | 160,450 | - | 160,450 |
| **Total assets** | - | 160,450 | - | 160,450 |
| **Liabilities** | | | | |
| Derivative financial instruments | - | 23,196 | - | 23,196 |
| **Total liabilities** | - | 23,196 | - | 23,196 |
| Group - as at 31 December 2010 | **Level 1 $'000** | **Level 2 $'000** | **Level 3 $'000** | **Total $'000** |
| **Assets** | | | | |
| Derivative financial instruments | - | 1,634,250 | - | 1,634,250 |
| **Total assets** | - | 1,634,250 | - | 1,634,250 |
| **Liabilities** | | | | |
| Derivative financial instruments | - | 20,956 | - | 20,956 |
| **Total liabilities** | - | 20,956 | - | 20,956 |

## 2 Financial risk management (continued)

| **Parent - as at 31 December 2011** | **Level 1 $'000** | **Level 2 $'000** | **Level 3 $'000** | **Total $'000** |
|---|---|---|---|---|
| **Assets** | | | | |
| Derivative financial instruments | - | 160,450 | - | 160,450 |
| **Total assets** | - | 160,450 | - | 160,450 |
| **Liabilities** | | | | |
| Derivative financial instruments | - | 23,196 | - | 23,196 |
| **Total liabilities** | - | 23,196 | - | 23,196 |

| Parent - as at 31 December 2010 | **Level 1 $'000** | **Level 2 $'000** | **Level 3 $'000** | **Total $'000** |
|---|---|---|---|---|
| **Assets** | | | | |
| Derivative financial instruments | - | 16,192 | - | 16,192 |
| **Total assets** | - | 16,192 | - | 16,192 |
| **Liabilities** | | | | |
| Derivative financial instruments | - | 20,956 | - | 20,956 |
| **Total liabilities** | - | 20,956 | - | 20,956 |

During the year ended 31 December 2011 there have been no transfers between level 1 to 3 (2010: no transfers in either direction).

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used to estimate fair value for long-term debt for disclosure purposes. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the end of the reporting period. These instruments are included in level 2 and comprise debt investments and derivative financial instruments.

In the circumstances where a valuation technique for these instruments is based on significant unobservable inputs, such instruments are included in level 3.

## 2 Financial risk management (continued)

### (f) Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the consolidated statements of financial position, are as follows:

| **Consolidated** | **31 December 2011** | | 31 December 2010 | |
|---|---|---|---|---|
| | **Carrying amount $'000** | **Fair value $'000** | Carrying amount $'000 | Fair value $'000 |
| **Financial Assets** | | | | |
| Cash and cash equivalents | **6,837,186** | **6,837,186** | 6,519,219 | 6,519,219 |
| Receivables | **15,349,807** | **15,349,807** | 20,877,600 | 20,877,600 |
| Derivative financial instruments | **160,450** | **160,450** | 1,634,250 | 1,634,250 |
| **Total Financial Assets** | **22,347,443** | **22,347,443** | 29,031,069 | 29,031,069 |
| **Financial Liabilities** | | | | |
| Payables | **212,768** | **212,768** | 292,208 | 292,208 |
| Interest bearing liabilities | **21,986,866** | **21,986,866** | 28,546,637 | 28,546,637 |
| Derivative financial instruments | **23,196** | **23,196** | 20,956 | 20,956 |
| **Total Financial Liabilities** | **22,222,830** | **22,222,830** | 28,859,801 | 28,859,801 |

| **Parent entity** | **31 December 2011** | | 31 December 2010 | |
|---|---|---|---|---|
| | **Carrying amount $'000** | **Fair value $'000** | Carrying amount $'000 | Fair value $'000 |
| **Financial Assets** | | | | |
| Cash and cash equivalents | **947,921** | **947,921** | - | - |
| Receivables | **10,118,945** | **10,118,945** | 9,989,420 | 9,989,420 |
| Derivative financial instruments | **160,450** | **160,450** | 16,192 | 16,192 |
| Other financial assets | **628,678** | **628,678** | 8,727,911 | 8,727,911 |
| **Total Financial Assets** | **11,855,994** | **11,855,994** | 18,733,523 | 18,733,523 |
| **Financial Liabilities** | | | | |
| Payables | **212,745** | **212,745** | 292,022 | 292,022 |
| Interest bearing liabilities | **11,553,610** | **11,553,610** | 18,301,260 | 18,301,260 |
| Derivative financial instruments | **23,196** | **23,196** | 20,956 | 20,956 |
| **Total Financial Liabilities** | **11,789,551** | **11,789,551** | 18,614,238 | 18,614,238 |

## 3 Segment information

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

The Company and its subsidiaries operate in Australia in the financial services industry.

## 4 Finance income/(expenses)

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | **$'000** | $'000 | **$'000** | $'000 |
| *Finance income* | | | | |
| Interest income - financial institutions | **431,860** | 154,539 | **11,008** | 1,432 |
| Interest and commitment charges - related parties | **1,139,316** | 897,586 | **900,647** | 544,381 |
| Swap interest income | **808,266** | 1,121,534 | **768,029** | 753,010 |
| | **2,379,442** | 2,173,659 | **1,679,684** | 1,298,823 |
| *Finance expenses* | | | | |
| Interest and finance charges - external borrowings | **(598,711)** | (608,546) | **(598,711)** | (614,454) |
| Borrowing costs - related parties | **(1,098,255)** | (839,635) | **(459,659)** | (375,155) |
| Guarantee fee - related parties | **(57,835)** | (65,975) | **(57,835)** | (65,975) |
| Swap interest expense | **(682,847)** | (673,927) | **(682,847)** | (643,573) |
| | **(2,437,648)** | (2,188,083) | **(1,799,052)** | (1,699,157) |
| Net finance income/(expenses) | **(58,206)** | (14,424) | **(119,368)** | (400,334) |

## 5 Gains/(losses) on financial instruments

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Fair value gains/(losses) on derivatives | **27,655** | 15,178 | **25,423** | 15,178 |
| Foreign exchange gains/(losses) - net | **1,749** | 5,830 | **2,052** | 5,821 |
| Amortisation of swaps | **1,298** | 11,438 | **1,298** | 11,438 |
| | **30,702** | 32,446 | **28,773** | 32,437 |

## 6 Income tax (expense)/benefit

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | **$'000** | $'000 | **$'000** | $'000 |
| **(a) Income tax expense:** | | | | |
| Income tax (expense)/benefit | **16,623** | (16,982) | **20,753** | (16,109) |
| | **16,623** | (16,982) | **20,753** | (16,109) |
| **Deferred income tax expense/(benefit) included in income tax expense comprises:** | | | | |
| (Increase)/decrease in deferred tax assets (note 12) | **8,967** | 9,667 | **8,984** | 9,678 |
| | **8,967** | 9,667 | **8,984** | 9,678 |

## 6 Income tax (expense)/benefit (continued)

### (b) Numerical reconciliation of income tax expense to prima facie tax payable

| | Consolidated 2011 $'000 | Consolidated 2010 $'000 | Parent entity 2011 $'000 | Parent entity 2010 $'000 |
|---|---|---|---|---|
| Profit/(loss) from continuing operations before income tax (expense)/benefit | **(31,250)** | 15,301 | **(45,029)** | 12,353 |
| Tax at the Australian tax rate of 30% (2010 - 30%) | **9,375** | (4,590) | **13,509** | (3,706) |
| Tax effect of amounts which are not deductible/(taxable) in calculating taxable income: | | | | |
| Effect of income that is exempt from taxation | **(351)** | 66 | **(351)** | 55 |
| Effect of expenses that are not deductible in determining taxable profit | **4** | - | **-** | - |
| | **9,028** | (4,524) | **13,158** | (3,651) |
| (Under)/over provision in prior years - current tax | **7,595** | (12,458) | **7,595** | (12,458) |
| Income tax (expense)/benefit | **16,623** | (16,982) | **20,753** | (16,109) |

## 7 Current assets - Cash and cash equivalents

| | Consolidated 2011 $'000 | Consolidated 2010 $'000 | Parent entity 2011 $'000 | Parent entity 2010 $'000 |
|---|---|---|---|---|
| Cash and cash equivalents | **6,837,186** | 6,519,219 | **947,921** | - |
| | **6,837,186** | 6,519,219 | **947,921** | - |

### (a) Reconciliation to cash at the end of the year

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

| | Consolidated 2011 $'000 | Consolidated 2010 $'000 | Parent entity 2011 $'000 | Parent entity 2010 $'000 |
|---|---|---|---|---|
| Balances as above | **6,837,186** | 6,519,219 | **947,921** | - |
| Bank overdrafts (note 14) | **-** | (24,547) | **-** | (24,547) |
| Balances per statement of cash flows | **6,837,186** | 6,494,672 | **947,921** | (24,547) |

### (b) Cash at bank and on hand

These have a weighted average interest rate of 4.70% (2010: 4.44%)

## 8 Current assets - Receivables

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Accrued interest on swaps | **124,679** | 456,101 | **124,679** | 194,950 |
| Loans to related parties | **2,263,535** | - | **-** | - |
| Accrued interest on term deposits | **12,745** | 6,903 | **3,469** | - |
| | **2,400,959** | 463,004 | **128,148** | 194,950 |

## 9 Non-current assets - Receivables

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Loans to related parties | **12,948,848** | 20,414,596 | **9,990,797** | 9,794,470 |
| | **12,948,848** | 20,414,596 | **9,990,797** | 9,794,470 |

## 10 Derivative financial instruments

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | **$'000** | $'000 | **$'000** | $'000 |
| **Current assets** | | | | |
| Derivative financial instruments | **6,741** | 7,196 | **6,741** | 7,196 |
| Total current derivative financial instrument assets | **6,741** | 7,196 | **6,741** | 7,196 |
| **Non-current assets** | | | | |
| Derivative financial instruments - cash flow hedge | **-** | 1,618,058 | **-** | - |
| Derivative financial instruments | **153,709** | 8,996 | **153,709** | 8,996 |
| Total non-current derivative financial instrument assets | **153,709** | 1,627,054 | **153,709** | 8,996 |
| Total derivative financial instrument assets | **160,450** | 1,634,250 | **160,450** | 16,192 |
| **Current liabilities** | | | | |
| Derivative financial instruments | **(23,196)** | (20,956) | **(23,196)** | (20,956) |
| Total current derivative financial instrument liabilities | **(23,196)** | (20,956) | **(23,196)** | (20,956) |
| Total derivative financial instrument liabilities | **(23,196)** | (20,956) | **(23,196)** | (20,956) |

## 11 Non-current assets - Other financial assets

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Investments in subsidiaries (note 24) | **-** | - | **563,134** | 8,666,514 |
| Investments in subsidiaries - tax consolidation | **-** | - | **65,544** | 61,397 |
| | **-** | - | **628,678** | 8,727,911 |

These financial assets are carried at cost.

## 12 Non-current assets - Deferred tax assets

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | **$'000** | $'000 | **$'000** | $'000 |
| **The balance comprises temporary differences attributable to:** | | | | |
| Employee benefits | **42** | 25 | **-** | - |
| Derivative financial instruments | **838** | 9,822 | **838** | 9,822 |
| Derivative financial instruments - cash flow hedges | **-** | (750) | **-** | - |
| Tax losses | **-** | - | **-** | - |
| | **880** | 9,097 | **838** | 9,822 |

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | **$'000** | $'000 | **$'000** | $'000 |
| **Movements:** | | | | |
| Opening balance at 1 January | **9,097** | 39,828 | **9,822** | 40,344 |
| Credited/(charged) to the statement of comprehensive income | **(8,967)** | (29,981) | **(8,984)** | (30,522) |
| Credited/(charged) to equity | **750** | (750) | **-** | - |
| Closing balance at 31 December | **880** | 9,097 | **838** | 9,822 |

## 13 Current liabilities - Payables

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Distribution payable | **-** | 126 | **-** | - |
| Accrued expenses | **145** | 231 | **122** | 171 |
| Withholding tax payable | **47,287** | 38,973 | **47,287** | 38,973 |
| Accrued interest on medium term notes | **165,336** | 252,878 | **165,336** | 252,878 |
| | **212,768** | 292,208 | **212,745** | 292,022 |

## 14 Current liabilities - Interest bearing liabilities

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Bank overdrafts | **-** | 24,547 | **-** | 24,547 |
| Loans from related parties - unsecured | **6,343** | 202,080 | **2,778** | - |
| Commercial paper | **1,423,702** | 1,023,606 | **1,423,702** | 1,023,606 |
| Medium term notes | **1,963,807** | 3,822,315 | **1,963,807** | 3,822,315 |
| Total current borrowings | **3,393,852** | 5,072,548 | **3,390,287** | 4,870,468 |

**(a) Financial Guarantee - Commercial Paper & Medium Term Notes**

The Company's ultimate parent entity, General Electric Capital Corporation, has guaranteed the obligations of the Issuer for the benefit of the Holders thereof on the terms and conditions contained in the Guarantee.

## 15 Current liabilities - Provisions

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Employee benefits | **138** | 83 | **-** | - |
| | **138** | 83 | **-** | - |

## 16 Non-current liabilities - Interest bearing liabilities

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Bank borrowings - unsecured | **200,000** | - | **200,000** | - |
| Facility from ultimate parent entity - unsecured | **3,104,493** | 7,655,667 | **3,104,493** | 7,655,667 |
| Loans from related parties - unsecured | **10,485,720** | 10,097,992 | **56,029** | 54,695 |
| Medium term notes | **4,802,801** | 5,720,430 | **4,802,801** | 5,720,430 |
| Total non-current borrowings | **18,593,014** | 23,474,089 | **8,163,323** | 13,430,792 |

**(a) Financial Guarantee - Medium Term Notes**

The Company's ultimate parent entity, General Electric Capital Corporation, has guaranteed the obligations of the Issuer for the benefit of the Holders thereof on the terms and conditions contained in the Guarantee.

## 16 Non-current liabilities - Interest bearing liabilities (continued)

### (b) Financing arrangements

The consolidated entity and the parent entity had access to the following lines of credit at the reporting date:

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Floating rate | | | | |
| Bank overdrafts | **450,000** | 450,000 | **450,000** | 450,000 |
| Related party loan | **16,500,000** | 16,500,000 | **16,500,000** | 16,500,000 |
| | **16,950,000** | 16,950,000 | **16,950,000** | 16,950,000 |
| Used at balance date | | | | |
| Bank overdrafts | **-** | 24,547 | **-** | 24,547 |
| Related party loan | **3,104,493** | 7,655,667 | **3,104,493** | 7,655,667 |
| | **3,104,493** | 7,680,214 | **3,104,493** | 7,680,214 |
| Unused at balance date | | | | |
| Bank overdrafts | **450,000** | 425,453 | **450,000** | 425,453 |
| Related party loan | **13,395,507** | 8,844,333 | **13,395,507** | 8,844,333 |
| | **13,845,507** | 9,269,786 | **13,845,507** | 9,269,786 |

*Bank overdraft*

The bank overdraft facility is secured by a guarantee from the immediate parent entity. This facility is jointly shared with other related parties. Each related party under this facility can draw up to a maximum of $450,000,000 provided that the total aggregate amounts does not exceed $25,000,000. Interest on the bank overdraft is charged at prevailing market rates.

*Related party loan*

The related party loan is from the parent entity (General Electric Capital Corporation). It is a revolving credit facility for a period of five years and has the option to extend for successive terms of five years. Interest on the related party loan is charged at arm's length rates.

## 17 Contributed equity

| | Parent entity | | Parent entity | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | **Shares** | Shares | **$'000** | $'000 |
| **(a) Share capital** | | | | |
| Ordinary shares | | | | |
| Fully paid | **12,089,427,561** | 12,089,427,561 | **479,900** | 479,900 |
| | **12,089,427,561** | 12,089,427,561 | **479,900** | 479,900 |

### (b) Movements in ordinary share capital:

There were no movements in ordinary share capital during 2011 (2010: nil).

## 18 Reserves and accumulated losses

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | **$'000** | $'000 | **$'000** | $'000 |
| **(a) Reserves** | | | | |
| Tax consolidation reserve | **(26,475)** | (25,644) | **(26,475)** | (25,644) |
| Hedging reserve - cash flow hedges | **-** | 1,750 | **-** | - |
| | **(26,475)** | (23,894) | **(26,475)** | (25,644) |

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | **$'000** | $'000 | **$'000** | $'000 |
| **Movements:** | | | | |
| *Tax consolidation reserve* | | | | |
| Balance 1 January | **(25,644)** | 4,323 | **(25,644)** | 4,323 |
| Associate's tax attributable to under-provision in prior years | **-** | (29) | **-** | (29) |
| Associate's tax attributable to current year | **(831)** | (29,938) | **(831)** | (29,938) |
| Balance 31 December | **(26,475)** | (25,644) | **(26,475)** | (25,644) |

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | **$'000** | $'000 | **$'000** | $'000 |
| **Movements:** | | | | |
| *Hedging reserve - cash flow hedges* | | | | |
| Balance 1 January | **1,750** | 1,237 | **-** | - |
| Fair value movement in cash flow hedge | **(2,500)** | 1,263 | **-** | - |
| Deferred tax attributable to cash flow hedge | **750** | (750) | **-** | - |
| Balance 31 December | **-** | 1,750 | **-** | - |

**(b) Accumulated losses**

Movements in accumulated losses were as follows:

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Balance 1 January | **(291,909)** | (290,190) | **(340,334)** | (336,578) |
| Profit/(loss) for the year | **(14,627)** | (1,719) | **(24,276)** | (3,756) |
| Balance 31 December | **(306,536)** | (291,909) | **(364,610)** | (340,334) |

## 18 Reserves and accumulated losses (continued)

**(c) Nature and purpose of reserves**

*(i) Tax consolidation reserve*

The tax consolidation reserve represents tax transactions between the head company in the tax consolidated group and members of the tax consolidated group who are not members of the Group.

*(ii) Hedging reserve - cash flow hedges*

The hedging reserve is used to record gains or losses on hedging instruments in cash flow hedge relationships that are recognised directly in equity, as described in note 1(j). Amounts are recognised in statement of comprehensive income when the associated hedged transaction affects profit and loss.

## 19 Dividends

No dividends were paid or declared by the Company in respect of the current financial year (2010: $Nil).

**(a) Franked dividends**

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Franking credits available for subsequent financial years based on a tax rate of 30% (2010 - 30%) | **18,494** | 16,163 | **18,494** | 16,163 |

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

(a) franking credits that will arise from the payment of the amount of the provision for income tax

(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date, and

(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

The consolidated amounts include franking credits that would be available to the parent entity if distributable profits of subsidiaries were paid as dividends.

## 20 Key management personnel disclosures

**(a) Directors**

The following persons were directors of GE Capital Australia Funding Pty Ltd during the financial year:

Mr S Sargent

Mr C Vanderkley

Ms F Crockett

**(b) Other key management personnel**

There were no other persons, besides the above directors, that had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year.

## 20 Key management personnel disclosures (continued)

### (c) Details of remuneration

Details of the remuneration of each director of GE Capital Australia Funding Pty Ltd are set out in the following table.

| **2011** | Primary | | Post-employment | | |
|---|---|---|---|---|---|
| Name | Cash salary and fees $ | Cash bonus $ | Super-annuation $ | Other $ | Total $ |
| Mr S Sargent | 28,561 | 50,325 | 2,242 | 6,376 | 87,504 |
| Mr C Vanderkley | 124,482 | 129,900 | 16,125 | 5,054 | 275,561 |
| Ms F Crockett | 33,663 | 6,750 | 3,039 | 14 | 43,466 |
| Total | 186,706 | 186,975 | 21,406 | 11,444 | 406,531 |

| **2010** | Primary | | Post-employment | | |
|---|---|---|---|---|---|
| Name | Cash salary and fees $ | Cash bonus $ | Super-annuation $ | Other $ | Total $ |
| Mr S Sargent | 45,387 | 30,000 | 1,797 | 2,377 | 79,561 |
| Mr C Vanderkley | 122,749 | 166,199 | 15,185 | 47 | 304,180 |
| Ms F Crockett | 29,888 | 6,759 | 2,688 | - | 39,335 |
| Total | 198,024 | 202,958 | 19,670 | 2,424 | 423,076 |

The remuneration of directors is paid by a related entity of the Group.

### (d) Loans to key management personnel

There were no loans made to directors of GE Capital Australia Funding Pty Ltd and other key management personnel of the Group, including their personally related parties, throughout the year ended 31 December 2011.

## 21 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

| | **Consolidated** | | **Parent entity** | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | **$** | $ | **$** | $ |
| **(a) Assurance services** | | | | |
| *Audit and other assurance services* | | | | |
| KPMG | | | | |
| Audit and review of financial reports and other audit work under the Corporations Act 2001 | **164,684** | 143,785 | **145,584** | 106,846 |
| Other assurance services | **80,000** | 100,000 | **80,000** | 100,000 |
| Total remuneration for audit and other services | **244,684** | 243,785 | **225,584** | 206,846 |

## 22 Contingencies and commitments

A tax audit of GE Capital Australia Funding Pty Ltd is in progress and the Australian Taxation Office (the ATO) is currently reviewing the income tax returns submitted in previous reporting periods. A position paper has been issued by the ATO. The entity has independent advice that items within these tax returns were treated correctly. Consequently, no estimate of or provision for any potential liability has been made in the preparation of the financial report.

As at 31 December 2011 the Company had no capital commitments (2010: nil).

## 23 Related party transactions

### (a) Parent entities

The parent entity within the Group is GE Capital Australia Funding Pty Ltd. The ultimate parent entity is General Electric Capital Corporation (incorporated in the United States of America) which at 31 December 2011 owns 100% (2010 - 100%) of the issued ordinary shares of GE Capital Australia Funding Pty Ltd.

### (b) Subsidiaries

Interests in subsidiaries are set out in note 24.

### (c) Key management personnel

Disclosure relating to key management personnel are set out in note 20.

### (d) Transactions with related parties

The following transactions occurred with related parties:

*i) Commonly controlled entities - loans*

Loans with commonly controlled entities are generally revolving credit facilities for a period of five years which have the option to extend for successive terms of five years. All such transactions are conducted on an arms length basis. The aggregate amounts receivable from and payable to commonly controlled entities by the Company at balance sheet date are detailed in notes 8, 9, 14 and 16.

*ii) Wholly-owned group - loans*

Loans with entities in the wholly owned group have been conducted on an arms length basis. These facilities are available for a period of five years. The aggregate amounts receivable from and payable to wholly-owned group entities by the Company and its controlled entities as at balance date are detailed in note 9.

*iii) Interest income/expense*

A portion of interest income/expense is generated by loans to related parties. Interest income/expense derived from related parties is detailed in note 4.

*iv) Transactions with directors*

Except as disclosed in note 20, there were no transactions with directors during the year, and no loan balances payable to or receivable from directors at any stage during the year.

*v) Wholly owned entities - distributions*

Distributions from the partnership within the Group are detailed in the Statement of Comprehensive Income. The redemption of capital from the partnership has been detailed in Note 11.

## 24 Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

| **Name of entity** | **Country of incorporation** | **Class of shares** | **Equity holding **** | |
|---|---|---|---|---|
| | | | **2011** | 2010 |
| | | | **%** | % |
| GE Capital Australia Cash Pool Pty Ltd | Australia | Ordinary | **100** | 100 |
| GE Liquidity Partnership | Australia | Ordinary | **-** | 99.99 |

** The proportion of ownership interest is equal to the proportion of voting power held.

## 25 Economic dependency

The Company's income is primarily sourced from related parties.

## 26 Events occurring after the reporting period

No matters or circumstances have arisen since 31 December 2011 that has significantly affected, or may significantly affect:

(a) the Group's operations in future financial years, or

(b) the results of those operations in future financial years, or

(c) the Group's state of affairs in future financial years.

In the opinion of the directors of GE Capital Australia Funding Pty Ltd

(a) the financial statements and notes set out on pages 4 to 32 are in accordance with the *Corporations Act 2001*, including:
   (i) complying with Accounting Standards (including the Australian Accounting Interpretations), and the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
   (ii) giving a true and fair view of the Company's and Group's financial position as at 31 December 2011 and of their performance, as represented by the results of their operations, changes in equity and their cash flows, for the financial year ended on that date

(b) the financial report also complies with Internation Financial Reporting Standards as disclosed in note 1(a)

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable

The directors have been given the declarations by the chief executive officer and chief financial officer for the year ended 31 December 2011, required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the directors.

C G Vanderkley
Director

Melbourne
29 March 2012

## Independent auditor's report to the members of GE Capital Australia Funding Pty Ltd

### Report on the financial report

We have audited the accompanying financial report of GE Capital Australia Funding Pty Ltd (the Company), which comprises the statements of financial position as at 31 December 2011, and statements of comprehensive income, statements of changes in equity and statements of cash flows for the year ended on that date, notes 1 to 26 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Company and the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

*Directors' responsibility for the financial report*

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In Note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

*Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Company's and the Group's financial position and of their performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

*Auditor's opinion*

In our opinion:

(a) the financial report of GE Capital Australia Funding Pty Ltd is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Company's and the Group's financial position as at 31 December 2011 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report of the Group also complies with International Financial Reporting Standards as disclosed in Note 1.

KPMG

KPMG

BW Szentirmay
*Partner*

Melbourne

29 March 2012

**GE CAPITAL AUSTRALIA FUNDING PTY, LTD.**

**AUDITED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS OF GE CAPITAL AUSTRALIA FUNDING PTY, LTD. FOR THE FINANCIAL PERIOD ENDED DECEMBER 31, 2010, TOGETHER WITH THE AUDIT REPORT THEREON**

## Directors' report

The directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of GE Capital Australia Funding Pty Ltd (the Company) and the entities it controlled at the end of, or during, the year ended 31 December 2010.

**Directors**
The following persons were directors of GE Capital Australia Funding Pty Ltd during the whole of the financial year, unless otherwise stated, and up to the date of this report:

S A Sargent
C G Vanderkley
F N Crockett

**Principal activities**
The principal activity of the Group during the course of the financial year was to raise financing in the external market to fund the operations of related parties in Australia. The Group's activities expose it to changes in interest rates. The Group is also exposed to credit, liquidity and cash flow risks from its operations. The Group uses derivative financial instruments to hedge fair values and cash flows subject to interest rates and foreign exchange risks. Derivative financial instruments are not held for speculative purposes. There was no significant change in the nature of the activities of the Group during the year.

**Dividends - GE Capital Australia Funding Pty Ltd**
No dividends were paid or declared by the Company in respect of the current financial year (2009: $Nil).

**Review of operations**
The consolidated net operating loss after income tax for this financial year is $1,681,000 (2009: $92,010,000 loss).

The consolidated entity has six employees (2009: four).

**Significant changes in the state of affairs**
In the opinion of the directors there were no significant changes in the state of affairs of the Group that occurred during this financial year.

**Matters subsequent to the end of the financial year**
As at 2 March 2011 the GE Liquidity Partnership has been dissolved.

The majority partner being GE Capital Australia Funding Pty Ltd held a 99.99% share in GE Liquidity as at 31 December 2010. GE Capital Australia Funding Pty Ltd purchased the remaining 0.01% share from GE Investments Australia Pty Ltd on 2 March 2011 for a total of $1,000,000. On this same date, GE Liquidity also distributed $272,438 of undistributed profits to GE Investments Australia Pty Ltd. As a result of the dissolution of GE Liquidity there has been no gain or loss recognised.

**Likely developments and expected results of operations**
Information on likely developments in the operations of the Group and the expected results of operations have not been included in this annual financial report because the directors believe it would be likely to result in unreasonable prejudice to the Group.

**Environmental regulation**
The Group's operations are not subject to specific environmental regulation.

**Indemnification of officers**
The Company shall:

(a) indemnify each person who holds (or has held) a Managerial Office (as defined in the constitution) in the Company against every liability incurred by the person in the performance of, or in connection with the performance of, that Office (except a liability for legal costs); and

(b) pay (whether by way of advance, loan or otherwise) all legal costs incurred by a person who holds (or has held) a Managerial Office in the Company in defending or resisting (or otherwise in connection with) proceedings, whether civil or criminal or of an administrative or investigatory nature, in which the person becomes involved because they hold (or have held) a Managerial Office in the Company,

except to the extent that:

(a) the Company is forbidden by statute or would have been forbidden by statute if the person was an Officer (as defined in the Corporations Act 2001); or

(b) an indemnity or payment by the Company would, if given, be made void by statute or would have been made void if the person was an Officer.

To the maximum extent permitted by law, the Company may indemnify a person holding a Managerial Office in the Company against legal costs incurred in good faith in obtaining legal advice on issues relevant to the performance of their functions and discharge of their duties in that Managerial Office or the management of a subsidiary, if that expenditure has been approved by the board of directors.

**Insurance of officers**

During the financial year ended 31 December 2010, General Electric Company (the ultimate parent entity) has paid premiums on behalf of the Company in respect of directors' and officers' liability insurance (non-indemnifiable coverage only) in respect of that year.

Subsequently, the ultimate parent entity has agreed to pay premiums on behalf of the Company, in respect of directors' and officers' liability insurance (non-indemnifiable coverage only) in respect of the period ending 11 June 2011.

Such insurance policies insure directors and officers against certain limited liabilities.

Directors have not included details of the nature of the liabilities covered or the amount of the premium paid as such disclosure is prohibited under the terms of the insurance policy.

The Company has not during or since the end of the financial year paid or agreed to pay any premiums in respect of any person who has been an auditor of the Company for the purposes of indemnifying them against any claims by third parties arising from their audit report.

**Corporate Citizenship**
GE believes corporate citizenship is an integral part of how we do business. The company's approach to citizenship is no different to how strategies and accountabilities that apply to the running of our business are determined. We believe in corporate integrity and the inextricable link between integrity and performance.

Engaging in community activities is part of our culture and we take great pride in assisting the community in numerous ways. In 2010 we contributed almost 13,000 hours of our peoples' time to charity. In 2010 GE supported 550 events involving 2000 employee participants - an increase of over 1,000 participants since the previous year. Our involvement extended to a variety of community events that saw us taking part in activities such as distributing meals to the homeless through Fare Share and supporting disadvantaged children through the Ardoch Foundation. Our contribution to the Ardoch Foundation included the donation of a car from our Custom Fleet business, for use by Ardoch. This will allow Ardoch to extend their assistance to disadvantaged children in the community.

Across both Australia and New Zealand we continue to work closely with key community partners to develop and foster stronger relationships and further facilitate our volunteering activity.

GE is also committed to developing innovative solutions to environmental challenges, and by doing so, to reducing our impact on the environment. We have already saved over 22 million sheets of paper as we continue to encourage a shift to online statements. Our initiative reduces paper use, and encourages focus on more sustainable ways of doing things in all areas of our business. We strongly believe that when everyone does their part, the road ahead becomes a lot more promising for all of us.

**Auditor's independence declaration**
A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4.

**Rounding of amounts**
The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

**Auditor**
KPMG continues in office in accordance with section 327 of the *Corporations Act 2001*.

This report is made in accordance with a resolution of directors.

C G Vanderkley
Director

Melbourne
30 March 2011

***Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001***

To: the directors of GE Capital Australia Funding Pty Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 December 2010 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

BW Szentirmay
*Partner*

Melbourne

30 March 2011

| | | Consolidated | | Parent entity | |
|---|---|---|---|---|---|
| | | **2010** | 2009 | **2010** | 2009 |
| | Notes | **$'000** | $'000 | **$'000** | $'000 |
| Finance income | 4 | **2,173,659** | 2,154,484 | **1,298,823** | 1,449,205 |
| Finance expenses | 4 | **(2,188,083)** | (2,211,209) | **(1,699,157)** | (1,911,887) |
| **Net finance income/(expense)** | | **(14,424)** | (56,725) | **(400,334)** | (462,682) |
| **Revenue from continuing operations** | | | | | |
| Partnership income | | **-** | - | **382,160** | 400,744 |
| Gains/(losses) on financial instruments | 5 | **32,446** | (40,209) | **32,437** | (34,154) |
| Other expenses | | **(2,133)** | (2,900) | **(1,910)** | (2,644) |
| Employee costs | | **(588)** | (478) | **-** | - |
| **Profit/(loss) before income tax** | | **15,301** | (100,312) | **12,353** | (98,736) |
| Income tax (expense)/benefit | 6 | **(16,982)** | 8,302 | **(16,109)** | 7,817 |
| (Loss) from continuing operations | | **(1,681)** | (92,010) | **(3,756)** | (90,919) |
| **(Loss) for the year** | | **(1,681)** | (92,010) | **(3,756)** | (90,919) |
| **Other comprehensive income** | | | | | |
| Changes in the fair value of cash flow hedges | | **733** | 4,610 | **-** | - |
| Income tax relating to components of other comprehensive income | | **(220)** | (1,383) | **-** | - |
| **Other comprehensive income for the year, net of tax** | | **513** | 3,227 | **-** | - |
| **Total comprehensive income for the year** | | **(1,168)** | (88,783) | **(3,756)** | (90,919) |
| Total comprehensive income for the year is attributable to: | | | | | |
| Owners of GE Capital Australia Funding Pty Ltd | | **(1,206)** | (88,823) | **(3,756)** | (90,919) |
| Profit attributable to minority interest | | **38** | 40 | **-** | - |
| | | **(1,168)** | (88,783) | **(3,756)** | (90,919) |

*The above consolidated statements of comprehensive income should be read in conjunction with the accompanying notes.*

| | Notes | Consolidated 2010 $'000 | Consolidated 2009 $'000 | Parent entity 2010 $'000 | Parent entity 2009 $'000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Current assets** | | | | | |
| Cash and cash equivalents | 7 | **6,519,219** | 670,195 | **-** | 15,400 |
| Receivables | 8 | **268,054** | 1,851,475 | **-** | - |
| Derivative financial instruments | 10 | **7,196** | 16,050 | **7,196** | 16,050 |
| Total current assets | | **6,794,469** | 2,537,720 | **7,196** | 31,450 |
| **Non-current assets** | | | | | |
| Receivables | 9 | **20,414,596** | 20,270,219 | **9,794,470** | 10,017,411 |
| Derivative financial instruments | 10 | **1,627,054** | 869,400 | **8,996** | 64,827 |
| Other financial assets | 11 | **-** | - | **8,727,911** | 8,344,868 |
| Deferred tax assets | 12 | **9,097** | 39,828 | **9,822** | 40,344 |
| Total non-current assets | | **22,050,747** | 21,179,447 | **18,541,199** | 18,467,450 |
| **Total assets** | | **28,845,216** | 23,717,167 | **18,548,395** | 18,498,900 |
| **LIABILITIES** | | | | | |
| **Current liabilities** | | | | | |
| Payables | 13 | **97,258** | 99,111 | **97,072** | 98,985 |
| Interest bearing liabilities | 14 | **5,072,548** | 2,946,498 | **4,870,468** | 2,691,915 |
| Derivative financial instruments | 10 | **20,956** | - | **20,956** | - |
| Current tax liabilities | | **15,185** | - | **15,185** | - |
| Provisions | 15 | **83** | 48 | **-** | - |
| Total current liabilities | | **5,206,030** | 3,045,657 | **5,003,681** | 2,790,900 |
| **Non-current liabilities** | | | | | |
| Interest bearing liabilities | 16 | **23,474,089** | 20,475,240 | **13,430,792** | 15,560,355 |
| **Total liabilities** | | **28,680,119** | 23,520,897 | **18,434,473** | 18,351,255 |
| **Net assets** | | **165,097** | 196,270 | **113,922** | 147,645 |
| **EQUITY** | | | | | |
| Contributed equity | 17 | **479,900** | 479,900 | **479,900** | 479,900 |
| Reserves | 18(a) | **(23,894)** | 5,560 | **(25,644)** | 4,323 |
| Accumulated losses | 18(b) | **(291,909)** | (290,190) | **(340,334)** | (336,578) |
| Parent entity interest | | **164,097** | 195,270 | **113,922** | 147,645 |
| Non-controlling interests | | **1,000** | 1,000 | **-** | - |
| **Total equity** | | **165,097** | 196,270 | **113,922** | 147,645 |

*The above statements of financial position should be read in conjunction with the accompanying notes.*

| **Consolidated** | **Contributed equity $'000** | **Reserves $'000** | **Retained earnings $'000** | **Non-controlling interests $'000** | **Total equity $'000** |
|---|---|---|---|---|---|
| **Balance at 1 January 2009** | **329,900** | **262** | **(198,140)** | **1,000** | **133,022** |
| Profit/(loss) for the year | - | - | (92,050) | - | (92,050) |
| Cash flow hedges | - | 4,610 | - | - | 4,610 |
| Income tax relating to components of other comprehensive income | - | (1,383) | - | - | (1,383) |
| **Total comprehensive income for the year** | **-** | **3,227** | **(92,050)** | **-** | **(88,823)** |
| **Transactions with owners in their capacity as owners:** | | | | | |
| Tax consolidation reserve | - | 2,071 | - | - | 2,071 |
| Contributions of equity, net of transaction costs | 150,000 | - | - | - | 150,000 |
| **Balance at 31 December 2009** | **479,900** | **5,560** | **(290,190)** | **1,000** | **196,270** |
| **Balance at 1 January 2010** | **479,900** | **5,560** | **(290,190)** | **1,000** | **196,270** |
| Profit/(loss) for the year | - | - | (1,719) | - | (1,719) |
| Cash flow hedges | - | 733 | - | - | 733 |
| Income tax relating to components of other comprehensive income | - | (220) | - | - | (220) |
| **Total comprehensive income for the year** | **-** | **513** | **(1,719)** | **-** | **(1,206)** |
| **Transactions with owners in their capacity as owners:** | | | | | |
| Tax consolidation reserve | - | (29,967) | - | - | (29,967) |
| **Balance at 31 December 2010** | **479,900** | **(23,894)** | **(291,909)** | **1,000** | **165,097** |

| **Parent** | **Ordinary shares $'000** | **Reserves $'000** | **Retained earnings $'000** | **Total equity $'000** |
|---|---|---|---|---|
| **Balance at 1 January 2009** | **329,900** | **2,252** | **(245,659)** | **86,493** |
| Profit/(loss) for the year | - | - | (90,919) | (90,919) |
| **Total comprehensive income for the year** | **-** | **-** | **(90,919)** | **(90,919)** |
| **Transactions with owners in their capacity as owners:** | | | | |
| Tax consolidation reserve | - | 2,071 | - | 2,071 |
| Contributions of equity, net of transaction costs | 150,000 | - | - | 150,000 |
| **Balance at 31 December 2009** | **479,900** | **4,323** | **(336,578)** | **147,645** |
| **Balance at 1 January 2010** | **479,900** | **4,323** | **(336,578)** | **147,645** |
| Proft/(loss) for the year | - | - | (3,756) | (3,756) |
| **Total comprehensive income for the year** | **-** | **-** | **(3,756)** | **(3,756)** |
| **Transactions with owners in their capacity as owners:** | | | | |
| Tax consolidation reserve | - | (29,967) | - | (29,967) |
| **Balance at 31 December 2010** | **479,900** | **(25,644)** | **(340,334)** | **113,922** |

*The above consolidated statements of changes in equity should be read in conjunction with the accompanying notes.*

| | Notes | Consolidated 2010 $'000 | Consolidated 2009 $'000 | Parent entity 2010 $'000 | Parent entity 2009 $'000 |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Cash generated from operations | | **15,301** | (100,312) | **12,353** | (98,736) |
| Income tax | | **(16,982)** | 8,302 | **(16,109)** | 7,817 |
| Tax consolidations | | **(29,967)** | 2,071 | **(29,967)** | 2,071 |
| Fair value of derivatives | | **(15,178)** | 88,139 | **(15,178)** | 88,139 |
| Unrealised foreign exchange | | **(5,647)** | (27,645) | **(5,647)** | (27,645) |
| Debt amortisation | | **(11,438)** | (18,822) | **(11,438)** | (18,822) |
| Swap interest income | | **283,475** | 987,626 | **658,153** | 839,710 |
| Swap interest expense | | **(742,619)** | (1,342,927) | **(772,972)** | (1,007,414) |
| Interest expense on debt | | **619,837** | 610,506 | **619,837** | 610,506 |
| Income distribution | | **-** | - | **(382,160)** | (400,744) |
| (Increase)/decrease in current receivables | | **(6,903)** | - | **-** | - |
| (Increase)/decrease in other financial assets | | **-** | - | **(883)** | 481 |
| (Increase)/decrease in loans receivable | | **745,011** | 24,551,603 | **222,941** | (324,959) |
| (Increase)/decrease in deferred tax assets | | **30,512** | (10,373) | **30,522** | (10,370) |
| Increase/(decrease) in payables | | **(723)** | (66,762) | **(780)** | (66,771) |
| Increase/(decrease) in current tax liabilities | | **15,185** | - | **15,185** | - |
| Increase/(decrease) in interest-bearing liabilities | | **6,008,755** | (22,973,991) | **932,846** | (10,028,824) |
| **Net cash (outflow)/inflow from operating activities** | | **6,888,619** | 1,707,415 | **1,256,703** | (10,435,561) |
| **Cash flows from investing activities** | | | | | |
| Swap receipts | | **1,147,650** | 1,331,373 | **772,972** | 995,860 |
| Swap payments | | **(673,928)** | (987,626) | **(643,573)** | (839,710) |
| **Net cash (outflow)/inflow from investing activities** | | **473,722** | 343,747 | **129,399** | 156,150 |
| **Cash flows from financing activities** | | | | | |
| Interest received | | **-** | 52,249 | **-** | - |
| Interest expense on debt | | **(758,864)** | (601,099) | **(647,049)** | (601,099) |
| Proceeds from issuance of debt | | **5,560,000** | 3,601,000 | **5,560,000** | 3,601,000 |
| Payments for debt maturities | | **(6,339,000)** | (4,657,000) | **(6,339,000)** | (4,657,000) |
| Partnership capital redemption | | **-** | - | **-** | 9,890,000 |
| Partnership cash distribution | | **-** | (200) | **-** | 1,999,850 |
| Shares Issued | | **-** | 150,000 | **-** | 150,000 |
| **Net cash inflow/(outflow) from financing activities** | | **(1,537,864)** | (1,455,050) | **(1,426,049)** | 10,382,751 |
| **Net increase/(decrease) in cash and cash equivalents** | | **5,824,477** | 596,112 | **(39,947)** | 103,340 |
| Cash and cash equivalents at the beginning of the financial year | | **670,195** | 74,083 | **15,400** | (87,940) |
| **Cash and cash equivalents at end of year** | 7 | **6,494,672** | 670,195 | **(24,547)** | 15,400 |

*The above statements of cash flows should be read in conjunction with the accompanying notes.*

## 1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for GE Capital Australia Funding Pty Ltd as an individual entity and the consolidated entity consisting of GE Capital Australia Funding Pty Ltd and its subsidiaries.

### (a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRSs), other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001.*

The financial statements were approved by the Board of Directors on 30 March 2011.

GE Capital Australia Funding Pty Ltd has a preference to prepare parent entity financial statements. As a result GE Capital Australia Funding Pty Ltd has adopted ASIC Class Order 10/654 and continues to disclose four column annual financial statements.

The financial report has been prepared on a going concern basis, which contemplates continuity of normal activities, realisation of assets and settlement of liabilities in the normal course of business. The directors have had regard to funding sources currently available, the rollover of external debts and the business performance in determining the going concern basis.

*Compliance with IFRS*
Australian Accounting Standards include AIFRSs. Compliance with AIFRSs ensures that the consolidated financial statements and notes of GE Capital Australia Funding Pty Ltd comply with International Financial Reporting Standards (IFRSs).

*Historical cost convention*
These financial statements have been prepared under the historical cost convention, except for certain assets which, as noted, are at valuation. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year. Comparative information is reclassified where appropiate to enhance comparability.

*Critical accounting estimates and judgements*
Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year for the Group are in relation to the following and are described in the referred notes:

- impairment of loans and receivables (refer note 1(i))

- recoverability of deferred tax assets (refer note 1(e))

- derivatives and hedging activities (refer note 1(j))

- employee benefits (refer note 1(n))

### (b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of GE Capital Australia Funding Pty Ltd ("Company" or "parent entity") and the results of all subsidiaries for the year ended 31 December 2010. GE Capital Australia Funding Pty Ltd and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

## 1 Summary of significant accounting policies (continued)

### (b) Principles of consolidation (continued)

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been amended where necessary to ensure consistency with the policies adopted by the Group.

### (c) Foreign currency translation

*(i) Functional and presentation currency*
Items included in the financial statements of each of the consolidated entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is GE Capital Australia Funding Pty Ltd's functional and presentation currency.

*(ii) Transactions and balances*
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

### (d) Revenue recognition

*(i) Finance income*

Revenue is measured at the fair value of the consideration received or receivable. Interest income and commitment fee income is recognised on an accrual basis using the effective interest rate method.

### (e) Income tax

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

*Tax consolidation legislation*
The Company is the head entity in a tax consolidated group incorporating the Company, its wholly-owned subsidiaries and GE Investments Australia Pty Ltd. The implementation date of the tax consolidations system for the tax consolidated group was 1 January 2004.

The head entity, GE Capital Australia Funding Pty Ltd, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

## 1 Summary of significant accounting policies (continued)

### (e) Income tax (continued)

In addition to its own current and deferred tax amounts, GE Capital Australia Funding Pty Ltd also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Tax transactions between the head entity and members of the tax consolidated group who are also members of the consolidated entity are recognised by the head entity as increases or decreases (as appropriate) in the value of the investment in subsidiary. Tax transactions between the head entity and members of the tax consolidated group who are not members of the consolidated entity are transferred to the tax consolidation reserve.

### (f) Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

### (g) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

### (h) Investments

Investments in controlled entities are carried in the Company's financial statements at the lower of cost and recoverable amount.

### (i) Receivables and other financial assets

*(i) Loans and receivables*
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the consolidated entity provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the statement of financial position date which are classified as non-current assets. Loans and receivables are included in receivables in the statement of financial position.

*(ii) Provision for losses on loans and receivables*
The consolidated entity first assesses whether objective evidence of impairment exists for individual financial assets that are individually significant. Where objective evidence of impairment exists, the financial asset is recognised at the present value of its estimated future cash flows.

Objective evidence that not all the principal and interest will be collected in accordance with the loan agreement includes default on a repayment or a change in risk rating.

Financial assets, other than those individually significant financial assets that have been assessed as impaired are grouped with other financial assets with similar credit risk characteristics and collectively assessed for impairment. When evidence of impairment exists, the determination of an appropriate allowance for losses is based upon past loss experience for portfolios with similar payment history.

### (j) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

## 1 Summary of significant accounting policies (continued)

### (j) Derivatives and hedging activities (continued)

The consolidated entity documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The consolidated entity also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values of hedged items.

*(i) Fair value hedge*
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of comprehensive income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the effective portion of interest rate swaps to hedge fixed rate borrowings, is included in the statement of comprehensive income within gains/(losses) on financial instruments. The gains or loss relating to the ineffective portion and the changes in the fair value of hedged fixed rate borrowings attributable to interest rate risk is also included in the statement of comprehensive income within gains/(losses) on financial instruments.

*(ii) Cash flow hedge*
The effective portion of changes in the fair value of derivatives that are designated and qualify as a cash flow hedge is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within gains/(losses) on financial instruments.

Amounts accumulated in equity are reflected in the statement of comprehensive income in the periods when the hedged item will affect the profit or loss amount.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the statement of comprehensive income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the statement of comprehensive income.

*(iii) Derivatives that do not qualify for hedge accounting*
Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the statement of comprehensive income and are included within gains/(losses) in financial instruments.

### (k) Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year which remain unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

### (l) Borrowings

Interest bearing liabilities are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the consolidated entity has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

### (m) Borrowing costs

Borrowing costs are expensed as incurred.

### (n) Employee benefits

*(i) Wages and salaries, annual leave and sick leave*
Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date, are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

## 1 Summary of significant accounting policies (continued)

### (n) Employee benefits (continued)

*(ii) Long service leave*

The liability for long service leave is recognised in the provision for employee benefits and measured at the present value of expected future payments to be made for services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible to the estimated future cash outflows.

### (o) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

### (p) Dividends

Provision is made for the amount of any dividend declared, that has been appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at balance date.

No dividends were paid or declared by the Company in respect of the current financial year (2009: $Nil).

### (q) New accounting standards and interpretations

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 31 December 2010, but have not been applied in preparing this financial report.

AASB 9 Financial Instruments includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 will become mandatory for the Group’s 31 December 2013 financial statements. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ended 31 December 2012 or earlier. The Group has not yet determined the potential effect of the standard.

AASB 124 Related Party Disclosures (revised December 2009) simplifies and clarifies the intended meaning of the definition of a related party and provides a partial exemption from the disclosure requirements for government-related entities. The amendments, which will become mandatory for the Group’s 31 December 2011 financial statements, are not expected to have any significant impact on the financial statements.

AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project amends a number of pronouncements as a result of the IASB's 2008-2010 cycle of annual improvements to provide clarification of certain matters. The key clarifications include the measurement of non-controlling interests in a business combination, transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised AASB 3 Business Combinations (2008) and transition requirements for amendments arising as a result of AASB 127 Consolidated and Separate Financial Statements. The amendments, which will become mandatory for the Group’s 31 December 2011 financial statements, are not expected to have any significant impact on the financial statements.

AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project amends a number of pronouncements as a result of the IASB's 2008-2010 cycle of annual improvements. Key amendments include Financial statement disclosures - clarification of content of statement of changes in equity (AASB 101), financial instrument disclosures (AASB 7), IFRIC13 Fair value of award credits and AASB 1 Accounting policy changes in year of adoption and amendments to deemed cost. The amendments, which will become mandatory for the Group’s 31 December 2011 financial statements, are not expected to have any significant impact on the financial statements.

## 1 Summary of significant accounting policies (continued)

### (q) New accounting standards and interpretations (continued)

AASB 2010-5 Amendments to Australian Accounting Standards This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. These amendments have no major impact on the requirements of the amended pronouncements. The amendments, which will become mandatory for the Group's 31 December 2011 financial statements, are not expected to have any significant impact on the financial statements .

### (r) Rounding of amounts

The Company is of a kind referred to in Class order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

## 2 Financial risk management

The consolidated entity's activities expose it to a variety of financial risks:

- market risk (including currency risk, fair value interest rate risk, and cash flow interest rate risk)

- credit risk

- liquidity risk.

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses derivative financial instruments such as cross currency swaps and interest rate swaps to hedge certain risk exposures. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and foreign exchange and ageing analysis for credit risk.

Risk management is carried out by a central treasury department (Group Treasury) under policies approved by the Board of Directors. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the consolidated entity's operating units. The Board provides principles for overall risk management.

### (a) Market risk

*(i) Foreign exchange risk*
The consolidated entity and the parent entity operate internationally and are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities that are denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis.

Management has set up a policy requiring group companies to manage their foreign exchange risk against their functional currency. The group companies are required to hedge their foreign exchange risk exposure arising from future commercial transactions and recognised assets and liabilities using cross currency swaps with terms reflecting the underlying loan receivable or liability.

*Sensitivity analysis*
Refer to the summarised sensitivity analysis at (iii).

*(ii) Cash flow and fair value interest rate risk*
The consolidated entity's main interest rate risk arises from long-term borrowings. As the consolidated entity's assets are floating rate assets, borrowings issued at fixed rates expose the consolidated entity to interest rate risk. The consolidated entity's policy is to manage interest rate risk through use of interest rate swaps to swap fixed rate borrowings to floating rate borrowings. During 2010 and 2009, the consolidated entity's borrowings at variable rates were denominated in Australian dollars and Singapore dollars.

## 2 Financial risk management (continued)

*(iii) Summarised sensitivity analysis*

The following table summarises the sensitivity of the Group's financial assets and financial liabilities to interest rate risk and foreign exchange risk.

| **Consolidated** | | Interest rate risk | | | | Foreign exchange risk | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | -100bps | | +100bps | | -10% | | +10% | |
| **31 December 2010** | Carrying amount $'000 | Profit $'000 | Equity $'000 | Profit $'000 | Equity $'000 | Profit $'000 | Equity $'000 | Profit $'000 | Equity $'000 |
| **Financial assets** | | | | | | | | | |
| Cash and cash equivalents | 6,519,219 | (65,192) | - | 65,192 | - | - | - | - | - |
| Receivables | 20,682,650 | (204,146) | - | 204,146 | - | - | - | - | - |
| Derivative financial instruments - net | 1,613,294 | (2,768) | 1,397 | 2,893 | (1,403) | - | (715) | - | 517 |
| **Financial liabilities** | | | | | | | | | |
| Interest bearing liabilities | 28,522,090 | 285,221 | - | (285,221) | - | - | - | - | - |
| Cash and cash equivalents | 24,547 | 245 | - | (245) | - | - | - | - | - |
| **Total increase/(decrease)** | | 13,360 | 1,397 | (13,235) | (1,403) | - | (715) | - | 517 |

| **Consolidated** | | Interest rate risk | | | | Foreign exchange risk | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | -100bps | | +100bps | | -10% | | +10% | |
| **31 December 2009** | Carrying amount $'000 | Profit $'000 | Equity $'000 | Profit $'000 | Equity $'000 | Profit $'000 | Equity $'000 | Profit $'000 | Equity $'000 |
| **Financial assets** | | | | | | | | | |
| Cash and cash equivalents | 670,195 | (6,702) | - | 6,702 | - | - | - | - | - |
| Receivables | 22,121,694 | (202,702) | - | 202,702 | - | - | - | - | - |
| Derivatives financial instruments - net | 885,450 | (7,775) | 247 | 7,961 | (239) | - | (1,646) | - | 1,346 |
| **Financial liabilities** | | | | | | | | | |
| Interest bearing liabilities | 23,421,738 | 234,217 | - | (234,217) | - | - | - | - | - |
| **Total increase/(decrease)** | | 17,038 | 247 | (16,852) | (239) | - | (1,646) | - | 1,346 |

| **Parent entity** | | Interest rate risk | | | | Foreign exchange risk | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | -100bps | | +100bps | | -10% | | +10% | |
| **31 December 2010** | Carrying amount $'000 | Profit $'000 | Equity $'000 | Profit $'000 | Equity $'000 | Profit $'000 | Equity $'000 | Profit $'000 | Equity $'000 |
| **Financial assets** | | | | | | | | | |
| Receivables | 9,794,470 | (97,945) | - | 97,945 | - | - | - | - | - |
| **Financial liabilities** | | | | | | | | | |
| Cash and cash equivalents | 24,547 | 245 | - | (245) | - | - | - | - | - |
| Interest bearing liabilities | 18,276,713 | 182,767 | - | (182,767) | - | - | - | - | - |
| Derivative financial instruments - net | 4,764 | (4,882) | - | 5,008 | - | - | - | - | - |
| **Total increase/(decrease)** | | 80,185 | - | (80,059) | - | - | - | - | - |

| **Parent entity** | | Interest rate risk | | | | Foreign exchange risk | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | -100bps | | +100bps | | -10% | | +10% | |
| **31 December 2009** | Carrying amount $'000 | Profit $'000 | Equity $'000 | Profit $'000 | Equity $'000 | Profit $'000 | Equity $'000 | Profit $'000 | Equity $'000 |
| **Financial assets** | | | | | | | | | |
| Cash and cash equivalents | 15,400 | (154) | - | 154 | - | - | - | - | - |
| Receivables | 10,017,411 | (100,174) | - | 100,174 | - | - | - | - | - |
| Derivative financial instruments - net | 80,877 | (3,913) | - | 4,099 | - | - | - | - | - |
| **Financial liabilities** | | | | | | | | | |
| Interest bearing liabilities | 18,252,270 | 182,523 | - | (182,523) | - | - | - | - | - |
| **Total increase/(decrease)** | | 78,282 | - | (78,096) | - | - | - | - | - |

## 2 Financial risk management (continued)

### (b) Credit risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

The credit risk on financial assets of the consolidated entity which have been recognised on the statement of financial position is the carrying amount of the assets, net of any provision for doubtful debts.

The consolidated entity is exposed to concentration of credit risk, as it provides funding only to related parties.

Swaps are subject to credit risk in relation to the relevant counterparties, which are principally related parties and high credit quality financial institutions. The credit risk on swap contracts is limited to the next amount to be received from counterparties on contracts that are favourable to the consolidated entity.

### (c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group Treasury aims at maintaining flexibility in funding by keeping committed credit lines available.

The tables below analyse the consolidated entity's and the parent entity's financial liabilities and net settled derivative financial instruments into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows, except for interest rate swaps where the cash flows have been estimated using forward interest rates applicable at the reporting date. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

| **Contractual maturities of financial liabilities** | **Less than 1 year** | **Between 1 and 2 years** | **Between 2 and 5 years** | **Over 5 years** | **Total contractual cash flows** |
|---|---|---|---|---|---|
| **Consolidated entity - at 31 December 2010** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| **Non-derivatives** | | | | | |
| Interest bearing liabilities | 4,038,243 | 1,741,320 | 2,776,222 | 17,988,482 | 26,544,267 |
| Payables | 97,258 | - | - | - | 97,258 |
| **Total** | 4,135,501 | 1,741,320 | 2,776,222 | 17,988,482 | 26,641,525 |
| **Derivatives** | | | | | |
| Gross settled | | | | | |
| - (inflow) | (414,001) | (8,033,997) | - | - | (8,447,998) |
| - outflow | 42,749 | 6,224,320 | - | - | 6,267,069 |
| **Total derivatives** | (371,252) | (1,809,677) | - | - | (2,180,929) |

## 2 Financial risk management (continued)

| Consolidated entity - at 31 December 2009 | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years | Total contractual cash flows |
|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Non-derivatives** | | | | | |
| Interest bearing liabilities | 2,799,627 | 2,732,924 | 2,630,257 | 12,442,846 | 20,605,654 |
| Payables | 99,111 | - | - | - | 99,111 |
| **Total** | 2,898,738 | 2,732,924 | 2,630,257 | 12,442,846 | 20,704,765 |
| **Derivatives** | | | | | |
| Gross settled | | | | | |
| - (inflow) | (211,513) | (396,852) | (7,966,100) | - | (8,574,465) |
| - outflow | 35,226 | 77,814 | 6,896,868 | - | 7,009,908 |
| **Total derivatives** | (176,287) | (319,038) | (1,069,232) | - | (1,564,557) |

| **Contractual maturities of financial liabilities** | **Less than 1 year** | **Between 1 and 2 years** | **Between 2 and 5 years** | **Over 5 years** | **Total contractual cash flows** |
|---|---|---|---|---|---|
| **Parent - at 31 December 2010** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| **Non-derivatives** | | | | | |
| Interest bearing liabilities | 3,836,163 | 1,741,320 | 2,776,222 | 7,945,185 | 16,298,890 |
| Payables | 97,072 | - | - | - | 97,072 |
| **Total** | 3,933,235 | 1,741,320 | 2,776,222 | 7,945,185 | 16,395,962 |

| Parent - at 31 December 2009 | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years | Total contractual cash flows |
|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Non-derivatives** | | | | | |
| Interest bearing liabilities | 2,545,044 | 2,732,924 | 2,630,257 | 7,527,961 | 15,436,186 |
| Payables | 98,985 | - | - | - | 98,985 |
| **Total** | 2,644,029 | 2,732,924 | 2,630,257 | 7,527,961 | 15,535,171 |

The amounts expected to be payable in relation to the interest rate swaps have been estimated using forward interest rates applicable at the reporting date. The amounts disclosed in the table are the maximum amounts allocated to the earliest period in which the guarantee could be called upon. The consolidated entity does not expect these payments to eventuate.

### (d) Interest rate risk

The consolidated entity's receivables are floating rate interest-bearing receivables. Therefore the consolidated entity's interest-rate risk arises from borrowings issued at fixed rates, which expose the consolidated entity to fair value interest-rate risk.

The consolidated entity manages its fair value interest-rate risk by using fixed-to-floating interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from fixed rates to floating rates. Generally, the consolidated entity raises long-term borrowings at both floating and fixed rates. Where it raises fixed rate borrowings, it swaps them into floating rates. Under the terms of the interest-rate swaps, the consolidated entity agrees with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts.

## 2 Financial risk management (continued)

Refer Note 2 (a) (iii) 'Summarised sensitivity analysis' for a quantative illustration of the interest rate risk.

### (e) Fair value measurements

As at 31 December the Group held the following financial instruments at fair value:

In line with AASB7 listed below is the heirarchy for determining and disclosing the fair value of financial instruments by valuation techniques:

- Level 1: quoted prices in active markets

- Level 2: other techniques for which all major drivers of fair value are observable, either directly or indirectly

- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not observable market data

| **Consolidated entity - as at 31 December 2010** | **Level 1 $'000** | **Level 2 $'000** | **Level 3 $'000** | **Total $'000** |
|---|---|---|---|---|
| **Assets** | | | | |
| Derivative financial instruments | - | 1,634,250 | - | 1,634,250 |
| **Total assets** | - | 1,634,250 | - | 1,634,250 |
| **Liabilities** | | | | |
| Derivative financial instruments | - | 20,956 | - | 20,956 |
| **Total liabilities** | - | 20,956 | - | 20,956 |

| Consolidated entity - as at 31 December 2009 | **Level 1 $'000** | **Level 2 $'000** | **Level 3 $'000** | **Total $'000** |
|---|---|---|---|---|
| **Assets** | | | | |
| Derivative financial instruments | - | 885,450 | - | 885,450 |
| **Total assets** | - | 885,450 | - | 885,450 |

| **Parent - as at 31 December 2010** | **Level 1 $'000** | **Level 2 $'000** | **Level 3 $'000** | **Total $'000** |
|---|---|---|---|---|
| **Assets** | | | | |
| Derivative financial instruments | - | 16,192 | - | 16,192 |
| **Total assets** | - | 16,192 | - | 16,192 |
| **Liabilities** | | | | |
| Derivative financial instruments | - | 20,956 | - | 20,956 |
| **Total liabilities** | - | 20,956 | - | 20,956 |

| Parent - as at 31 December 2009 | **Level 1 $'000** | **Level 2 $'000** | **Level 3 $'000** | **Total $'000** |
|---|---|---|---|---|
| **Assets** | | | | |
| Derivative financial instruments | - | 80,877 | - | 80,877 |
| **Total assets** | - | 80,877 | - | 80,877 |

During the year ended 31 December 2010 there have been no transfers between level 1 to 3 (2009: no transfers in either direction).

## 2 Financial risk management (continued)

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the consolidated entity is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The consolidated entity uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used to estimate fair value for long-term debt for disclosure purposes. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the end of the reporting period. These instruments are included in level 2 and comprise debt investments and derivative financial instruments.

In the circumstances where a valuation technique for these instruments is based on significant unobservable inputs, such instruments are included in level 3.

### (f) Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amouns shown in the statements of financial position, are as follows:

| **Consolidated** | **31 December 2010** | | 31 December 2009 | |
|---|---|---|---|---|
| | **Carrying amount** | **Fair value** | Carrying amount | Fair value |
| | **$'000** | **$'000** | $'000 | $'000 |
| **Assets** | | | | |
| Cash and cash equivalents | **6,519,219** | **6,519,219** | 670,195 | 670,195 |
| Receivables | **20,682,650** | **20,682,650** | 22,121,694 | 22,121,694 |
| Derivative financial instruments | **1,634,250** | **1,634,250** | 885,450 | 885,450 |
| **Total Assets** | **28,836,119** | **28,836,119** | 23,677,339 | 23,677,339 |
| **Liabilities** | | | | |
| Cash and cash equivalents | **24,547** | **24,547** | - | - |
| Payables | **97,258** | **97,258** | 99,111 | 99,111 |
| Interest bearing liabilities | **28,522,090** | **28,522,090** | 23,421,738 | 23,421,738 |
| Derivative financial instruments | **20,956** | **20,956** | - | - |
| **Total Liabilities** | **28,664,851** | **28,664,851** | 23,520,849 | 23,520,849 |

| **Parent entity** | **31 December 2010** | | 31 December 2009 | |
|---|---|---|---|---|
| | **Carrying amount** | **Fair value** | Carrying amount | Fair value |
| | **$'000** | **$'000** | $'000 | $'000 |
| **Assets** | | | | |
| Cash and cash equivalents | **-** | **-** | 15,400 | 15,400 |
| Receivables | **9,794,470** | **9,794,470** | 10,017,411 | 10,017,411 |
| Derivative financial instruments | **16,192** | **16,192** | 80,877 | 80,877 |
| Other financial assets | **8,727,911** | **8,727,911** | 8,344,868 | 8,344,868 |
| **Total Assets** | **18,538,573** | **18,538,573** | 18,458,556 | 18,458,556 |
| **Liabilities** | | | | |
| Cash and cash equivalents | **24,547** | **24,547** | - | - |
| Payables | **97,072** | **97,072** | 98,985 | 98,985 |
| Interest bearing liabilities | **18,276,713** | **18,276,713** | 18,276,713 | 18,276,713 |
| Derivative financial instruments | **20,956** | **20,956** | - | - |
| **Total Liabilities** | **18,419,288** | **18,419,288** | 18,375,698 | 18,375,698 |

## 3 Segment information

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

The Company and its subsidiaries operate in Australia in the financial services industry.

## 4 Finance income/(expenses)

| | **Consolidated** | | **Parent entity** | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **$'000** | $'000 | **$'000** | $'000 |
| *Finance expenses* | | | | |
| Interest and finance charges - external borrowings | **(608,546)** | (623,304) | **(614,454)** | (616,765) |
| Interest expense - related parties | **(839,635)** | (614,502) | **(375,155)** | (384,323) |
| Guarantee fee - related parties | **(65,975)** | (71,089) | **(65,975)** | (71,089) |
| Swap interest expense | **(673,927)** | (902,314) | **(643,573)** | (839,710) |
| | **(2,188,083)** | (2,211,209) | **(1,699,157)** | (1,911,887) |
| *Finance income* | | | | |
| Interest income - financial institutions | **154,539** | 35,777 | **1,432** | - |
| Interest and commitment charges - related parties | **897,586** | 855,638 | **544,381** | 441,791 |
| Swap interest income | **1,121,534** | 1,263,069 | **753,010** | 1,007,414 |
| | **2,173,659** | 2,154,484 | **1,298,823** | 1,449,205 |
| Net finance income/(expenses) | **(14,424)** | (56,725) | **(400,334)** | (462,682) |

## 5 Gains/(losses) on financial instruments

| | **Consolidated** | | **Parent entity** | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Fair value gains/(losses) on derivatives | **15,178** | (88,139) | **15,178** | (88,139) |
| Foreign exchange gains/(losses) - net | **5,830** | 31,174 | **5,821** | 31,775 |
| Termination gains/(losses) on swaps | **-** | (2,066) | **-** | 3,388 |
| Amortisation of swaps | **11,438** | 18,822 | **11,438** | 18,822 |
| | **32,446** | (40,209) | **32,437** | (34,154) |

## 6 Income tax expense/(benefit)

| | **Consolidated** | | **Parent entity** | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Income tax expense/(benefit) | **16,982** | (8,302) | **16,109** | (7,817) |
| Deferred income tax expense/(benefit) included in income tax expense comprises: | | | | |
| (Increase)/decrease in deferred tax assets (note 12) | **9,667** | (12,505) | **9,678** | (12,501) |

## 6 Income tax expense/(benefit) (continued)

### (a) Numerical reconciliation of income tax expense to prima facie tax payable

| | | | | |
|---|---|---|---|---|
| Profit/(loss) from continuing operations before income tax expense/(benefit) | **15,301** | (100,312) | **12,353** | (98,736) |
| Tax at the Australian tax rate of 30% (2009 - 30%) | **4,590** | (30,094) | **3,706** | (29,621) |
| Tax effect of amounts which are not deductible/(taxable) in calculating taxable income: | | | | |
| Non-group partnership income | **(11)** | (12) | **-** | - |
| Unreaslied foreign exchange movements | **(55)** | (1,058) | **(55)** | (1,058) |
| | **4,524** | (31,164) | **3,651** | (30,679) |
| Under provision in prior years - current tax | **12,458** | 22,862 | **12,458** | 22,862 |
| Income tax expense/(benefit) | **16,982** | (8,302) | **16,109** | (7,817) |

## 7 Current assets - Cash and cash equivalents

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Cash and cash equivalents | **6,519,219** | 670,195 | **-** | 15,400 |

### (a) Reconciliation to cash at the end of the year

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Balances as above | **6,519,219** | 670,195 | **-** | 15,400 |
| Bank overdrafts (note 14) | **(24,547)** | - | **(24,547)** | - |
| Balances per statement of cash flows | **6,494,672** | 670,195 | **(24,547)** | 15,400 |

### (b) Cash at bank and on hand

These have a weighted average interest rate of 4.44% (2009: 3.37%)

## 8 Current assets - Receivables

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Accrued interest on swaps | **261,151** | 149,335 | **-** | - |
| Loans to related parties | **-** | 1,702,140 | **-** | - |
| Accrued interest on term deposits | **6,903** | - | **-** | - |
| | **268,054** | 1,851,475 | **-** | - |

## 9 Non-current assets - Receivables

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Loans to related parties | **20,414,596** | 20,270,219 | **9,794,470** | 10,017,411 |

## 10 Derivative financial instruments

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **$'000** | $'000 | **$'000** | $'000 |
| **Current assets** | | | | |
| Derivative financial instruments | **7,196** | 16,050 | **7,196** | 16,050 |
| Total current derivative financial instrument assets | **7,196** | 16,050 | **7,196** | 16,050 |
| **Non-current assets** | | | | |
| Derivative financial instruments - cash flow hedge | **1,618,058** | 804,573 | **-** | - |
| Derivative financial instruments | **8,996** | 64,827 | **8,996** | 64,827 |
| Total non-current derivative financial instrument assets | **1,627,054** | 869,400 | **8,996** | 64,827 |
| Total derivative financial instrument assets | **1,634,250** | 885,450 | **16,192** | 80,877 |
| **Current liabilities** | | | | |
| Derivative financial instruments | **(20,956)** | - | **(20,956)** | - |

## 11 Non-current assets - Other financial assets

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Investments in subsidiaries (note 24) | **-** | - | **8,666,514** | 8,284,354 |
| Investments in subsidiaries - tax consolidation | **-** | - | **61,397** | 60,514 |
| | **-** | - | **8,727,911** | 8,344,868 |

These financial assets are carried at cost.

## 12 Non-current assets - Deferred tax assets

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **$'000** | $'000 | **$'000** | $'000 |
| **The balance comprises temporary differences attributable to:** | | | | |
| Employee benefits | **25** | 14 | **-** | - |
| Derivative financial instruments | **9,822** | 19,500 | **9,822** | 19,500 |
| Derivative financial instruments - cash flow hedges | **(750)** | (530) | **-** | - |
| Tax losses | **-** | 20,844 | **-** | 20,844 |
| | **9,097** | 39,828 | **9,822** | 40,344 |
| **Movements:** | | | | |
| Opening balance at 1 January | **39,828** | 30,837 | **40,344** | 29,974 |
| Credited/(charged) to the income statement | **(29,981)** | 9,521 | **(30,522)** | 10,370 |
| Credited/(charged) to equity | **(750)** | (530) | **-** | - |
| Closing balance at 31 December | **9,097** | 39,828 | **9,822** | 40,344 |

## 13 Current liabilities - Payables

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Distribution payable | **126** | 87 | **-** | - |
| Accrued expenses | **231** | 252 | **171** | 213 |
| Withholding tax payable | **38,973** | 39,708 | **38,973** | 39,708 |
| Accrued interest on medium term notes and swaps | **57,928** | 59,064 | **57,928** | 59,064 |
| | **97,258** | 99,111 | **97,072** | 98,985 |

## 14 Current liabilities - Interest bearing liabilities

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Bank overdrafts | **24,547** | - | **24,547** | - |
| Loans from related parties - unsecured | **202,080** | 254,583 | **-** | - |
| Commercial paper | **1,023,606** | 691,713 | **1,023,606** | 691,713 |
| Medium term notes | **3,822,315** | 2,000,202 | **3,822,315** | 2,000,202 |
| Total current borrowings | **5,072,548** | 2,946,498 | **4,870,468** | 2,691,915 |

### (a) Financial Guarantee - Commercial Paper & Medium Term Notes

The Company's ultimate parent entity, General Electric Capital Corporation, has guaranteed the obligations of the Issuer for the benefit of the Holders thereof on the terms and conditions contained in the Guarantee.

## 15 Current liabilities - Provisions

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Employee benefits | **83** | 48 | **-** | - |

## 16 Non-current liabilities - Interest bearing liabilities

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Facility from ultimate parent entity | **7,655,667** | 6,365,795 | **7,655,667** | 6,365,795 |
| Loans from related parties | **10,097,992** | 5,326,606 | **54,695** | 411,721 |
| Medium term notes | **5,720,430** | 8,782,839 | **5,720,430** | 8,782,839 |
| Total non-current borrowings | **23,474,089** | 20,475,240 | **13,430,792** | 15,560,355 |

### (a) Financial Guarantee - Medium Term Notes

The Company's ultimate parent entity, General Electric Capital Corporation, has guaranteed the obligations of the Issuer for the benefit of the Holders thereof on the terms and conditions contained in the Guarantee.

### (b) Financing arrangements

The consolidated entity and the parent entity had access to the following lines of credit at the reporting date:

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Floating rate | | | | |
| Bank overdrafts | **450,000** | 450,000 | **450,000** | 450,000 |
| Related party loan | **16,500,000** | 16,500,000 | **16,500,000** | 16,500,000 |
| | **16,950,000** | 16,950,000 | **16,950,000** | 16,950,000 |
| Used at balance date | | | | |
| Bank overdrafts | **24,547** | - | **24,547** | - |
| Related party loan | **7,655,667** | 6,365,795 | **7,655,667** | 6,365,795 |
| | **7,680,214** | 6,365,795 | **7,680,214** | 6,365,795 |
| Unused at balance date | | | | |
| Bank overdrafts | **425,453** | 450,000 | **425,453** | 450,000 |
| Related party loan | **8,844,333** | 10,134,205 | **8,844,333** | 10,134,205 |
| | **9,269,786** | 10,584,205 | **9,269,786** | 10,584,205 |

*Bank overdraft*

The bank overdraft facility is secured by a guarantee from the immediate parent entity. This facility is jointly shared with other related parties. Each related party under this facility can draw up to a maximum of $450,000,000 provided that the total aggregate amounts does not exceed $25,000,000. Interest on the bank overdraft is charged at prevailing market rates.

## 16 Non-current liabilities - Interest bearing liabilities (continued)

*Related party loan*

The related party loan is from the parent entity (General Electric Capital Corporation). It is a revolving credit facility for a period of five years and is automatically extended for successive terms of five years. Interest on the related party loan is charged at arm's length rates.

## 17 Contributed equity

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | **2010 Shares** | 2009 Shares | **2010 $'000** | 2009 $'000 |
| **(a) Share capital** | | | | |
| Ordinary shares | | | | |
| Fully paid | **12,089,427,561** | 12,089,427,561 | **479,900** | 479,900 |

**(b) Movements in ordinary share capital:**

| Date | Details | Number of shares '000 | Issue price | $'000 |
|---|---|---|---|---|
| 1 January 2009 | Opening balance | 4,589,428 | | 329,900 |
| 15 December | Issue of ordinary shares | 7,500,000 | $0.02 | 150,000 |
| 31 December 2009 | Balance | 12,089,428 | | 479,900 |
| 1 January 2010 | Opening balance | 12,089,428 | | 479,900 |
| 31 December 2010 | Balance | 12,089,428 | | 479,900 |

## 18 Reserves and accumulated losses

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | **2010 $'000** | 2009 $'000 | **2010 $'000** | 2009 $'000 |
| **(a) Reserves** | | | | |
| Tax consolidation reserve | **(25,644)** | 4,323 | **(25,644)** | 4,323 |
| Hedging reserve - cash flow hedges | **1,750** | 1,237 | **-** | - |
| | **(23,894)** | 5,560 | **(25,644)** | 4,323 |

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | **2010 $'000** | 2009 $'000 | **2010 $'000** | 2009 $'000 |
| **Movements:** | | | | |
| *Tax consolidation reserve* | | | | |
| Balance 1 January | **4,323** | 2,252 | **4,323** | 2,252 |
| Associate's tax attributable to under-provision in prior years | **(29)** | (49) | **(29)** | (49) |
| Associate's tax attributable to current year | **(29,938)** | 2,120 | **(29,938)** | 2,120 |
| Balance 31 December | **(25,644)** | 4,323 | **(25,644)** | 4,323 |

## 18 Reserves and accumulated losses (continued)

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **$'000** | $'000 | **$'000** | $'000 |
| **Movements:** | | | | |
| *Hedging reserve - cash flow hedges* | | | | |
| Balance 1 January | **1,237** | (1,990) | **-** | - |
| Fair value movement in cash flow hedge | **1,263** | 3,757 | **-** | - |
| Deferred tax attributable to cash flow hedge | **(750)** | (530) | **-** | - |
| Balance 31 December | **1,750** | 1,237 | **-** | - |

### (b) Accumulated losses

Movements in accumulated losses were as follows:

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Balance 1 January | **(290,190)** | (198,140) | **(336,578)** | (245,659) |
| Profit/(loss) for the year | **(1,719)** | (92,050) | **(3,756)** | (90,919) |
| Balance 31 December | **(291,909)** | (290,190) | **(340,334)** | (336,578) |

### (c) Nature and purpose of reserves

*(i) Tax consolidation reserve*

The tax consolidation reserve represents tax transactions between the head company in the tax consolidated group and members of the tax consolidated group who are not members of the consolidated entity.

*(ii) Hedging reserve - cash flow hedges*

The hedging reserve is used to record gains or losses on hedging instruments in cash flow hedge relationships that are recognised directly in equity, as described in note 1(j). Amounts are recognised in statement of comprehensive income when the associated hedged transaction affects profit and loss.

## 19 Dividends

No dividends were paid or declared by the Company in respect of the current financial year (2009: $Nil).

### (a) Franked dividends

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | **2010** **$'000** | 2009 $'000 | **2010** **$'000** | 2009 $'000 |
| Franking credits available for subsequent financial years based on a tax rate of 30% (2009 - 30%) | **16,163** | 15,493 | **16,163** | 15,493 |

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

(a) franking credits that will arise from the payment of the amount of the provision for income tax

(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date, and

(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

The consolidated amounts include franking credits that would be available to the parent entity if distributable profits of subsidiaries were paid as dividends.

## 20 Key management personnel disclosures

### (a) Directors

The following persons were directors of GE Capital Australia Funding Pty Ltd during the financial year:

S A Sargent

C G Vanderkley

F N Crockett

### (b) Other key management personnel

There were no other persons, besides the above directors, that had authority and responsibility for planning, directing and controlling the activities of the consolidated entity, directly or indirectly, during the financial year.

### (c) Details of remuneration

Details of the remuneration of each director of GE Capital Australia Funding Pty Ltd are set out in the following table.

| **2010** | Primary | | Post-employment | | |
|---|---|---|---|---|---|
| Name | Cash salary and fees $ | Cash bonus $ | Super-annuation $ | Other $ | Total $ |
| S A Sargent | 67,764 | 10,000 | - | 2,377 | 80,141 |
| C G Vanderkley | 122,749 | 116,400 | 15,344 | 21,270 | 275,763 |
| F N Crockett | 30,392 | 6,675 | 2,225 | - | 39,292 |
| Total | 220,905 | 133,075 | 17,569 | 23,647 | 395,196 |

| **2009** | Primary | | Post-employment | | |
|---|---|---|---|---|---|
| Name | Cash salary and fees $ | Cash bonus $ | Super-annuation $ | Other $ | Total $ |
| S A Sargent | 13,809 | 20,714 | - | 17,319 | 51,842 |
| C G Vanderkley | 120,500 | 111,000 | 11,650 | - | 243,150 |
| F N Crockett (appointed 22 July 2009) | 12,516 | - | 1,129 | - | 13,645 |
| D Haramantas (resigned 22 July 2009) | 6,213 | 1,224 | 559 | - | 7,996 |
| Total | 153,038 | 132,938 | 13,338 | 17,319 | 316,633 |

## 20 Key management personnel disclosures (continued)

The remuneration of directors is paid by a related entity of the Group.

### (d) Loans to key management personnel

There were no loans made to directors of GE Capital Australia Funding Pty Ltd and other key management personnel of the consolidated entity, including their personally related parties, throughout the year ended 31 December 2010.

## 21 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **$** | $ | **$** | $ |
| **(a) Assurance services** | | | | |
| *Audit and other assurance services* | | | | |
| KPMG | | | | |
| Audit and review of financial reports and other audit work under the Corporations Act 2001 | **143,785** | 139,705 | **106,846** | 103,835 |
| Other assurance services | **100,000** | 252,284 | **100,000** | 252,284 |
| Total remuneration for audit and other services | **243,785** | 391,989 | **206,846** | 356,119 |

## 22 Contingencies

A tax audit of GE Capital Australia Funding Pty Ltd is in progress and the taxation authority is currently reviewing the income tax returns submitted in previous reporting periods. The entity has independent advice that items within these tax returns were treated correctly. Consequently, no estimate of or provision for any potential liability has been made in the preparation of the financial report.

## 23 Related party transactions

### (a) Parent entities

The parent entity within the Group is GE Capital Australia Funding Pty Ltd. The ultimate parent entity is General Electric Capital Corporation (incorporated in the United States of America) which at 31 December 2010 owns 100% (2009 - 100%) of the issued ordinary shares of GE Capital Australia Funding Pty Ltd.

### (b) Subsidiaries

Interests in subsidiaries are set out in note 24.

### (c) Key management personnel

Disclosure relating to key management personnel are set out in note 20.

## 23 Related party transactions (continued)

### (d) Transactions with related parties

The following transactions occurred with related parties:

*i) Commonly controlled entities - loans*

Loans with commonly controlled entities are for a period of five years. All such transactions are conducted on an arms length basis. The aggregate amounts receivable from and payable to commonly controlled entities by the Company at balance sheet date are detailed in notes 8, 9, 14 and 16.

*ii) Wholly-owned group - loans*

Loans with entities in the wholly owned group have been conducted on an arms length basis. These facilities are available for a period of five years. The aggregate amounts receivable from and payable to wholly-owned group entities by the Company and its controlled entities as at balance date are detailed in note 9.

*iii) Interest income*

Substantially all interest income is generated by loans to related parties. Interest income derived from related parties is detailed in note 4.

*iv) Transactions with directors*

Except as disclosed in note 20, there were no transactions with directors during the year, and no loan balances payable to or receivable from directors at any stage during the year.

## 24 Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

| Name of entity | Country of incorporation | Class of shares | Equity holding ** | |
|---|---|---|---|---|
| | | | **2010** | 2009 |
| | | | **%** | % |
| GE Capital Australia Cash Pool Pty Ltd | Australia | Ordinary | **100** | 100 |
| GE Liquidity Partnership (refer note 26) | Australia | Ordinary | **99.99** | 99.99 |

** The proportion of ownership interest is equal to the proportion of voting power held.

## 25 Economic dependency

The Company's income is primarily sourced from related parties.

## 26 Events occurring after the reporting period

As at 2 March 2011 the GE Liquidity Partnership has been dissolved.

The majority partner being GE Capital Australia Funding Pty Ltd held a 99.99% share in GE Liquidity as at 31 December 2010. GE Capital Australia Funding Pty Ltd purchased the remaining 0.01% share from GE Investments Australia Pty Ltd on 2 March 2011 for a total of $1,000,000. On this same date, GE Liquidity also distributed $272,438 of undistributed profits to GE Investments Australia Pty Ltd. As a result of the dissolution of GE Liquidity there has been no gain or loss recognised.

In the opinion of the directors of GE Capital Australia Funding Pty Ltd

(a) the financial statements and notes set out on pages 5 to 31 are in accordance with the *Corporations Act 2001*, incl
   (i) complying with Accounting Standards (including the Australian Accounting Interpretations), and the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
   (ii) giving a true and fair view of the Company's and consolidated entity's financial position as at 31 December 2010 and of their performance, as represented by the results of their operations, changes in equity and their cash flows, for the financial year ended on that date

(b) the finacial report also complies with Internation Financial Reporting Standards as disclosed in note 1(a)

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable

The directors have been given the declarations by the chief executive officer and chief financial officer for the year ended 31 December 2010, required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the directors.

C G Vanderkley
Director

Melbourne
30 March 2011

## Independent auditor's report to the members of GE Capital Australia Funding Pty Ltd

### Report on the financial report

We have audited the accompanying financial report of GE Capital Australia Funding Pty Ltd (the Company), which comprises the statements of financial position as at 31 December 2010, and statements of comprehensive income, statements of changes in equity and statements of cash flows for the year ended on that date, notes 1 to 26 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Company and the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

*Directors' responsibility for the financial report*

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 1(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

*Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Company's and the Group's financial position and of their performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

*Auditor's opinion*

In our opinion:

(a) the financial report of GE Capital Australia Funding Pty Ltd is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Company's and the Group's financial position as at 31 December 2010 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a).

KPMG

KPMG

BW Szentirmay
*Partner*

Melbourne

30 March 2011

**GE CAPITAL EUROPEAN FUNDING**

**AUDITED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS OF GE CAPITAL EUROPEAN FUNDING FOR THE FINANCIAL PERIOD ENDED DECEMBER 31, 2011, TOGETHER WITH THE AUDIT REPORT THEREON**

# GE Capital European Funding

## Directors' report

The Board of Directors present their annual report and audited Financial Statements for the year ended 31 December 2011.

**Principal activities, business review and future developments**

GE Capital European Funding (the "Company") is incorporated and tax resident in Ireland and operates as a financial services company in Shannon, Ireland. The Company, GE Capital European Funding & Co. (the "Partnership") and Eireann Aviation Finance Ltd (see Note 12) are consolidated in the GE Capital European Funding group (the "Group").

The Company has established a Euro Commercial Paper ("Commercial Paper" or "CP") Programme and a Euro Medium Term Note ("MTN") Programme. The MTN programme is listed on the London Stock Exchange and Irish Stock Exchange. The purpose of these programmes is to obtain financing in the capital markets, primarily to fund the operations of affiliated companies. The Company's parent, General Electric Capital Corporation (GECC), which is itself a AA+ (2010: AA+) rated borrower has guaranteed the commercial paper and MTN programmes of the Company and Group thus reducing the risk to any potential investor and supporting the MTN programme.

The Board of Directors is satisfied with the results of the Company and Group. The results for the year are set out in the Statements of Comprehensive Income on pages 25 and 26 and the related notes.

The loss for the year is driven by mark to markets losses on asset and liabilities held at fair value. These fair value losses are primarily being caused by volatility in interest rates.

The Board of Directors will continue to develop and seek opportunities to grow the Company and Group. During 2011 changes in the loan portfolio reflected the activity of the wider General Electric ("GE") Group in Euro and the cash required to fund this activity. The future growth of the Company and Group is dependent on the cash needs of the wider GE Group.

The following table sets out the year on year increase / (decrease) in CP and MTNs issued, and lending to affiliated companies. The Board of Directors defines affiliated companies to be subsidiaries, associates and joint ventures of the wider GE Group. The table has been calculated using the average balances over the year.

| Type of debt / loan | Year on year increase / (decrease) | |
|---|---|---|
| | **2011** | 2010 |
| Commercial Paper | **(9.7)%** | 31.4% |
| Medium Term Notes | **(6.8)%** | (3.6)% |
| Loans to affiliated companies | **(4.9)%** | (0.5)% |

The following table sets out the average maturities of CP and MTN in issue at 31 December 2011.

| | **31 December 2011** | 31 December 2010 |
|---|---|---|
| Commercial Paper | 56 days | 70 days |
| Medium Term Notes at amortised cost | 5.2 years | 3.9 years |
| Medium Term Notes at fair value | 5.3 years | 6.1 years |

**Risk and uncertainties**

The main financial risks that the Company and Group are exposed to are credit risk, liquidity risk, market risk, other price risk and operational risk. The Board has set policies to manage these exposures, as set out in Note 17 to the Financial Statements 'Financial risk management'.

Interest rates remained at low levels during 2011, however borrowing got more expensive and as a funding company, GE Capital European Funding has been exposed to this volatility. The current market dislocation is expected to continue throughout 2012. However through the use of derivatives the Company and Group is generally able to match the maturity of its assets and liabilities and in so doing reduce its interest rate risk. The Board of Directors monitors interest rate exposure regularly. See Note 17(c) for an analysis of interest rate exposure at the year end.

As the credit markets tightened in 2008 / 2009 many corporates faced serious liquidity problems. The Company and Group are reliant on the capital markets to support the current MTN programme and any future issues. However the Company and Group expects the markets to remain challenging in the near-term. The Group also has access to the cash pool of the wider GE Group to fill any short-term liquidity requirements. See further analysis of liquidity risk at the year end at Note 17(b).

As credit spreads remained wide over the last year, fair values of financial assets and liabilities remained volatile. In an effort to ensure appropriate valuations were obtained, the Company and Group relied on independent pricing providers such as Bloomberg and models used by the wider GE Group which primarily use observable market data as inputs. Such valuations necessarily involve judgments and uncertainties on the selection of inputs. Critical judgments and uncertainties surrounding valuations are discussed further in Note 18.

With the current market dislocation many companies are experiencing difficulty in repaying loans. The Company and Group manages its exposure to credit risk by carrying out comprehensive due diligence on each borrower. As a result of this due diligence the Company and Group has recorded an impairment provision in respect of some of its loans receivable. This provision was recorded as a result of deterioration in the credit position of certain borrowers. The Board of Directors will continue to monitor the financial strength of its borrowers to ensure the Company's and Group's exposure to the risk of default is minimized. Details of the impairment policy are set out on page 19. Details of the provision are set out in Note 21.

The Company's functional currency is the Euro (€). The Company has no material exposure to currency risk as it borrows and lends in the same currency.

**Dividends**

The Board of Directors do not propose a dividend for the current year *(2010: €Nil).*

**Directors, secretaries and their interests**

The Board of Directors is listed on page 1. In accordance with the Articles of Association, the Directors are not required to retire by rotation.

The Directors and Secretaries as at 31 December 2011, together with their families had the following interests in the common stock of General Electric Company and its group undertakings.

| **General Electric Company** | **No of Shares At 31 Dec 2011** | No of Shares At 1 Jan 2011 (or date of appointment if later) |
|---|---|---|
| M. Barber | 67,388 | 59,246 |
| F. Cantillon | 10,969 | 10,046 |
| B. Gilligan | 6,390 | 4,174 |
| P. Gilmartin | 3,879 | 3,879 |
| C. Glavin | 3,419 | 2,764 |
| J. Fitzgerald (secretary) | 738 | 729 |
| P. O'Connor (assistant secretary) | 559 | 386 |

Patricia O'Connor was appointed Assistant Company Secretary on 30 July 2010.

**Accounting records**

The Board of Directors believes that it has complied with the requirements of Section 202 of the Companies Act, 1990 with regard to books of account by employing accounting personnel with appropriate expertise and by providing adequate resources to the finance function. The books of account of the Company are maintained at WIL House, Shannon Business Park, Shannon, Co. Clare.

**Corporate Governance Statement**

The Board has put in place a framework for corporate governance which it believes is suitable for the Company and Group which enables the Company and Group to operate in an environment of good governance throughout the year.

The Group's internal control procedures are designed to safeguard the group's net assets, support effective management of the group's resources and provide reliable and timely financial reporting both internally to management and those charged with governance and externally to other stakeholders. They include the following:
− An organisational structure with formally defined lines of responsibility and delegation of authority.
− Established systems and procedures to identify control and report on key risks. Exposure to these
risks will be monitored mainly by the Board of Directors through the operations of the committees accountable to it. These committees are the Credit Committee and Audit Committee whose members include executive directors and non-executive directors, respectively. Their activities are described in Note 17. The terms of reference of these committees are reviewed regularly by the board.
− The preparation and issue of financial reports, including the consolidated annual accounts is managed by the finance function with oversight from the Audit Committee. The group's financial reporting process is controlled using documented accounting policies and reporting formats issued by the finance function to all reporting entities (including subsidiaries) within the group in advance of each reporting period end. The finance function supports all reporting entities with guidance in the preparation of financial information. The process is supported by a network of finance professionals

**Corporate Governance Statement** *(continued)*
throughout the group, who have responsibility and accountability to provide information in keeping with agreed policies, including the completion of reconciliations of financial information to processing systems. Its quality is underpinned by arrangements for segregation of duties to facilitate independent checks on the integrity of financial data. The financial information for each entity is subject to a review at reporting entity and group level by senior management. There is a risk management framework in place in each business throughout the group whereby management reviews and monitors, on an on-going basis, the controls in place, both financial and non-financial, to manage the risks facing that business.

As the Company has only debt securities listed on the London and Irish Stock Exchanges, it has availed itself of an exemption from the Financial Services Authority's requirements to make corporate governance disclosures and from auditor review thereof.

*Financial Reporting*

The Company is responsible for establishing and maintaining adequate internal control and risk management systems of the Company in relation to the financial reporting process. Such systems are designed to manage rather than eliminate the risk of error or fraud in achieving the Company's financial reporting objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Company is responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the Company and which enable it to ensure that the financial statements are prepared in accordance with accounting standards generally accepted in Ireland and comply with the Irish Companies Acts, 1963 to 2009.

The measures taken by the Directors to secure compliance with the Company's obligation to keep proper books of account are the use of appropriate systems and procedures and employment of competent persons.

The Company has procedures in place to ensure all relevant accounting records are properly maintained and are readily available, including production of annual financial statements. The annual financial statements of the Company are required to be approved by the Board of Directors of the Company and filed with the LSE and ISE. The statutory financial statements are required to be audited by independent auditors who report annually to the Board on their findings. The Board evaluates and discusses significant accounting and reporting issues as the need arises.

*Shareholder Meetings*

The convening and conduct of shareholder meetings are governed by the Articles of Association of the Company and the Companies Acts. The Company is required to hold an annual general meeting in each year and not more than fifteen months may elapse between the date of one annual general meeting of the Company and that of the next. The Directors may call general meetings and extraordinary general meetings may be convened in such manner as provided by the Companies Acts.

Subject to the provisions of the Companies Acts allowing a general meeting to be called by shorter notice, an annual general meeting and a general meeting called for the passing of a special resolution will be called by at least twenty-one clear days' notice and all other meetings of the Company will be called by at least seven clear days' notice.

Save as provided herein, two shareholders present in person or by proxy and entitled to vote on the business to be transacted will be a quorum. If within half an hour from the time appointed for the meeting a quorum is not present, the meeting will stand adjourned to the same day in the next week, at the same time and place or to such other time and place as the Directors may determine. If at such adjourned meeting a quorum is not present within half an hour from the time appointed for holding the meeting, except where the meeting was convened otherwise than by resolution of the Directors, the meeting will be dissolved.

At any general meeting, a resolution put to the vote of the meeting is decided on a show of hands unless a poll is demanded by the chairman of the meeting or by at least one member present in person or by proxy having the right to vote at the meeting or by a shareholder of shareholders present in person or by proxy representing not less than one-tenth of the total voting rights of all the shareholders having the right to vote at the meeting. Subject to any special rights or restrictions for the time being attached to any class of shares, on a show of hands every shareholder who is present in person or by proxy will be entitled to one vote for every share held by the shareholder. Shareholders may resolve to sanction an ordinary resolution or special resolution at a shareholders' meeting. An ordinary resolution is a resolution of a general meeting passed by a simple majority of the votes recorded. A special resolution must be passed in accordance with the Companies Acts.

*Composition and Operation of the Board*

The board has established an on-going process for identifying, evaluating and managing the significant risks faced by the group for the year under review and up to the date of approval of the financial statements. This risk management process is regularly reviewed by the board. The board has two sub committees to assist it. The Audit Committee reviews the internal audit programmes and the financial statements. There are formal procedures in place for the external auditors to report findings and recommendations to the Audit Committee. Any significant findings or identified risks are examined so that appropriate action can be taken. The Credit Committee reviews the credit exposures, in line with the overall policy approved by the board. See further information in Note 17.

The business of the Company is managed by the Directors who exercise all such powers of the Company as are not by the Companies Acts or by the Articles of Association of the Company required to be exercised by the Company in general meeting. Unless otherwise determined by the Company in a general meeting, the number of Directors shall not be less than two. Currently the Board of Directors of the Company is composed of five Directors, being those listed on page 1 of these financial statements.

The Directors may meet together for the dispatch of business, adjourn and otherwise regulate their meetings as they think fit. The quorum necessary for the transaction of the business of the Directors may be fixed by the Directors and unless so fixed at any other number will be two. Questions arising at any meeting of the Directors are determined by a majority of votes. A Director may, and the Company's secretary on the request of a Director will, at any time call a meeting of the Directors.

# GE Capital European Funding

## Directors' report *(continued)*

**Auditor**

KPMG, Chartered Accountants, have expressed their willingness to continue in office in accordance with Section 160 (2) of the Companies Act, 1963.

On behalf of the board.

Frank Cantillon
*Director*

Columba Glavin
*Director*

30 March 2012

# GE Capital European Funding

## Statement of directors' responsibilities in respect of the Financial Statements

The directors are responsible for preparing the Group and Company Financial Statements, in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and Company Financial Statements for each financial year. Under that law the directors are required to prepare the Group Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and have elected to prepare the Company Financial Statements in accordance with IFRSs as adopted by the EU and as applied in accordance with the Companies Acts 1963 to 2009.

The Group and Company Financial Statements are required by law and IFRSs as adopted by the EU to present fairly the financial position and performance of the Group and Company. The Companies Acts 1963 to 2009 provide in relation to such Financial Statements that references in the relevant part of that Act to Financial Statements giving a true and fair view are references to their achieving a fair presentation.

In preparing each of the Group and Company 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; and
- state that the Financial Statements comply with IFRSs as adopted by the EU as applied in accordance with the Companies Acts 1963 to 2009;

In accordance with the Transparency (Directive 2004/109/EC) Regulations 2007 (the Transparency Regulations), the Directors are required to include in their report a fair review of the business and a description of the principal risks and uncertainties facing the Group and the Company and a responsibility statement relating to these and other matters, included below.

The Directors are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the Financial Statements comply with the Companies Acts 1963 to 2009 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation. They are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

# GE Capital European Funding

## Statement of directors' responsibilities in respect of the Financial Statements
*(continued)*

**Responsibility Statement, in accordance with the Transparency Regulations**

Each of the directors, whose names and functions are listed on page 1 of these Financial Statements confirm that, to the best of each person's knowledge and belief:

- the Group Financial Statements, prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities and financial position of the Group at 31 December 2011 and its loss for the year then ended;
- the Company Financial Statements, prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the Companies Acts 1963 to 2009, give a true and fair view of the assets, liabilities and financial position of the Company at 31 December 2011 and its loss for the year then ended; and
- the Directors' Report contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that they face.

On behalf of the Board

Frank Cantillon
*Director*

Columba Glavin
*Director*

30 March 2012

KPMG
**Chartered Accountants**
1 Harbourmaster Place
IFSC
Dublin 1
Ireland

# Independent auditor's report to the members of GE Capital European Funding

We have audited the Group and Company Financial Statements (the "Financial Statements") of GE Capital European Funding for the year to 31 December 2011 which comprise the Consolidated and Company Statement of Comprehensive Income, Consolidated and Company Statement of Financial Position, Consolidated and Company Statement of Changes in Equity, Consolidated and Company Cash Flow Statement and the related notes. These Financial Statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 193 of the Companies Act 1990. 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 auditor's 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 auditor**

The Directors' responsibilities for preparing the Directors' Report and the Financial Statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU are set out in the Statement of Directors' Responsibilities on page 8-9.

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 in accordance with IFRSs as adopted by the EU and, have been properly prepared in accordance with the Companies Acts, 1963 to 2009 and in the case of the Group Financial Statements, Article 4 of the IAS regulations. We also report to you whether, in our opinion: proper books of account have been kept by the Company; whether at the reporting date, there exists a financial situation requiring the convening of an extraordinary general meeting of the Company; and whether the information given in the Directors' Report is consistent with the Financial Statements. In addition, we state whether we have obtained all the information and explanations necessary for the purposes of our audit, and whether the Company's Financial Statements are in agreement with the books of account.

We also report to you if, in our opinion, any information specified by law regarding directors' remuneration and directors' transactions is not disclosed and, where practicable, include such information in our report.

We are required by law to report to you our opinion as to whether the description of the main features of the internal control and risk management systems in relation to the process for preparing the consolidated Financial Statements, set out in the Corporate Governance Statement is consistent with the consolidated Financial Statements.

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

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## Independent auditor's report to the members of GE Capital European Funding *(continued)*

**Basis of audit opinion** *(continued)*

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 Group's and 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.

**Opinion**

In our opinion:

- the Group Financial Statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Group's affairs as at 31 December 2011 and of its loss for the year then ended;
- the Company Financial Statements give a true and fair view, in accordance with IFRSs as adopted by the EU as applied in accordance with the provisions of the Companies Acts 1963 to 2009, of the state of the Company's affairs as at 31 December 2011, and of its loss for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with the Companies Acts 1963 to 2009 and Article 4 of the IAS Regulation; and
- the Company Financial Statements have been properly prepared in accordance with the Companies Acts 1963 to 2009.

**Other matters**

We have obtained all the information and explanations which we considered necessary for the purposes of our audit. In our opinion proper books of account have been kept by the Company. The Company's Financial Statements are in agreement with the books of account.

In our opinion the information given in the Directors' Report and the description in the annual Corporate Governance Statement of the main features of the internal controls and risk management systems in relation to the process for preparing the consolidated financial statements is consistent with the Financial Statements.

KPMG

## Independent auditor's report to the members of GE Capital European Funding *(continued)*

**Other matters** *(continued)*

The net assets of the Company, as stated in the Company's Financial Statements, are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 December 2011 a financial situation which under Section 40 (1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the Company.

Jonathan

Jonathan Lew
**for and on behalf of**
**KPMG**
**Chartered Accountants, Statutory Audit firm,**
*1 Harbourmaster Place*
*I.F.S.C.*
*Dublin 1*
*Ireland*

**30 March 2012**

# GE Capital European Funding

## Basis of preparation

**Reporting Entity**

GE Capital European Funding is a company domiciled in Ireland. The address of the Company's registered office is Wil House, Shannon Business Park, Shannon, Co. Clare. The consolidated financial statements of the Company as at and for the year ended 31 December 2011 comprise the company and its subsidiaries (together referred to as the Group and individually as Group entities). The Group primarily is involved in obtaining financing in the capital markets to fund the operations of affiliated entities.

**Statement of compliance**

The Financial Statements of the Company and Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, and interpretations adopted by the International Accounting Standards Board ("IASB"). The Financial Statements also comply with the requirements of the relevant Irish legislation including the Companies Acts 1963 to 2009.

**Basis of measurement**

The consolidated Financial Statements have been prepared on the historical cost basis except for the following:

- derivative financial instruments are measured at fair value;
- financial instruments at fair value through profit or loss are measured at fair value;
- certain fixed rate debt securities issued are measured at fair value; and
- de-designated fixed rate debt securities are measured at historical value or open market value.

**Functional and presentation currency**

These consolidated Financial Statements are presented in euro (€), which is the Company's and Group's functional currency. Except as indicated, financial information presented in euro has been rounded to the nearest thousand.

**Use of estimates and judgements**

The preparation of Financial Statements requires the Board of Directors to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the consolidated and Company Financial Statements are allowances for credit losses, determining fair value, valuation of financial instruments and financial asset and liability classification. These are described in Note 18.

**Going Concern**

The financial statements have been prepared on a going concern basis. Risk factors including: credit, liquidity, market, other price, and operational risk impact on the Group's and Company's activities.

## Basis of preparation *(continued)*

**Going Concern *(continued)***

The Board of Directors has reviewed these risk factors, as set out in Note 17, and all relevant information to assess the Group's and Company's ability to continue as a going concern and are satisfied that the Group's and Company's Financial Statements continue to be prepared on a going concern basis as the Group and Company will have access to sufficient funding and resources for the foreseeable future

# GE Capital European Funding

## Statement of accounting policies

### Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated Financial Statements, and have been applied consistently by the Company and Group.

### (a) Basis of consolidation

The consolidated Financial Statements of GE Capital European Funding as at and for the year ended 31 December 2011 and 31 December 2010 include the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). The Company invests in a partnership and as a result income earned in the partnership is recognised as other operating income in the Company. The partnership is consolidated on a line-by-line basis in the consolidated accounts.

### Subsidiaries

Subsidiaries and partnerships are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries and partnerships are included in the consolidated Financial Statements from the date that control commences until the date that control ceases. The consolidated Financial Statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances.

### Transactions eliminated on consolidation

Intra-Group balances, and any unrealised income and expenses arising from intra-Group transactions, are eliminated in preparing the consolidated Financial Statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

### (b) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency at an exchange rate prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rates at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rates at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rates at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the Statement of Comprehensive Income.

## Statement of accounting policies *(continued)*

### (c) Interest

Interest income and expense are recognised in the Statement of Comprehensive Income using the effective interest method. The effective interest rate is the rate that discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group and Company estimate future cash flows considering all contractual terms of the financial instrument but not future credit losses.

The calculation of the effective interest rate includes all fees paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Interest income and expense presented in the Statement of Comprehensive Income include interest on financial assets and liabilities at amortised cost on an effective interest rate basis together with interest on financial assets and liabilities at fair value through profit or loss.

### (d) Fees and commission

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission expense relates mainly to transaction and service fees, which are expensed as the services are received.

### (e) Net trading income

Net trading income comprises gains less losses related to trading assets and liabilities, and includes all realised and unrealised fair value changes and related interest, dividends and foreign exchange differences.

### (f) Net income from financial instruments at fair value

Net income from other financial instruments at fair value relates to derivatives that do not qualify for hedge accounting but are held for risk management purposes and financial assets and liabilities designated at fair value through profit or loss, and includes all realised and unrealised fair value changes and related interest, dividends and foreign exchange differences.

### (g) Lease payments made

Payments made under operating leases are recognised in the Statement of Comprehensive Income on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

**(h) Tax expense**

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and
- temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Additional taxes that arise from the distribution of dividends by the Group and Company are recognised at the same time as the liability to pay the related dividend is recognised.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

**(i) Financial assets and liabilities**

***Recognition***

All financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the Company and Group become a party to the contractual provisions of the instrument.

### (i) Financial assets and liabilities *(continued)*

***Recognition*** *(continued)*

A financial asset or financial liability is initially measured at fair value plus (for an item not subsequently measured at fair value through profit or loss) transaction costs that are directly attributable to its acquisition or issue.

***Derecognition***

The Company and Group derecognise a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that are created or retained by the Company and Group is recognised as a separate asset or liability.

The Company and Group derecognise a financial liability when its contractual obligations are discharged or cancelled or expire.

***Offsetting***

Financial assets and liabilities are set off and the net amount presented in the Statement of Financial Position when, and only when, the Company and Group have a legal right to set off the amounts and intend either to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under IFRS.

***Amortised cost measurement***

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

***Fair value measurement***

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date. When available, the Company and Group measure the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, the Company and Group establish fair value using valuation techniques. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation

**(i) Financial assets and liabilities** *(continued)*

***Fair value measurement*** *(continued)*

technique makes use of market inputs, relies as little as possible on estimates specific to the Company and Group, incorporates factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments.

Inputs to valuation techniques reasonably represent market expectations and measures of the risk return factors inherent in the financial instrument. The Company and Group calibrate valuation techniques and test them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e., the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in the Statement of Comprehensive Income depending on the individual facts and circumstances of the transaction but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Assets and long positions are measured at a bid price; liabilities and short positions are measured at an asking price. Where the Company and Group have positions with offsetting risks, mid-market prices are used to measure the offsetting risk positions and a bid or asking price adjustment is applied only to the net open position as appropriate. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty where appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that the Company and Group believe a third-party market participant would take them into account in pricing a transaction.

***Identification and measurement of impairment***

At each reporting date the Company and Group assess whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Company and Group on terms that the Company and Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the Company and Group, or economic conditions that correlate with defaults in the Company and Group. The Company and Group consider evidence of impairment for loans and advances to affiliates at both a specific asset and collective level. All individually significant loans and advances are assessed for specific impairment. All individually

### (i) Financial assets and liabilities *(continued)*

***Identification and measurement of impairment*** *(continued)*

significant loans and advances found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances that are not individually significant are collectively assessed for impairment by grouping together loans and advances with similar risk characteristics.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rate. Losses are recognised in the Statement of Comprehensive Income and reflected in an allowance account against loans and advances. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through the Statement of Comprehensive Income.

The Company and Group write off loans and advances and investment securities when they are determined to be uncollectable.

***Designation at fair value through profit or loss***

The Company and Group have designated financial assets and liabilities at fair value through profit or loss when:

- the assets or liabilities are managed, evaluated and reported internally on a fair value basis;
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise.

Derivatives and fixed rate debt securities that are in a hedging relationship have been designated at fair value through profit or loss.

Note 19 sets out the amount of each class of financial asset or liability that has been designated at fair value through profit or loss. A description of the basis for each designation is set out in the note for the relevant asset or liability class.

### (j) Cash and cash equivalents

Cash and cash equivalents include cash at bank and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Company and Group in the management of their short-term commitments.

Cash and cash equivalents are carried at amortised cost in the Statement of Financial Position.

## Statement of accounting policies *(continued)*

**(k) Derivatives held for risk management purposes**

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value in the Statement of Financial Position.

The Company and Group designate certain derivatives held for risk management as hedging instruments in qualifying hedging relationships. On initial designation of the hedge, the Company and Group formally document the relationship between the hedging instrument and hedged item, including the risk management objective and strategy in undertaking the hedge transaction, together with the method that will be used to assess the effectiveness of the hedging relationship. The Company and Group make an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instrument is expected to be 'highly effective' in offsetting the changes in the fair value or cash flows of the respective hedged item during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent.

***Fair value hedges***

When a derivative is designated as a hedge of the change in fair value of a recognised asset or liability or a firm commitment, changes in the fair value of the derivative are recognised immediately in the Statement of Comprehensive Income together with changes in the fair value of the hedged item that are attributable to the hedged risk (in the same Statement of Comprehensive Income line item as the hedged item).

If the derivative expires or is sold, terminated or exercised, no longer meets the criteria for fair value hedge accounting, or the designation is revoked, hedge accounting is discontinued. Any adjustment up to that point, to a hedged item for which the effective interest method is used, is amortised to the Statement of Comprehensive Income as part of the recalculated effective interest rate of the item over its remaining life.

***Other non-trading derivatives***

When a derivative is not designated in a qualifying hedge relationship, all changes in its fair value are recognised immediately in the Statement of Comprehensive Income as a component of net income from other financial instruments carried at fair value.

***Embedded derivatives***

Derivatives may be embedded in another contractual arrangement (a "host contract"). The Group and Company account for an embedded derivative separately from the host contract when the host contract is not itself carried at fair value through profit or loss, the terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract, and the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract. Separated embedded derivatives are accounted for depending on their classification, and are presented in the Statement of Financial Position together with the host contract.

## Statement of accounting policies *(continued)*

**(l) Loans and advances**

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Company and Group do not intend to sell immediately or in the near term.

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method, except when the Company and Group choose to carry the loans and advances at fair value through the Statement of Comprehensive Income.

**(m) Property and equipment**

***Recognition and measurement***

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The costs of the day-to-day servicing of leasehold improvements, fixtures and equipment are recognised in the Statement of Comprehensive Income as incurred.

***Subsequent costs***

The cost of replacing a part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in the Statement of Comprehensive Income as incurred.

***Depreciation***

Depreciation is recognised in the Statement of Comprehensive Income on a straight-line basis over the estimated useful lives of each part of an item of leasehold improvements, fixtures and equipment. Assets under finance leases are depreciated over the shorter of the useful life or length of the lease term.

The estimated useful lives for the current and comparative periods are as follows:

- Leasehold improvements and equipment – life of lease;
- Furniture, fixtures and fittings – 3 to 5 years.

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

**(n) Debt securities issued**

Debt securities issued are the Company's and Group's source of debt funding.

The Company and Group classify capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument.

Debt securities issued are initially measured at fair value plus directly attributable transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the

### (n) Debt securities issued *(continued)*

Company and Group choose to carry the liabilities at fair value through profit or loss as described in the accounting policy (i).

The Company and Group carry certain debt securities at fair value, with fair value changes recognised immediately in the Statement of Comprehensive Income.

### (o) Employee benefits

Certain employees of the Company are members of GE affiliate's defined benefit pension scheme. The defined benefit pension scheme is run on a basis that does not enable individual companies who are affiliated to the scheme to identify their share of the underlying assets and liabilities and therefore the Company has taken advantage of the exemptions in IAS 19 "Employee Benefits" and has accounted for the scheme on a defined contribution basis.

Certain employees are members of an externally funded defined contribution superannuation scheme, maintained by another GE affiliate, GE Capital Woodchester Limited, the funds of which scheme are invested in independent trustees, nominated by that company for the sole benefit of the employees and dependants of GE Capital Woodchester Investments, its subsidiary undertakings, and certain affiliated related undertakings.

Obligations for contributions to the pension plans are recognised as an expense in the Statement of Comprehensive Income when they are due.

### (p) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the Board of Directors (being the chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance.

The Company's and Group's business is organised as one segment, and all income is earned in Ireland.

### (q) Prospective accounting changes

**Prospective accounting changes**

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 April 2010 and have not been applied in preparing these Financial Statements. None of these is expected to have a significant effect on the financial statements of the Group save for IFRS 9 as described below.

IFRS 9 deals with recognition, derecognition, classification and measurement of financial assets and financial liabilities. Its requirements represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: at amortised cost and fair value. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payment of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of held to maturity, available for sale and loans and receivables. For an investment in an equity instrument that is not held for trading, the standard permits an irrevocable election, on initial recognition, on an individual share-by-share basis, to present all fair value changes from the investment in other comprehensive income. No amount recognised in other comprehensive income would ever be reclassified to profit or loss. However, dividends on such investment are recognised in profit or loss, rather than other comprehensive income unless they clearly represent a partial recovery of the cost of the investment. Investments in equity instruments in respect of which an entity does not elect to present fair value changes in other comprehensive income would be measured at fair value with changes in fair value recognised in profit or loss.

The standard requires that derivatives embedded in contracts with a host that is a financial asset within the scope of the standard are not separated: instead the hybrid financial instrument is assessed in its entirety as to whether it should be measured at amortised cost or fair value.

IFRS 9 requires that the effects of changes in credit risk of liabilities designated as at fair value through profit or loss are presented in other comprehensive income unless such treatment would create or enlarge an accounting mismatch in profit or loss, in which case all gains or losses on that liability are presented in profit or loss. Other requirements of IFRS 9 relating to classification and measurement of financial liabilities are unchanged from IAS 39.

The requirements of IFRS 9 relating to derecognition are unchanged from IAS 39.

The standard is effective for annual periods beginning on or after 1 January 2015. Earlier application is permitted. The Company and Group do not plan to adopt this standard early.

# GE Capital European Funding

## Company Statement of Comprehensive Income

*for the year ended 31 December*

| | Note | 2011 €'000 | 2010 €'000 |
|---|---|---|---|
| Interest income | 1 | 1,052,632 | 879,598 |
| Interest expense | 2 | (944,770) | (820,519) |
| Net interest income | | 107,862 | 59,079 |
| Fee and commission income | 3 | 7,284 | 6,336 |
| Fee and commission expense | 4 | (206,769) | (231,929) |
| Net fee and commission expense | | (199,485) | (225,593) |
| **Net trading expense** | 5 | **(91,623)** | **(166,514)** |
| Net expense from financial instruments carried at fair value | 6 | (151,747) | (30,882) |
| Other operating income | 16 | 161,099 | 207,555 |
| | | 9,352 | 176,673 |
| **Operating (expense)/income** | | **(82,271)** | **10,159** |
| Personnel expenses | 9 | (2,008) | (1,873) |
| Other expenses | | (1,083) | (1,716) |
| **(Loss)/profit before income tax** | 7 | **(85,362)** | **6,570** |
| Tax credit/(expense) | 8 | 11,547 | (821) |
| (Loss)/profit for the year | | (73,815) | 5,749 |
| **Total comprehensive (loss)/income for the year** | | **(73,815)** | **5,749** |
| **Attributable to:** | | | |
| Equity holders of the Company | | (73,815) | 5,749 |

The accompanying notes form an integral part of the Company Financial Statements.

On behalf of the board.

Frank Cantillon
*Director*

Columba Glavin
*Director*

30 March 2012

# GE Capital European Funding

## Consolidated Statement of Comprehensive Income

*for the year ended 31 December*

| | Note | **2011 €'000** | 2010 €'000 |
|---|---|---|---|
| Interest income | 1 | 1,258,310 | 1,088,974 |
| Interest expense | 2 | (949,885) | (826,645) |
| Net interest income | | 308,425 | 262,329 |
| Fee and commission income | 3 | 11,145 | 10,641 |
| Fee and commission expense | 4 | (206,769) | (231,929) |
| Net fee and commission expense | | (195,624) | (221,288) |
| **Net trading income** | 5 | **112,801** | **41,041** |
| Provision for impairment losses | 21 | (43,325) | - |
| Net expense from financial instruments carried at fair value | 6 | (151,747) | (30,882) |
| | | (195,072) | (30,882) |
| **Operating (expense)/income** | | **(82,271)** | **10,159** |
| Personnel expenses | 9 | (2,008) | (1,873) |
| Other expenses | | (1,083) | (1,716) |
| **(Loss)/profit before income tax** | 7 | **(85,362)** | **6,570** |
| Tax credit/(expense) | 8 | 11,547 | (821) |
| (Loss)/profit for the year | | (73,815) | 5,749 |
| **Total comprehensive (loss)/income for the year** | | **(73,815)** | **5,749** |
| **Attributable to:** | | | |
| Equity holders of the Company | | (73,815) | 5,749 |

The accompanying notes form an integral part of the consolidated Financial Statements.

On behalf of the board.

Frank Cantillon
*Director*

Columba Glavin
*Director*

30 March 2012

# GE Capital European Funding

## Company Statement of Financial Position

*at 31 December*

| | Note | 2011 €'000 | 2010 €'000 |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | 10 | 747,657 | 939,810 |
| Derivative assets held for risk management | 19 | 2,669,087 | 2,376,223 |
| Loans and advances to affiliates | 20 | 41,602,149 | 46,033,904 |
| Other assets | | 2,795 | 3,129 |
| Deferred tax asset | 13 | 8,596 | - |
| Corporation tax receivable | | 8,375 | 15,808 |
| **Total assets** | | 45,038,659 | 49,368,874 |
| **Liabilities** | | | |
| Derivative liabilities held for risk management | 19 | 166,174 | 248,882 |
| Loans and advances from affiliates | 20 | 1,817,727 | 1,598,878 |
| Debt securities issued | 22 | 42,464,390 | 46,855,834 |
| Deferred tax liabilities | 13 | - | 1,973 |
| Other liabilities | 23 | 2,078 | 1,202 |
| **Total liabilities** | | 44,450,369 | 48,706,769 |
| **Equity** | | | |
| Share capital and share premium | 14 | 234,315 | 234,315 |
| Retained earnings | | 353,975 | 427,790 |
| **Total equity attributable to equity holders of the Company** | | 588,290 | 662,105 |
| **Total liabilities and equity** | | 45,038,659 | 49,368,874 |

The accompanying notes form an integral part of the Company Financial Statements.

On behalf of the board.

Frank Cantillon
*Director*

Columba Glavin
*Director*

30 March 2012

# GE Capital European Funding

## Consolidated Statement of Financial Position
*at 31 December*

| | Note | 2011 €'000 | 2010 €'000 |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | 10 | 747,657 | 939,810 |
| Derivative assets held for risk management | 19 | 2,669,087 | 2,376,223 |
| Loans and advances to affiliates | 20 | 41,602,211 | 46,105,380 |
| Other assets | | 18,588 | 3,129 |
| Deferred tax asset | 13 | 8,596 | - |
| Corporation tax receivable | | 8,375 | 15,808 |
| **Total assets** | | 45,054,514 | 49,440,350 |
| **Liabilities** | | | |
| Derivative liabilities held for risk management | 19 | 166,174 | 248,882 |
| Loans and advances from affiliates | 20 | 1,817,789 | 1,599,412 |
| Debt securities issued | 22 | 42,464,390 | 46,926,776 |
| Deferred tax liabilities | 13 | - | 1,973 |
| Other liabilities | 23 | 17,871 | 1,202 |
| **Total liabilities** | | 44,466,224 | 48,778,245 |
| **Equity** | | | |
| Share capital and share premium | 14 | 234,315 | 234,315 |
| Retained earnings | | 353,975 | 427,790 |
| **Total equity attributable to equity holders of the Company** | | 588,290 | 662,105 |
| **Total liabilities and equity** | | 45,054,514 | 49,440,350 |

The accompanying notes form an integral part of the consolidated Financial Statements.

On behalf of the board.

Frank Cantillon
*Director*

Columba Glavin
*Director*

30 March 2012

# GE Capital European Funding

## Company and Consolidated Statement of Changes in Equity
*at 31 December*

| | Share capital €'000 | Share premium €'000 | Retained earnings €'000 | Total €'000 |
|---|---|---|---|---|
| **Balance at 1 January 2010** | 42,565 | 191,750 | 422,041 | 656,356 |
| Total comprehensive income for the year | - | - | 5,749 | 5,749 |
| **Balance at 31 December 2010** | **42,565** | **191,750** | **427,790** | **662,105** |
| **Balance at 1 January 2011** | 42,565 | 191,750 | 427,790 | 662,105 |
| Total comprehensive loss for the year | - | - | (73,815) | (73,815) |
| **Balance at 31 December 2011** | **42,565** | **191,750** | **353,975** | **588,290** |

The accompanying notes form an integral part of the Company and consolidated Financial Statements.

# GE Capital European Funding

## Company Cash Flow Statement
*for the year ended 31 December*

| | Note | **2011** **€'000** | 2010 €'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| (Loss)/profit for the year | | (73,815) | 5,749 |
| Adjustments for: | | | |
| Net interest income | | (107,862) | (59,079) |
| Income tax (credit)/expense | *8* | (11,547) | 821 |
| | | (193,224) | (52,509) |
| Change in loans and advances to affiliates | | 5,475,388 | 337,874 |
| Change in other assets | | 1,353 | (663) |
| Change in derivatives held for risk management | | (375,572) | (115,508) |
| Change in loans and advances from affiliates | | 207,020 | 231,578 |
| Change in other liabilities and provisions | | 877 | (730) |
| Change in tax | | 1,737 | (45,994) |
| | | 5,310,803 | 406,557 |
| Interest received | | 7,523 | 14,132 |
| Interest paid | | (890,254) | (740,106) |
| Income tax paid | | 6,675 | 20,000 |
| **Net cash provided by/(used in) operating activities** | | **4,241,523** | **(351,926)** |
| **Cash flows from financing activities** | | | |
| Debt securities issued | | (54,197,044) | 41,285,172 |
| Debt securities redeemed | | 49,763,222 | (40,906,947) |
| **Net cash flows from financing activities** | | **(4,433,822)** | **378,225** |
| **Net increase in cash and cash equivalents** | *10* | **(192,299)** | **26,299** |
| Cash and cash equivalents at 1 January | | 939,810 | 913,176 |
| Effect of exchange rate fluctuations on cash held | | 146 | 335 |
| **Cash and cash equivalents at 31 December** | *10* | **747,657** | **939,810** |

# GE Capital European Funding

## Consolidated Cash Flow Statement

*for the year ended 31 December*

| | *Note* | **2011 €'000** | 2010 €'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| (Loss)/profit for the year | | (73,815) | 5,749 |
| Adjustments for: | | | |
| Net interest income | | (308,425) | (262,329) |
| Income tax (credit)/expense | *8* | (11,547) | 821 |
| | | (393,787) | (255,759) |
| Change in loans and advances to affiliates | | 5,610,945 | 1,366,983 |
| Change in other assets | | (14,440) | (663) |
| Change in derivatives held for risk management | | (375,572) | (115,508) |
| Change in loans and advances from affiliates | | 206,548 | (774,553) |
| Change in other liabilities and provisions | | 16,670 | (730) |
| Change in tax | | 1,736 | (45,994) |
| | | 5,445,887 | 429,535 |
| Interest received | | 143,944 | 197,113 |
| Interest paid | | (890,254) | (746,047) |
| Income tax paid | | 6,675 | 20,000 |
| **Net cash provided by/(used in) operating activities** | | **4,312,465** | **(355,158)** |
| **Cash flows from financing activities** | | | |
| Debt securities issued | | (54,197,044) | 41,288,404 |
| Debt securities redeemed | | 49,692,280 | (40,906,947) |
| **Net cash flows from financing activities** | | **(4,504,764)** | **381,457** |
| **Net increase in cash and cash equivalents** | *10* | **(192,299)** | **26,299** |
| Cash and cash equivalents at 1 January | | 939,810 | 913,176 |
| Effect of exchange rate fluctuations on cash held | | 146 | 335 |
| **Cash and cash equivalents at 31 December** | *10* | **747,657** | **939,810** |

# GE Capital European Funding

## Notes
*for the year ended 31 December*

### 1 Interest income

The following tables detail the interest income earned by the Company and Group during the year.

| **Company** | **2011** | 2010 |
|---|---|---|
| | **€'000** | €'000 |
| Interest income from financial assets at fair value through profit or loss: | | |
| Loans and advances to affiliates *(Note 24)* | 7,172 | 13,347 |
| Interest income from financial assets that are not at fair value through profit or loss: | | |
| Loans and advances to affiliates *(Note 24)* | 1,043,982 | 863,451 |
| Cash and cash equivalents | 1,478 | 2,800 |
| | 1,052,632 | 879,598 |

| **Group** | **2011** | 2010 |
|---|---|---|
| | **€'000** | €'000 |
| Interest income from financial assets at fair value through profit or loss: | | |
| Loans and advances to affiliates *(Note 24)* | 121,347 | 146,569 |
| Interest income from financial assets that are not at fair value through profit or loss: | | |
| Loans and advances to affiliates *(Note 24)* | 1,130,370 | 939,605 |
| Cash and cash equivalents | 6,593 | 2,800 |
| | 1,258,310 | 1,088,974 |

Interest income is earned on loans made by the Company and Group directly to other GE companies including Hyundai Capital Services, a joint venture entity.

# GE Capital European Funding

## Notes *(continued)*

*for the year ended 31 December*

**2 Interest expense**

The following tables detail the interest expense incurred by the Company and Group during the year.

| **Company** | **2011** **€'000** | 2010 €'000 |
|---|---|---|
| Net interest expense from financial liabilities at fair value through profit or loss: | | |
| Debt securities issued | 760,680 | 598,719 |
| Interest expense from financial liabilities that are not at fair value through the profit or loss: | | |
| Debt securities issued | 171,952 | 212,938 |
| Loans and advances from affiliates *(Note 25)* | 11,829 | 8,616 |
| Cash and cash equivalents | 309 | 246 |
| | 944,770 | 820,519 |

| **Group** | **2011** **€'000** | 2010 €'000 |
|---|---|---|
| Net interest expense from financial liabilities at fair value through profit or loss: | | |
| Debt securities issued | 760,680 | 598,719 |
| Interest expense from financial liabilities that are not at fair value through profit or loss: | | |
| Debt securities issued | 171,952 | 219,064 |
| Loans and advances from affiliates *(Note 25)* | 11,829 | 8,616 |
| Cash and cash equivalents | 5,424 | 246 |
| | 949,885 | 826,645 |

# Notes *(continued)*
*for the year ended 31 December*

## 3 Fee and commission income

| **Company** | **2011 €'000** | 2010 €'000 |
|---|---|---|
| Commitment fee income from affiliates *(Note 25)* | 5,184 | 3,916 |
| Management fee income from affiliates *(Note 25)* | 1,954 | 2,085 |
| Foreign exchange gain | 146 | 335 |
| **Total fee and commission income** | 7,284 | 6,336 |

| **Group** | **2011 €'000** | 2010 €'000 |
|---|---|---|
| Commitment fee income from affiliates *(Note 25)* | 9,137 | 8,226 |
| Management fee income from affiliates *(Note 25)* | 1,863 | 2,085 |
| Foreign exchange gain | 145 | 330 |
| **Total fee and commission income** | 11,145 | 10,641 |

## 4 Fee and commission expense

| **Company and Group** | **2011 €'000** | 2010 €'000 |
|---|---|---|
| Guarantee fee expense to affiliates *(Note 25)* | 206,769 | 231,929 |
| **Total fee and commission expense** | 206,769 | 231,929 |

The Company's parent, General Electric Capital Corporation (GECC), has guaranteed the commercial paper and MTN programmes of the Company and Group thus reducing the risk to any potential investor and supporting the MTN programme.

## 5 Net trading expense

The note below sets out the net trading (expense) / income for the Company and Group by principal source.

| **Company** | **2011 €'000** | 2010 €'000 |
|---|---|---|
| Cash and cash equivalents | 1,169 | 2,554 |
| Derivatives held for risk management | 584,166 | 833,667 |
| Loans and advances to affiliates | 1,056,338 | 880,714 |
| Loans and advances from affiliates | (11,829) | (8,616) |
| Management and other fees | (204,669) | (229,510) |
| Debt securities issued | (1,516,798) | (1,645,323) |
| **Net trading expense** | (91,623) | (166,514) |

| **Group** | **2011 €'000** | 2010 €'000 |
|---|---|---|
| Cash and cash equivalents | 1,169 | 2,554 |
| Derivatives held for risk management | 584,166 | 833,667 |
| Loans and advances to affiliates | 1,260,854 | 1,088,276 |
| Loans and advances from affiliates | (11,829) | (8,616) |
| Management and other fees | (204,761) | (229,517) |
| Debt securities issued | (1,516,798) | (1,645,323) |
| **Net trading income** | 112,801 | 41,041 |

## 6 Net expense from financial instruments carried at fair value

| **Company and Group** | **2011 €'000** | 2010 €'000 |
|---|---|---|
| Net expense from financial instruments carried at fair value: | | |
| Interest rate swaps | 584,194 | 52,250 |
| Debt securities issued (*Note 22)* | (684,181) | (68,988) |
| Loans and advances to affiliates | (51,760) | (14,144) |
| | (151,747) | (30,882) |

## 6 Net income from financial instruments carried at fair value *(continued)*

The portion of net income / (expense) from financial instruments carried at fair value relating to the ineffective portion of fair value hedges was €(85,443,341) *(2010: €(26,551,390))*.

## 7 Profit on ordinary activities before taxation

| **Company and Group** | **2011 €'000** | 2010 €'000 |
|---|---|---|
| Profit on ordinary activities before taxation has been arrived at after charging: | | |
| Director's remuneration | 450 | 409 |
| Auditor's remuneration | | |
| - Audit | 18 | 20 |
| - Other assurance | 28 | 35 |
| - Tax advisory services | - | - |
| - Other non-audit services | - | - |

Amounts disclosed exclude VAT and out-of-pocket expenses.
Compensation of key management personnel (Note 25b) is borne by other group companies and not separately recharged to this Company.
Directors' remuneration is nil (2010: nil). The Company has a management service agreement in place with GE Capital European Funding, a group company. Auditor's remuneration and other assurance fees have been included in the service fee charged from this Company.

## 8 Income tax credit/(expense)

| **Company and Group** | **2011 €'000** | 2010 €'000 |
|---|---|---|
| Analysis of charge in year | | |
| *Current tax:* | | |
| Irish corporation tax on profits for the year | - | 2,795 |
| Overprovision in respect of prior year | (978) | - |
| Total current tax | (978) | 2,795 |
| *Deferred tax:* | | |
| Origination and reversal of temporary differences (Note 13) | (10,569) | (1,974) |
| Total tax in the income statement | (11,547) | 821 |

## Notes *(continued)*
*for the year ended 31 December*

**8 Income tax credit/(expense)** *(continued)*

*Factors effecting tax charge for year*

The tax assessed for the year is different to that at the standard rate of corporation tax in Ireland (12.5%). The differences are explained below.

| | **2011** **€'000** | 2010 €'000 |
|---|---|---|
| Reconciliation of effective tax rate | | |
| Profit/(Loss) on ordinary activities before taxation | (85,362) | 6,570 |
| Profit/(Loss) on ordinary activities multiplied by the standard rate of corporation tax in Republic of Ireland of 12.5% (*2010: 12.5%*) | (10,670) | 821 |
| *Tax effects of:* | | |
| Non-deductible expenses | 101 | - |
| Overprovision in respect of prior year | (978) | - |
| Total tax in income statement | (11,547) | 821 |

**9 Staff number and costs**

The average weekly number of Company and Group staff (including Executive Directors) during the year was 11 *(2010: 10)*. The aggregate payroll costs for these employees was as follows:

| | **2011** **€'000** | 2010 €'000 |
|---|---|---|
| Wages and salaries | 1,702 | 1,595 |
| Social welfare costs | 198 | 158 |
| Other pension costs | 108 | 120 |
| | 2,008 | 1,873 |

| **10 Cash and cash equivalents** | **2011** **€'000** | 2010 €'000 |
|---|---|---|
| **Company and Group** | | |
| Cash and balances with banks | 747,657 | 939,810 |
| | 747,657 | 939,810 |

**10 Cash and cash equivalents** *(continued)*

There were no restricted cash balances at the year end *(2010: €Nil)*.

Cash balances are held with Societe Generale, rated A+ *(2010: A+)*, BNP Paribas rated AA- *(2010: AA)*, JP Morgan A+ *(2010:AA-),* Bank of Ireland rated BB+ *(2010: BB+),* Caisse Des Depots et Conseignments *AAA (2010:), CADES AA+(2010 )*. All 2011 and 2010 ratings are S&P long-term counterparty credit ratings as at 31 December 2011*(2010: 31 December 2010)*. The percentage of cash held by each bank is Societe Generale, (0.23%), BNP Paribas (30.76%), JP Morgan (46.14%), Bank of Ireland (0.95%), Caisse Des Depots et Conseignments (14.04%) and CADES (7.88%).

**11 Property and equipment**

**Company and Group**

| | **Leasehold improvements and equipment €'000** | **Furniture fixtures & fittings €'000** | **Total €'000** |
|---|---|---|---|
| *Cost*: | | | |
| Balance at 1 January 2011 | 309 | 236 | 545 |
| Additions in the year | | | |
| **Balance at 31 December 2011** | **309** | **236** | **545** |
| *Depreciation*: | | | |
| Balance at 1 January 2011 | 309 | 236 | 545 |
| Charge for year | | | |
| **Balance at 31 December 2011** | **309** | **236** | **545** |
| *Carrying amount*: | | | |
| **Balance at 31 December 2011** | **-** | **-** | **-** |
| Balance at 31 December 2010 | - | - | - |

## 12 Financial assets

**Company**

Financial assets comprise the following undertaking of the Company at 31 December 2011. The Company's investment in this undertaking is €3 *(2010: €3)*. In the opinion of the Board of Directors the market value of the financial fixed asset is not less than this amount.

| *Company Name* | *% Holding 2011 and 2010* | *Registered Office Activities* | *Nature of business* | *Country of Principal and incorporation* |
|---|---|---|---|---|
| Eireann Aviation Finance Limited | 100% Ordinary Shares | WIL House Shannon Business Park Shannon Ireland | Aircraft Leasing | Ireland |

## 13 Deferred tax assets and liabilities

**Asset**

| **Company and Group** | **2011 €'000** | 2010 €'000 |
|---|---|---|
| *Deferred taxation* | | |
| Balance at 1 January | - | - |
| Increase recognized in the Statement of Comprehensive Income | 8,596 | - |
| Balance at 31 December | 8,596 | - |

| | **2011 €'000** | 2010 €'000 |
|---|---|---|
| The balance can be analysed as follows: | | |
| Tax losses available for utilization against future profits | 8,596 | - |
| | 8,596 | - |

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be recovered. At 31 December 2011, a deferred tax asset of €8m arises (2010: €Nil), all of which relates to unutilised tax losses in the Republic of Ireland. The Directors have considered the assumptions underpinning the recognition of this asset. It has been determined that future taxable profits will be available against which the asset will be realised and as the unutilised tax losses can be carried forward indefinitely, they consider that the recoverability of the deferred tax asset is probable. There were no unrecognised deferred tax assets at 31 December 2011 (2010: €Nil).

## Notes *(continued)*

*for the year ended 31 December*

### 13 Deferred tax assets and liabilities *(continued)*

**Liability**

| **Company and Group** | **2011 €'000** | 2010 €'000 |
|---|---|---|
| *Deferred taxation* | | |
| Balance at 1 January | 1,973 | 3,947 |
| Decrease recognised in the Statement of Comprehensive Income | (1,973) | (1,974) |
| Balance at 31 December | - | 1,973 |

The balance can be analysed as follows:

| | | |
|---|---|---|
| Taxable profits carried forward on conversion to IFRS | - | 1,973 |
| | - | 1,973 |

### 14 Share capital

| **Company and Group** | **2011 €'000** | 2010 €'000 |
|---|---|---|
| *Authorised* | | |
| 100,000,000 Ordinary Shares of €1.27 each | 127,000 | 127,000 |
| *Allotted, called up and fully paid equity shares* | | |
| 33,515,848 Ordinary Shares of €1.27 each | 42,565 | 42,565 |
| *Share premium* | 191,750 | 191,750 |
| Total share capital and share premium | 234,315 | 234,315 |

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. The ordinary shares rank pari passu in all respects. The Company did not pay nor declare a dividend on its share capital during the period or prior period. The Company and Group do not have any externally imposed capital requirements.

**15 Pensions**

**Group and Company**

All pension entitlements of employees of GE Capital European Funding are met by payments to two externally funded superannuation schemes, a defined benefit and a defined contribution scheme. These schemes are maintained by GE Capital Woodchester Limited, an affiliate entity. The funds of these schemes are invested by independent trustees, nominated by that company for the sole benefit of the employees and dependants of GE Capital Woodchester Investments (an affiliated entity), its subsidiary undertakings, and certain affiliated related undertakings. The contributions to the defined benefit scheme are based on the advice of independent professionally qualified actuaries. The latest available triennial actuarial valuation of the defined benefit scheme was carried out with an effective date of 1 January 2011.

The principal actuarial assumptions used in that valuation was that the pre-retirement discount rate would exceed the rate of pensionable salary increases by 2.25% per annum and the post-retirement discount rate would exceed pension increases, on average, by 1.5% per annum.

The actuarial report showed that at the valuation date the market value of the defined benefit scheme assets was €76.6million and that the past service deficit was €24.5million. The actuarial report is not available for public inspection.

Pension contributions are being paid as recommended by the Scheme Actuary and significant additional Special Pension Contributions are also being paid into the Scheme to try to restore the Scheme to solvency but this will take time. The deficit in the GE Capital Woodchester Pension and Life Assurance Scheme is under review with the pension scheme Trustees.

The defined benefit scheme is run on a basis that does not enable individual companies affiliated to the scheme to identify their share of the underlying asset and liabilities and therefore the Company has taken advantage of the exemptions in IAS 19 "Employee Benefits" and has accounted for the scheme as a defined contribution scheme.

The assets of the defined contribution scheme are held separately from those of the Company by an independently administered fund.

The total pension charge for the year for both schemes amounted to €108,000 *(2010: €120,000)* and the accrual at the year end was €Nil *(2010:€Nil)*.

**16 Partnership name and principal activities**

The Company is a limited partner in the following Partnership:

GE Capital European Funding & Co
WIL House
Shannon Business Park
Shannon
Co Clare
Ireland

**16 Partnership name and principal activities** *(continued)*

Another group company, GE Capital Edinburgh Limited acts as the general partner to the partnership. The Company provides capital to the Partnership, which in turn makes loans to other GE affiliated entities. The total capital provided to the partnership at the year end was €6,306,462,891 *(2010: €6,175,363,400)*. This balance is included in loans and advances to affiliates at the year end in the Company financial statements.

Under the partnership agreement, the Company is entitled to the profits of the Partnership after the first €1,000 has been allocated to the general partner. For the year ended 31 December 2011, this amounted to €161,099,492 *(2010: €207,554,933)*.

**17 Financial risk management**

***Introduction and overview***
The Company and Group have exposure to the following risks from the use of financial instruments:

(a) credit risk
(b) liquidity risk
(c) market risks
(d) other price risk
(e) operational risks

This note presents information about the Company's and Group's exposure to each of the above risks, the Company's and Group's objectives, policies and processes for measuring and managing risk, and the Company's and Group's management of capital.

***Risk management framework***
The Board of Directors has overall responsibility for the establishment and oversight of the Company's and Group's risk management framework.

The Audit Committee has non-executive members and reports to the Board of Directors on their activities.

The Company's and Group's risk management policies are based on the policies of the ultimate parent General Electric Capital Corporation (GECC) and are established to identify and analyse the risks faced by the Company and Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Company and Group, through their training and management standards and procedures, aim to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Board of Directors is responsible for monitoring compliance with the Company's and Group's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Company and Group. The Board of Directors is assisted in these functions by GE Corporate Audit Staff "Internal Audit". Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors.

**17 Financial risk management** *(continued)*

***(a) Credit risk***

Credit risk is the risk of financial loss to the Company and Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's and Group's loans and advances to affiliates. For risk management reporting purposes the Company and Group considers and consolidates all elements of credit risk exposure (such as individual obligor risk, default risk and country risk).

*Management of credit risk*

The Board has established the Credit Committee, which is responsible for developing and monitoring Company and Group credit policies. The Board of Directors has formulated credit policies for the management of credit risk and has delegated responsibility for the implementation of these policies to its Credit Committee which is responsible for oversight of the Company's and Group's credit risk, including:

- Following parent company credit policies covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements;
- Establishing the authorization structure for the approval and renewal of credit facilities;
- Reviewing and assessing credit risk. The Credit Committee assesses all credit exposures prior to facilities being committed, and these facilities are subject to periodic review based on the overall risk associated as determined by management.

For each periodic review, a comprehensive due diligence is carried out on each borrower. The credit risk is considered to have increased for certain borrowers as a result of the deterioration of the net asset positions. As a result, the Company and Group have provided €43,324,569 (2010: €Nil) in specific provisions during the year. The total carrying amount of lending exposed to credit risk in the Company amounted to €41,602 million *(2010: €46,034 million)*, and in the Group amounted to €41,602 million *(2010: €46,105 million)*. There were no loans written off during the year *(2010: €Nil)*.

| **Exposure to credit risk** | **Loans and receivables** | |
|---|---|---|
| | **2011** | 2010 |
| **Company** | **€'000** | €'000 |
| Carrying amount | 41,602,149 | 46,033,904 |
| **Assets at Amortised Cost** | | |
| *Individually Impaired* | | |
| Gross Amount | 70,137 | - |
| Allowance for impairment *(Note 21)* | (43,325) | - |
| **Carrying amount individually impaired** | 26,812 | - |

**17 Financial risk management** (continued)

**(a) Credit risk (*continued*)**

| **Exposure to Credit Risk** *(continued)* | **2011 €'000** | 2010 €'000 |
|---|---|---|
| *Collectively impaired* | | |
| Gross Amount | - | - |
| Allowance for impairment *(Note 21)* | - | - |
| **Carrying amount collectively impaired** | - | - |
| *Past due but not impaired* | | |
| Gross Amount | - | - |
| Allowance for impairment (Note 21) | - | - |
| **Carrying amount past due but not impaired** | - | - |
| *Neither past due nor impaired* | | |
| Gross Amount *(Note 20)* | 39,474,281 | 43,533,771 |
| Allowance for impairment *(Note 21)* | - | - |
| **Carrying amount neither past due nor impaired** | 39,474,281 | 43,533,771 |
| Carrying amount at amortised cost | 39,501,093 | 43,533,771 |

| | **Loans and receivables** | |
|---|---|---|
| | **2011** | 2010 |
| **Company** | | |
| **Assets at Fair Value** | **€'000** | €'000 |
| *Individually Impaired* | | |
| Gross Amount | - | - |
| Allowance for impairment *(Note 21)* | - | - |
| **Carrying amount individually impaired** | - | - |
| *Collectively impaired* | | |
| Gross Amount | - | - |
| Allowance for impairment *(Note 21)* | - | - |
| **Carrying amount collectively impaired** | - | - |
| *Past due but not impaired* | | |
| Gross Amount | - | - |
| Allowance for impairment *(Note 21)* | - | - |
| **Carrying amount past due but not impaired** | - | - |

## Notes *(continued)*
*for the year ended 31 December*

**17 Financial risk management** (continued)

**(a) Credit risk (*continued*)**

| **Exposure to Credit Risk** *(continued)* | **2011 €'000** | 2010 €'000 |
|---|---|---|
| *Neither past due nor impaired* | | |
| Gross Amount *(Note 20)* | 2,101,056 | 2,500,133 |
| Allowance for impairment *(Note 21)* | - | - |
| **Carrying amount neither past due nor impaired** | 2,101,056 | 2,500,133 |
| Carrying amount at fair value | 2,101,056 | 2,500,133 |
| **Total carrying amount** | 41,602,149 | 46,033,904 |

| **Group** | **Loans and receivables 2011 €'000** | 2010 €'000 |
|---|---|---|
| Carrying amount | 41,602,211 | 46,105,380 |
| **Assets at Amortised Cost** | | |
| *Individually Impaired* | | |
| Gross Amount | 70,137 | - |
| Allowance for impairment *(Note 21)* | (43,325) | - |
| **Carrying amount individually impaired** | 26,812 | - |
| *Collectively impaired* | | |
| Gross Amount | - | - |
| Allowance for impairment *(Note 21)* | - | - |
| **Carrying amount collectively impaired** | - | - |
| *Past due but not impaired* | | |
| Gross Amount | - | - |
| Allowance for impairment (Note 21) | - | - |
| **Carrying amount past due but not impaired** | - | - |
| *Neither past due nor impaired* | | |
| Gross Amount *(Note 20)* | 39,474,343 | 43,605,247 |
| Allowance for impairment *(Note 21)* | - | - |
| **Carrying amount neither past due nor impaired** | 39,474,343 | 43,605,247 |
| Carrying amount at amortised cost | 39,501,155 | 43,605,247 |

**17 Financial risk management** (continued)

**(a) Credit risk (*continued*)**

**Exposure to credit risk** *(continued)*

| | Loans and receivables | |
|---|---|---|
| | **2011** | 2010 |
| **Group** | | |
| **Assets at Fair Value** | **€'000** | €'000 |
| *Individually Impaired* | | |
| Gross Amount | - | - |
| Allowance for impairment *(Note 21)* | - | - |
| **Carrying amount individually impaired** | - | - |
| *Collectively impaired* | | |
| Gross Amount | - | - |
| Allowance for impairment *(Note 21)* | - | - |
| **Carrying amount collectively impaired** | - | - |
| *Past due but not impaired* | | |
| Gross Amount | - | - |
| Allowance for impairment *(Note 21)* | - | - |
| **Carrying amount past due but not impaired** | - | - |
| *Neither past due nor impaired* | | |
| Gross Amount *(Note 20)* | 2,101,056 | 2,500,133 |
| Allowance for impairment *(Note 21)* | - | - |
| **Carrying amount neither past due nor impaired** | 2,101,056 | 2,500,133 |
| Carrying amount at fair value | 2,101,056 | 2,500,133 |
| **Total carrying amount** | 41,602,211 | 46,105,380 |

*Impaired loans*

Individually impaired loans are loans and advances for which the Company and Group determines that there is objective evidence of impairment and it does not expect to collect all principal and interest due according to the contractual terms of the loan agreement(s).

**17 Financial risk management** (continued)
**(a) Credit risk (*continued*)**

*Past due but not impaired loans*
Past due but not impaired loans are those for which contractual interest or principal payments are past due, but the Company and Group believes that impairment is not appropriate on the basis that the following have not occurred:

- Delinquency by the borrower;
- Restructuring of a loan or advance by the Company and Group on terms that the Company and Group would not otherwise consider;
- Indications that a borrower will enter bankruptcy.

At 31 December 2011 there were no loans past due but not impaired in the Company and Group *(2010: Nil).*

*Loans with renegotiated terms*
Loans with renegotiated terms are loans that have been restructured due to deterioration the borrower's financial position. No loans were renegotiated during the year ended 31 December 2011 *(2010: €nil)*

*Allowances for impairment*
The Company and Group establishes an allowance for impairment losses on assets carried at amortised costs that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and, for assets measured at amortised cost.

*Write-off policy*
The Company and Group write off loans and advances when they are determined to be uncollectable. There were no write-offs in the year ended 31 December 2011 *(2010:£nil).*

All loans and advances made by the Company and Group are with affiliated entities. All loans are uncollateralized.

Notes *(continued)*
*for the year ended 31 December*
**17 Financial risk management** (continued)
**(a) Credit risk (*continued*)**

The following table shows the breakdown of loans and advances to group companies designated at fair value:

| **Designated at fair value** | **Loans and receivables** | |
|---|---|---|
| | **2011** | 2010 |
| **Company and Group** | **€'000** | €'000 |
| Loans to 100% GE affiliates | 1,435,861 | 1,834,938 |
| Loans to less than 100% GE affiliates | 665,195 | 665,195 |
| Carrying amount *(Note 20)* | 2,101,056 | 2,500,133 |

In addition to the above, the Company and Group had entered into lending commitments of €14,434 million *(2010: €8,942 million)* with 100% GE affiliates including lending commitments of €900 million *(2010: €900 million)* to Hyundai Capital Services.

The Company and Group held derivative assets for risk management purposes of €2,669 million (2010: €2,271 million) at 31 December 2011. All derivatives were placed with another GE affiliate whose external derivative liabilities are backed by GECC's AA+ *(2010: AA+)* credit rating.

The Company and Group have no receivables that are past due or impaired at the reporting date.

**(b) Liquidity risk**

Liquidity risk is the risk that the Company and Group will encounter difficulty in meeting obligations from its financial liabilities.

***Management of liquidity risk***
The Company's and Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's and Group's reputation.

The Company's parent GECC has guaranteed that it will meet the liabilities of the Commercial Paper and MTN programmes should the Company, or Group, be unable to meet these liabilities.

GECC receives information from other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. GECC then maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Company and Group. The Board of Directors with the assistance of GECC monitor the on-going liquidity requirements of the Company and Group in detail, and by way of short-term loans from GECC cover any short-term fluctuations and obtain longer term funding to address any structural liquidity requirements. The overall daily liquidity position is monitored by GECC.

# GE Capital European Funding

## Notes *(continued)*

*for the year ended 31 December*

### 17 Financial risk management *(continued)*

#### *(b) Liquidity risk* *(continued)*

#### Residual contractual maturities of financial liabilities

**Company**

| *In millions of euro* | *Note* | Carrying amount | Gross nominal inflow / (outflow) | Less than 1 month | 1-3 months | 3 months to 1 year | 1-5 years | More than 5 years |
|---|---|---|---|---|---|---|---|---|
| **31 December 2011** | | | | | | | | |
| *Non-derivative liabilities* | | | | | | | | |
| Loans and advances from affiliates | 20 | 1,818 | (1,818) | - | - | - | - | (1,818) |
| Debt securities issued | 22 | 42,464 | (42,464) | (836) | (5,756) | (3,442) | (24,104) | (8,326) |
| Current tax liabilities | | - | - | - | - | - | - | - |
| Deferred tax liabilities | 13 | - | - | - | - | - | - | - |
| Other liabilities | 23 | 2 | (2) | (2) | - | - | - | - |
| | | 44,284 | (44,284) | (838) | (5,756) | (3,442) | (24,104) | (10,144) |
| *Derivative liabilities* | | | | | | | | |
| Risk management: outflow | 19 | 166 | (329) | (1) | (8) | (47) | (157) | (116) |
| Risk management: inflow | | - | 163 | - | 1 | 13 | 104 | 45 |
| | | 166 | (166) | (1) | (7) | (34) | (53) | (71) |
| Undrawn loan commitments | | - | (14,434) | - | - | - | - | (14,434) |
| | | 44,450 | (58,884) | (839) | (5,763) | (3,476) | (24,157) | (24,649) |

**Group**

| *In millions of euro* | *Note* | Carrying amount | Gross nominal inflow / (outflow) | Less than 1 month | 1-3 months | 3 months to 1 year | 1-5 years | More than 5 years |
|---|---|---|---|---|---|---|---|---|
| **31 December 2011** | | | | | | | | |
| *Non-derivative liabilities* | | | | | | | | |
| Loans and advances from affiliates | 20 | 1,818 | (1,818) | - | - | - | - | (1,818) |
| Debt securities issued | 22 | 42,464 | (42,464) | (836) | (5,756) | (3,442) | (24,104) | (8,326) |
| Current tax liabilities | | - | - | - | - | - | - | - |
| Deferred tax liabilities | 13 | - | - | - | - | - | - | - |
| Other liabilities | 23 | 18 | (18) | (2) | - | - | (16) | |
| | | 44,300 | (44,300) | (838) | (5,756) | (3,442) | (24,120) | (10,144) |
| *Derivative liabilities* | | | | | | | | |
| Risk management: outflow | 19 | 166 | (329) | (1) | (8) | (47) | (157) | (116) |
| Risk management: inflow | | - | 163 | - | 1 | 13 | 104 | 45 |
| | | 166 | (166) | (1) | (7) | (34) | (53) | (71) |
| Undrawn loan commitments | | | (14,434) | | | | | (14,434) |
| | | 44,466 | (58,900) | (839) | (5,763) | (3,476) | (24,173) | (24,649) |

### 17 Financial risk management *(continued)*

#### *(b) Liquidity risk (continued)*

#### Residual contractual maturities of financial liabilities

**Company**

| *In millions of euro* | *Note* | Carrying amount | Gross nominal inflow / (outflow) | Less than 1 month | 1-3 months | 3 months to 1 year | 1-5 years | More than 5 years |
|---|---|---|---|---|---|---|---|---|
| **31 December 2010** | | | | | | | | |
| *Non-derivative liabilities* | | | | | | | | |
| Loans and advances from affiliates | 20 | 1,599 | (1,599) | (1,599) | - | - | - | - |
| Debt securities issued | 22 | 46,856 | (46,856) | (3,246) | (4,774) | (4,630) | (23,399) | (10,807) |
| Current tax liabilities | | - | - | - | - | - | - | - |
| Deferred tax liabilities | 13 | 2 | (2) | - | - | - | (2) | - |
| Other liabilities | 23 | 1 | (1) | (1) | - | - | - | - |
| | | 48,458 | (48,458) | (4,846) | (4,774) | (4,630) | (23,401) | (10,807) |
| *Derivative liabilities* | | | | | | | | |
| Risk management: outflow | 19 | 249 | (876) | - | - | (7) | (710) | (159) |
| Risk management: inflow | | | 627 | - | - | 1 | 529 | 97 |
| | | 249 | (249) | - | - | (6) | (181) | (62) |
| Undrawn loan commitments | | | (8,942) | | | | | (8,942) |
| | | 48,707 | (57,649) | (4,846) | (4,774) | (4,636) | (23,582) | (19,811) |

**Group**

| *In millions of euro* | *Note* | Carrying amount | Gross nominal inflow / (outflow) | Less than 1 month | 1-3 months | 3 months to 1 year | 1-5 years | More than 5 years |
|---|---|---|---|---|---|---|---|---|
| **31 December 2010** | | | | | | | | |
| *Non-derivative liabilities* | | | | | | | | |
| Loans and advances from affiliates | 20 | 1,599 | (1,599) | (1,599) | - | - | - | - |
| Debt securities issued | 22 | 46,927 | (46,927) | (3,246) | (4,774) | (4,630) | (23,470) | (10,807) |
| Current tax liabilities | | - | - | - | - | - | - | - |
| Deferred tax liabilities | 13 | 2 | (2) | - | - | - | (2) | - |
| Other liabilities | 23 | 1 | (1) | (1) | - | - | - | - |
| | | 48,529 | (48,529) | (4,846) | (4,774) | (4,630) | (23,472) | (10,807) |
| *Derivative liabilities* | | | | | | | | |
| Risk management: outflow | 19 | 249 | (876) | - | - | (7) | (710) | (159) |
| Risk management: inflow | | - | 627 | - | - | 1 | 529 | 97 |
| | | 249 | (249) | - | - | (6) | (181) | (62) |
| Undrawn loan commitments | | | (8,942) | | | | | (8,942) |
| | | 48,778 | (57,720) | (4,846) | (4,774) | (4,636) | (23,653) | (19,811) |

**17 Financial risk management** *(continued)*

***(b) Liquidity risk*** *(continued)*

The previous table shows the undiscounted cash flows on the Company's and Group's financial liabilities and unrecognised loan commitments on the basis of their earliest possible contractual maturity. The Company's and Group's expected cash flows on these instruments may vary significantly from this analysis. For example undrawn loan commitments are not all expected to be drawn down immediately, but upon drawdown would have contractual maturity not greater than 15 years.

The Gross nominal inflow / (outflow) disclosed in the previous table is the contractual, undiscounted cash flow on the financial liability or commitment. The disclosure for derivatives shows a net amount for derivatives that are net settled, and a gross inflow and outflow amount for derivatives that have simultaneous gross settlement.

To manage the liquidity risk arising from financial liabilities, the Company and Group holds liquid assets comprising cash and cash equivalents and investment grade securities for which there is an active and liquid market. These assets can be readily sold to meet liquidity requirements. Hence, the Company and Group believes that it is not necessary to disclose a maturity analysis in respect of these assets to enable users to evaluate the nature and extent of liquidity risk.

***(c) Market risks***

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's / issuer's credit standing) will affect the Company's and Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

**Management of market risks**

The principal market risk faced by the Company and Group relates to interest rates. This is mitigated by entering into interest rate swaps to match the maturity of assets and liabilities held by the Company and Group.

The Company and Group have no material exposure to currency risk as almost all borrowing and lending is in the same currency.

**Exposure to interest rate risk**

The principal risk to which portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for re-pricing loans. The Board of Directors is the monitoring body for compliance with these limits. A summary of the Company's and Group's interest rate gap position is as set out below:

## 17 Financial risk management *(continued)*

### Exposure to interest rate risk *(continued)*

The interest rate on floating rate funding is reset quarterly from the initial date of funding. Therefore movements in the benchmark interest rate during the quarter can give rise to a mismatch between interest expense and income. The effect on the group of a 1% increase in the benchmark rate for a full quarter could give rise to a profit of approximately €104 m *(2010: €115m)*. A decrease of 1% would have an equal and opposite effect.

**Company**

| *In millions of euro* | *Note* | Carrying amount | Non interest bearing | Less than 3 months | 3-6 months | 6-12 months | 1-5 years | More than 5 years |
|---|---|---|---|---|---|---|---|---|
| **31 December 2011** | | | | | | | | |
| Cash and cash equivalents | 10 | 748 | - | 748 | - | - | - | - |
| Derivative assets held for risk management | 19 | 2,669 | - | 45 | 2 | 84 | 1,150 | 1,388 |
| Loans and advances to affiliates | 20 | 41,602 | 377 | 38,361 | 653 | 790 | 1,368 | 53 |
| Deferred tax asset | 13 | 8 | 8 | - | - | - | - | - |
| Current tax asset | | 8 | 8 | - | - | - | - | - |
| Other assets | | 3 | 3 | - | - | - | - | - |
| | | 45,038 | 396 | 39,154 | 655 | 874 | 2,518 | 1,441 |
| Derivative liabilities held for risk management | 19 | (166) | - | (7) | (5) | (29) | (53) | (72) |
| Loans and advances from affiliates | 20 | (1,818) | (1,299) | (519) | - | - | - | - |
| Debt securities issued | 22 | (42,464) | (833) | (12,169) | (433) | (2,495) | (19,512) | (7,022) |
| Deferred tax liability | 13 | - | - | - | - | - | - | - |
| Other liabilities | 23 | (2) | (2) | - | - | - | - | - |
| | | (44,450) | (2,134) | (12,695) | (438) | (2,524) | (19,565) | (7,094) |
| Effects of derivatives held for risk management | | - | - | (24,468) | (166) | 1,617 | 17,330 | 5,687 |
| Sensitivity gap | | | | 1,991 | 51 | (33) | 283 | 34 |

**Company**

| *In millions of euro* | *Note* | Carrying amount | Non interest bearing | Less than 3 months | 3-6 months | 6-12 months | 1-5 years | More than 5 years |
|---|---|---|---|---|---|---|---|---|
| **31 December 2010** | | | | | | | | |
| Cash and cash equivalents | 10 | 940 | - | 940 | - | - | - | - |
| Derivative assets held for risk management | 19 | 2,376 | - | 127 | 39 | 67 | 1,158 | 985 |
| Loans and advances to affiliates | 20 | 46,034 | 317 | 42,439 | 136 | 100 | 2,597 | 445 |
| Current tax asset | | 16 | 16 | - | - | - | - | - |
| Other assets | | 3 | 3 | - | - | - | - | - |
| | | 49,369 | 336 | 43,506 | 175 | 167 | 3,755 | 1,430 |
| Derivative liabilities held for risk management | 19 | (249) | - | - | (3) | (3) | (181) | (62) |
| Loans and advances from affiliates | 20 | (1,599) | (1,095) | (504) | - | - | - | - |
| Debt securities issued | 22 | (46,856) | (993) | (15,530) | (1,010) | (1,521) | (19,820) | (7,982) |
| Deferred tax liability | 13 | (2) | (2) | - | - | - | - | - |
| Other liabilities | 23 | (1) | (1) | - | - | - | - | - |
| | | (48,707) | (2,091) | (16,034) | (1,013) | (1,524) | (20,001) | (8,044) |
| Effects of derivatives held for risk management | | - | - | (25,487) | 895 | 1,425 | 16,530 | 6,637 |
| Sensitivity gap | | - | - | 1,985 | 57 | 68 | 284 | 23 |

# GE Capital European Funding

## Notes *(continued)*
*for the year ended 31 December*

## 17 Financial risk management *(continued)*

### Exposure to interest rate risk *(continued)*

**Group**

| *In millions of euro* | *Note* | Carrying amount | Non interest bearing | Less than 3 months | 3-6 months | 6-12 months | 1-5 years | More than 5 years |
|---|---|---|---|---|---|---|---|---|
| **31 December 2011** | | | | | | | | |
| Cash and cash equivalents | 10 | 748 | - | 748 | - | - | - | - |
| Derivative assets held for risk management | 19 | 2,669 | - | 45 | 2 | 84 | 1,150 | 1,388 |
| Other assets | | 19 | 3 | - | 16 | - | - | - |
| Loans and advances to affiliates | 20 | 41,602 | 377 | 38,361 | 653 | 790 | 1,368 | 53 |
| Deferred tax asset | 13 | 8 | 8 | | | | | |
| Current tax asset | | 8 | 8 | - | - | - | - | - |
| | | 45,054 | 396 | 39,154 | 671 | 874 | 2,518 | 1,441 |
| Derivative liabilities held for risk management | 19 | (166) | - | (7) | (5) | (29) | (53) | (72) |
| Loans and advances from affiliates | 20 | (1,818) | (1,299) | (519) | - | - | - | - |
| Debt securities issued | 22 | (42,464) | (833) | (12,169) | (433) | (2,495) | (19,512) | (7,022) |
| Deferred tax liability | 13 | - | - | - | - | - | - | - |
| Other liabilities | 23 | (18) | (2) | - | (16) | - | - | - |
| | | (44,466) | (2,134) | (12,695) | (454) | (2,524) | (19,565) | (7,094) |
| Effects of derivatives held for risk management | | - | - | (24,468) | (166) | 1,617 | 17,330 | 5,687 |
| Sensitivity gap | | - | - | 1,991 | 51 | (33) | 283 | 34 |

**Group**

| *In millions of euro* | *Note* | Carrying amount | Non interest bearing | Less than 3 months | 3-6 months | 6-12 months | 1-5 years | More than 5 years |
|---|---|---|---|---|---|---|---|---|
| **31 December 2010** | | | | | | | | |
| Cash and cash equivalents | 10 | 940 | - | 940 | - | - | - | - |
| Derivative assets held for risk management | 19 | 2,376 | - | 127 | 39 | 67 | 1,158 | 985 |
| Other assets | | 3 | 3 | - | - | - | - | - |
| Loans and advances to affiliates | 20 | 46,105 | 317 | 42,439 | 136 | 100 | 2,668 | 445 |
| Current tax asset | | 16 | 16 | - | - | - | - | - |
| | | 49,440 | 336 | 43,506 | 175 | 167 | 3,826 | 1,430 |
| Derivative liabilities held for risk management | 19 | (249) | - | - | (3) | (3) | (181) | (62) |
| Loans and advances from affiliates | 20 | (1,599) | (1,095) | (504) | - | - | - | - |
| Debt securities issued | 22 | (46,927) | (993) | (15,530) | (1,010) | (1,521) | (19,891) | (7,982) |
| Deferred tax liability | 13 | (2) | (2) | - | - | - | - | - |
| Other liabilities | 23 | (1) | (1) | - | - | - | - | - |
| | | (48,778) | (2,091) | (16,034) | (1,013) | (1,524) | (20,072) | (8,044) |
| Effects of derivatives held for risk management | | - | - | (25,487) | 895 | 1,425 | 16,530 | 6,637 |
| Sensitivity gap | | - | - | 1,985 | 57 | 68 | 284 | 23 |

**17 Financial risk management** *(continued)*

***(d) Other price risk***

Other price risk is the risk that the fair value of the financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual instrument, its issuer or factors affecting all instruments traded in the market.

The Company's and Group's derivatives are with other GE Group companies and affiliates with fixed spreads in place over the market. In addition, the Company's parent, GE Capital Corporation which is a AA+ (2010: AA+) rated borrower has guaranteed that it will meet the liabilities of the Commercial Paper and MTN programmes should the Company, or Group be unable to meet these liabilities. As part of the Company's and Group's processes, management monitor the ratings of GECC and the affiliates with which the Company and Group trades. For these reasons, the directors consider the impact of other price risk to be low.

The process for monitoring and measuring this risk is unchanged from the prior year.

***(e) Operational risks***

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's and Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's and Group's operations and are faced by all business entities.

The Company's and Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's and Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The Board of Directors are responsible for the development and implementation of controls to address operational risk.

This responsibility is supported by the development of overall GECC standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- training and professional development;
- ethical and business standards.

Compliance with Company and Group standards is supported by a programme of periodic reviews to ensure compliance with GE Group risk management policies.

**18 Use of estimates and judgements**

The Board of Directors review the development, selection and disclosure of the Company's and Group's critical accounting policies and estimates, and the application of these policies and estimates.

These disclosures supplement the commentary on financial risk management (see Note 17).

**Critical accounting judgements**
Critical accounting judgements made in applying the Company's and Group's accounting policies include:

- **Allowances for credit losses**

Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy (i).

The specific counterparty component of the total allowances for impairment applies to financial assets evaluated individually for impairment and is based upon the Board of Directors' best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, the Board of Directors makes judgements about a counterparty's financial situation.

Collectively assessed impairment allowances cover credit losses inherent in portfolios of loans and advances when there is objective evidence to suggest that they contain impaired loans and advances, but the individual impaired items cannot yet be identified.

There is a specific provision of €43,324,569 at the year end *(2010: Nil)*. The collective provision at the year end was nil *(2010: Nil)*.

- **Determining fair values**

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in accounting policy (i). For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

- **Deferred Tax Asset**

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be recovered. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. In assessing the recoverability of a deferred tax asset, management considers whether it is probable that the asset will be realised. The ultimate realisation of a deferred tax asset is dependent upon the generation of future taxable income.

At 31 December 2011, a deferred tax asset of €8m arises (2010: €Nil), all of which relates to unutilised tax losses in the Republic of Ireland. The Directors have considered the assumptions underpinning the recognition of this asset. It has been determined that future taxable profits will be

**18 Use of estimates and judgements** *(continued)*

available against which the asset will be realised and as the unutilised tax losses can be carried forward indefinitely, they consider that the recoverability of the deferred tax asset is probable.

**Key sources of estimation uncertainty**

**Valuation of financial instruments**
The Company and Group measure fair values using the following hierarchy of methods:

- **Level 1 -** Quoted market price in an active market for an identical instrument.
- **Level 2 -** Valuation techniques based on observable inputs. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- **Level 3 -** Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs could have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments.

Fair values of certain financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Company and Group determine fair values using valuation techniques. Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond prices, foreign currency exchange rates, expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date, that would have been determined by market participants acting at arm's length.

The Company and Group use widely recognised valuation models for determining the fair value of common and more simple financial instruments, such as interest rate swaps that use only observable market data and require little management judgement and estimation. Observable prices and model inputs are usually available in the market for listed debt securities of the parent GECC, exchange traded derivatives and simple over the counter derivatives such as interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

There were no Level 3 assets or liabilities held in 2011 or 2010.

Although the Directors consider that the estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value.

**18 Use of estimates and judgements** *(continued)*

**Valuation of financial instruments** *(continued)*

*The table below analyses financial instruments carried at fair value, by valuation method:*

**Company**

| *In millions of euro* | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| **31 December 2011** | | | | |
| **Assets** | | | | |
| Loans and advances to affiliates | - | 2,101 | - | 2,101 |
| Derivative assets held for risk management | - | 2,669 | - | 2,669 |
| | - | 4,770 | - | 4,770 |
| **Liabilities** | | | | |
| Debt securities issued | 936 | 28,411 | - | 29,347 |
| Derivative liabilities held for risk management | - | 166 | - | 166 |
| | 936 | 28,577 | - | 29,513 |
| **31 December 2010** | | | | |
| **Assets** | | | | |
| Loans and advances to affiliates | - | 2,500 | - | 2,500 |
| Derivative assets held for risk management | - | 2,376 | - | 2,376 |
| | - | 4,876 | - | 4,876 |
| **Liabilities** | | | | |
| Debt securities issued | 1,549 | 24,197 | - | 25,746 |
| Derivative liabilities held for risk management | - | 249 | - | 249 |
| | 1,549 | 24,446 | - | 25,995 |

Level 2 instruments have been valued using a discounted cash flow model.

There have been no changes to the valuation methods applied to the financial instruments held at fair value.

## Notes *(continued)*

*for the year ended 31 December*

**18 Use of estimates and judgements** *(continued)*

**Valuation of financial instruments** *(continued)*

During 2011 there were no movements/purchases/sales/transfers from/between each level.

**Group**

| *In millions of euro* | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **31 December 2011** | | | | |
| **Assets** | | | | |
| Loans and advances to affiliates | - | 2,101 | - | 2,101 |
| Derivative assets held for risk management | - | 2,669 | - | 2,669 |
| | - | 4,770 | - | 4,770 |
| **Liabilities** | | | | |
| Debt securities issued | 936 | 28,411 | - | 29,347 |
| Derivative liabilities held for risk management | - | 166 | - | 166 |
| | 936 | 28,577 | - | 29,513 |
| **31 December 2010** | | | | |
| Loans and advances to affiliates | - | 2,500 | - | 2,500 |
| Derivative assets held for risk management | - | 2,376 | - | 2,376 |
| | - | 4,876 | - | 4,876 |
| **Liabilities** | | | | |
| Debt securities issued | 1,549 | 24,197 | - | 25,746 |
| Derivative liabilities held for risk management | - | 249 | - | 249 |
| | 1,549 | 24,446 | - | 25,995 |

During 2011 and 2010 there were no movements/purchases/sales/transfers from/between each level.

**18 Use of estimates and judgements** *(continued)*

**Valuation of financial instruments** *(continued)*

As indicated in note 19 many of the Company's and Group's financial instruments are measured at fair value on the Statement of Financial Position and it is usually possible to determine their fair values within a reasonable range of estimates.

Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement (including interest rates, volatility, estimated cash flows) and therefore, cannot be determined with precision. The valuation techniques for derivatives and loans at fair value through profit and loss do not currently include an adjustment attributable to counterparty credit risk, as the Board of Directors concluded that such an adjustment was not appropriate given that the counterparties to the derivatives and loans at fair value are all GE affiliates that are assessed as a low credit risk.

**Financial asset and liability classification**
The Company's and Group's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances:

- In designating financial assets or liabilities at fair value through profit or loss, the Company and Group have determined that the criteria for this designation set out in accounting policy (i) has been met.

Details of the Company's and Group's classification of financial assets and liabilities are given in Note 19.

**Qualifying hedge relationships**
In designating financial instruments as qualifying hedge relationships, the Company and Group have determined that it expects the hedge to be highly effective over the life of the hedging instrument. For disclosure of the impact of hedge ineffectiveness in the year, see Note 6.

**Segment reporting**
It is the Board of Directors view that the Company's and Group's business is organised as a single segment. Entity wide disclosures are included in Note 24.

**19 Accounting classifications and fair values**

The table below sets out the carrying amounts and fair values of the Company's and Group's of financial assets and liabilities, and their fair values.

| **Company** | **Fair Value Through Profit and Loss** | | **Amortised Cost** | | | |
|---|---|---|---|---|---|---|
| *In millions of euro* | **Held for Trading** | **Designated at fair value** | **Loans and receivables** | **Amortised cost** | **Carrying amount** | **Fair* value** |
| **31 December 2011** | | | | | | |
| Cash and cash equivalents | - | - | - | 748 | 748 | 748 |
| Derivative assets held for risk management | 2,669 | - | - | - | 2,669 | 2,669 |
| Current tax receivable | - | - | - | 8 | 8 | 8 |
| Deferred tax asset | - | - | - | 8 | 8 | 8 |
| Other assets | - | - | - | 3 | 3 | 3 |
| Loans and advances to affiliates | - | 2,101 | 39,501 | - | 41,602 | 41,602 |
| | 2,669 | 2,101 | 39,501 | 767 | 45,038 | 45,038 |
| Derivative liabilities held for risk management | 166 | - | - | - | 166 | 166 |
| Loans and advances from affiliates | - | - | 1,818 | - | 1,818 | 1,818 |
| Debt securities issued | - | 29,347 | - | 13,117 | 42,464 | 42,464 |
| Other liabilities | - | - | - | 2 | 2 | 2 |
| Deferred tax liabilities | - | - | - | - | - | - |
| | 166 | 29,347 | 1,818 | 13,119 | 44,450 | 44,450 |
| **31 December 2010** | | | | | | |
| Cash and cash equivalents | - | - | - | 940 | 940 | 940 |
| Derivative assets held for risk management | 2,376 | - | - | - | 2,376 | 2,376 |
| Current tax receivable | - | - | 16 | - | 16 | 16 |
| Other assets | - | - | 3 | - | 3 | 3 |
| Loans and advances to affiliates | - | 2,500 | 43,534 | - | 46,034 | 46,034 |
| | 2,376 | 2,500 | 43,553 | 940 | 49,369 | 49,369 |
| Derivative liabilities held for risk management | 249 | - | - | - | 249 | 249 |
| Loans and advances from affiliates | - | - | 1,599 | - | 1,599 | 1,599 |
| Debt securities issued | - | 25,746 | - | 21,110 | 46,856 | 46,856 |
| Other liabilities | - | - | - | 2 | 2 | 2 |
| Deferred tax liabilities | - | - | - | 1 | 1 | 1 |
| | 249 | 25,746 | 1,599 | 21,113 | 48,707 | 48,707 |

Notes *(continued)*
*for the year ended 31 December*

**19 Accounting classifications and fair values** *(continued)*

**Group**

| *In millions of euro* | **Fair Value Through Profit and Loss** | | **Amortised Cost** | | | |
|---|---|---|---|---|---|---|
| | **Held for Trading** | **Designated at fair value** | **Loans and receivables** | **Amortised cost** | **Carrying amount** | **Fair* value** |
| **31 December 2011** | | | | | | |
| Cash and cash equivalents | - | - | - | 748 | 748 | 748 |
| Derivative assets held for risk management | 2,669 | - | - | - | 2,669 | 2,669 |
| Current tax receiveable | - | - | - | 8 | 8 | 8 |
| Deferred tax asset | - | - | - | 8 | 8 | 8 |
| Other assets | - | - | - | 19 | 19 | 19 |
| Loans and advances to affiliates | - | 2,101 | 39,501 | - | 41,602 | 41,602 |
| | 2,669 | 2,101 | 39,501 | 783 | 45,054 | 45,054 |
| Derivative liabilities held for risk management | 166 | - | - | - | 166 | 166 |
| Loans and advances from affiliates | - | - | 1,818 | - | 1,818 | 1,818 |
| Debt securities issued | - | 29,347 | - | 13,117 | 42,464 | 42,464 |
| Other liabilities | - | - | - | 18 | 18 | 18 |
| Deferred tax liabilities | - | - | - | - | - | - |
| | 166 | 29,347 | 1,818 | 13,135 | 44,466 | 44,466 |
| **31 December 2010** | | | | | | |
| Cash and cash equivalents | - | - | - | 940 | 940 | 940 |
| Derivative assets held for risk management | 2,376 | - | - | - | 2,376 | 2,376 |
| Current tax receiveable | - | - | 16 | - | 16 | 16 |
| Other assets | - | - | 3 | - | 3 | 3 |
| Loans and advances to affiliates | - | 2,500 | 43,605 | - | 46,105 | 46,105* |
| | 2,376 | 2,500 | 43,624 | 940 | 49,440 | 49,440 |
| Derivative liabilities held for risk management | 249 | - | - | - | 249 | 249 |
| Loans and advances from affiliates | - | - | 1,599 | - | 1,599 | 1,599 |
| Debt securities issued | - | 25,746 | - | 21,181 | 46,927 | 46,927 |
| Other liabilities | - | - | - | 1 | 1 | 1 |
| Deferred tax liabilities | - | - | - | 2 | 2 | 2 |
| | 249 | 25,746 | 1,599 | 21,184 | 48,778 | 48,778 |

**19 Financial assets and liabilities** *(continued)*

The term 'financial instruments' includes both financial assets and financial liabilities. The fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The Company's and Group's accounting policy for the determination of fair value of financial instruments is set out in accounting policy number (i).

* Readers of these financial statements are advised to use caution when using the data in the table above to evaluate the Group's financial position or to make comparisons with other institutions. All "Loans and advances to affiliates" are with GE counterparties and planned to be held to maturity. The valuation of financial instruments, including "Loans and advances to affiliates", involves the application of judgement and estimation. Market and credit risks are key assumptions in the estimation of the fair value of "Loans and advances to affiliates". The volatility in financial markets and the illiquidity that is evident in these markets has reduced the demand for many financial instruments and this creates a difficulty in estimating the fair value for loans to affiliates. No ready quotable market is available to fair value the loans and advances to affiliates. In the context of the foregoing, the Board of Directors are satisfied that amortised cost less impairment represents a reasonable approximation of fair value.

**Fair value hedging relationships**
Certain medium term notes shown within debt securities issued are designated in qualifying fair value interest rate hedging relationships (Company and Group 2011: € 28,411 million; (*2010: €25,746 million*)) and are fair valued with respect to the hedged interest rate.

**Derivatives held for risk management**
All derivative instruments are entered into with a GE affiliate Company, GE Financial Markets.

| **Company and Group** | **2011** | 2010 |
|---|---|---|
| | **€'000** | €'000 |
| **Derivative assets held for risk management** | | |
| Instrument type: | | |
| Interest rate swaps | 2,669,087 | 2,376,223 |
| **Derivative liabilities held for risk management** | | |
| Instrument type: | | |
| Interest rate swaps | (166,174) | (248,882) |
| | 2,502,913 | 2,127,341 |

**19 Financial assets and liabilities** *(continued)*

| **Derivatives held for risk management** *(continued)* | **2011** **€'000** | 2010 €'000 |
|---|---|---|
| **Net derivatives held for risk management** | | |
| Fair value hedges of interest rate risk | 2,577,624 | 2,234,997 |
| Other derivatives held for risk management | (74,711) | (107,656) |
| | 2,502,913 | 2,127,341 |

**Fair value hedges of interest rate risk**
The Company and Group use interest rate swaps to hedge its exposure to changes in the fair value of its fixed rate Euro Medium Term Notes. Interest rate swaps are matched to specific issuances of fixed rate notes. The fair value of derivative assets designated as fair value hedges is €2,669 million *(2010: €2,376 million)*. The fair value of derivative liabilities designated as fair value hedges is € 91 million *(2010: €140 million)*.

**Other derivatives held for risk management**
The Company and Group use other derivatives, not designated in a qualifying hedge relationship, to manage the exposure to interest rate risk. The instruments used include interest rate swaps. The fair values of those derivatives are shown in the table above.

The notional amounts of all interest rate swaps outstanding at 31 December 2011 were € 33,083 million *(2010: €38,058 million)*.

**Embedded derivatives**
In the Company and Group, embedded derivatives with a value of €28 million *(2010: €19 million)* have been separated from their host contracts and included, at fair value, in the derivative liabilities held for risk management caption of the Statement of Financial Position.

**20 Loans and advances**

**Loans and advances to affiliates**

| **Company** | **2011** | 2010 |
|---|---|---|
| | **€'000** | €'000 |
| Loans and advances to affiliates at fair value through profit or loss | 2,101,056 | 2,500,133 |
| Loans and advances to affiliates at amortised cost | 39,544,418 | 43,533,771 |
| | 41,645,474 | 46,033,904 |
| Provision for impairment losses (note 21) | (43,325) | - |
| | 41,602,149 | 46,033,904 |

| **Group** | **2011** | 2010 |
|---|---|---|
| | **€'000** | €'000 |
| Loans and advances to affiliates at fair value through profit or loss | 2,101,056 | 2,500,133 |
| Loans and advances to affiliates at amortised cost | 39,544,480 | 43,605,247 |
| | 41,645,536 | 46,105,380 |
| Provision for impairment losses (note 21) | (43,325) | - |
| | 41,602,211 | 46,105,380 |

The opening provision for impairment in 2010 was €Nil *(2010: €Nil)*. Provisions of €43,324,569 were created in the year *(2010: €Nil)*. The closing balance on the provision for impairment in 2011 was €43,324,569 *(2010: €Nil)*. All loans are entered into with other GE affiliate companies.

Certain loans and advances to affiliates held by the Company and Group have been designated at fair value through profit or loss as the Company and Group manage these loans and advances on a fair value basis. Internal reporting and performance measurement of these loans and advances are on a fair value basis.

## 20 Loans and advances *(continued)*

### Loans and advances from affiliates

| **Company** | **2011 €'000** | 2010 €'000 |
|---|---|---|
| Loans and advances from affiliates at amortised cost | 1,817,727 | 1,598,878 |
| | 1,817,727 | 1,598,878 |

| **Group** | **2011 €'000** | 2010 €'000 |
|---|---|---|
| Loans and advances from affiliates at amortised cost | 1,817,789 | 1,599,412 |
| | 1,817,789 | 1,599,412 |

## 21 Allowances for impairments

| **Company and Group** | **2011 €'000** | 2010 €'000 |
|---|---|---|
| Balance at the beginning of the reporting period | - | - |
| Impairment loss for the year: | | |
| Charge for the year | 43,325 | - |
| | 43,325 | - |

### 22 Debt securities issued

| **Company** | **2011 €'000** | 2010 €'000 |
|---|---|---|
| Debt securities issued at fair value through profit or loss | 29,347,568 | 25,745,881 |
| Debt securities issued at amortised cost | 13,116,822 | 21,109,953 |
| | 42,464,390 | 46,855,834 |

| **Group** | **2011 €'000** | 2010 €'000 |
|---|---|---|
| Debt securities issued at fair value through profit or loss | 29,347,568 | 25,745,881 |
| Debt securities issued at amortised cost | 13,116,822 | 21,180,895 |
| | 42,464,390 | 46,926,776 |

Fixed rate debt securities issued have been designated at fair value through profit or loss when in a hedging relationship.

At 31 December 2011 €32,430 million *(2010: €34,206 million)* of debt securities issued are expected to be settled more than twelve months after the reporting date.

The carrying amount of financial liabilities designated at fair value through profit or loss at 31 December 2011 was €2,004 million higher than the contractual amount at maturity *(2010: €1,329 million)*.

| **Company** | **2011 €'000** | 2010 €'000 |
|---|---|---|
| **Debt securities at amortised cost** | | |
| Floating rate debt securities | 5,339,214 | 4,965,573 |
| Medium term notes | 7,777,608 | 16,144,380 |
| | 13,116,822 | 21,109,953 |

| **Group** | **2011 €'000** | 2010 €'000 |
|---|---|---|
| **Debt securities at amortised cost** | | |
| Floating rate debt securities | 5,339,214 | 5,036,516 |
| Medium term notes | 7,777,608 | 16,144,379 |
| | 13,116,822 | 21,180,895 |

**22 Debt securities issued** *(continued)*

Included in the floating rate debt securities is commercial paper amounting to €4,503 million *(2010: £3,972 million)* with an average maturity of 56 days *(2010: 70 days)* and a range of interest rates from 0.471% to 1.6294% *(2010: 0.5097% to 1.1295%.).*

The debt securities issued by the MTN program held at amortised cost have a range of maturities from 5 months to 21 years *(2010: 3 months to 22 years)*, an average maturity of 5.2 years *(2010: 3.9 years)* and a range of interest rates from 3 month Euribor plus 0.00% to 3 month Euribor plus 2.25% *(2010: 3 month Euribor plus 0.00% to 3 month Euribor plus 2.25%).*

The debt securities issued by the MTN program held at fair value have a range of maturities from 2 months to 27 years *(2010: 5 months to 28 years)*, an average maturity of 5.3 years *(2010: 6.1 years)* and a range of interest rates from 2.85% to 6.025% *(2010: 2.85% to 6.025%).*

The Company and Group had unutilised loan commitments, all to other GE affiliates, of €14,434 million at 31 December 2011 *(2010: €8,942 million)*. An unutilised commitment is the amount of any given credit facility that has not been drawn by the borrower. The longest of these commitments terminates in 2025. The table below analyses nominal movements in medium term notes and commercial paper:

| | **2011**<br>**Medium Term Notes**<br>**€'000** | **2010**<br>**Medium Term Notes**<br>**€'000** |
|---|---|---|
| Opening Balance | 40,718,280 | 40,842,652 |
| Issued | 2,150,000 | 4,250,000 |
| Redeemed | (7,600,000) | (4,374,372) |
| **Closing** | **35,268,280** | **40,718,280** |

| | **2011**<br>**Commercial Paper**<br>**€'000** | **2010**<br>**Commercial paper**<br>**€'000** |
|---|---|---|
| Opening Balance | 3,976,500 | 3,626,000 |
| Issued | 46,163,500 | 36,854,400 |
| Redeemed | (45,630,600) | (36,503,900) |
| **Closing** | **4,509,400** | **3,976,500** |

The Company and Group have not had any defaults of principal, interest or other breaches with respect to its debt securities during 2011 or 2010.

## Notes *(continued)*

*for the year ended 31 December*

### 23 Other liabilities

| | **2011 €'000** | 2010 €'000 |
|---|---|---|
| **Company** | | |
| Creditors and accruals | 2,078 | 1,202 |
| | 2,078 | 1,202 |

| | **2011 €'000** | 2010 €'000 |
|---|---|---|
| **Group** | | |
| Creditors and accruals | 17,871 | 1,202 |
| | 17,871 | 1,202 |

### 24 Operating Segments

The Company's and Group have earned all its revenues in the Republic of Ireland. All of the Company's and Group's revenues arise from the provision of loans to affiliated companies.

| **Company** | **2011 Ireland €'000** | 2010 Ireland €'000 |
|---|---|---|
| Revenue from loans and advances to affiliates | 1,052,632 | 879,598 |
| Revenue from commitment fees from affiliates | 7,284 | 6,336 |
| Revenue from loans and advances to non GE affiliates | - | - |
| **Total Segment Revenue** | 1,059,916 | 885,934 |
| Reportable segment (loss)/profit before tax | (85,362) | 6,570 |
| Reportable segment assets | 45,038,659 | 49,368,874 |
| Reportable segment liabilities | 44,450,369 | 48,706,769 |

Notes *(continued)*
*for the year ended 31 December*

**24 Operating Segments** *(continued)*

| **Group** | **2011 Ireland €'000** | 2010 Ireland €'000 |
|---|---|---|
| Revenue from loans and advances to affiliates | 1,258,310 | 1,088,974 |
| Revenue from commitment fees from affiliates | 11,145 | 10,641 |
| Revenue from loans and advances to non GE affiliates | - | - |
| **Total Segment Revenue** | 1,269,454 | 1,099,615 |
| Reportable segment (loss)/profit before tax | (85,362) | 6,570 |
| Reportable segment assets | 45,054,514 | 49,440,350 |
| Reportable segment liabilities | 44,466,224 | 48,778,245 |

**25 Related party disclosures**

***(a) Transactions with subsidiary undertakings and other affiliate GE Group companies***

The Group enters into financial transactions with its subsidiaries and other affiliate companies in the normal course of business. These include loans, derivative instruments and foreign currency transactions on an "arms length" basis. In addition, the Company and Group enter into transactions with GECC and derivative transactions with GE Financial Markets. Transactions and balances between the Company, its subsidiaries and other GE group companies are detailed in Notes 1, 2, 3, 4, 5, 6, 16, 17, 19, and 20.

The following are the related parties with whom the Group and Company has balances or has transacted with during the year:

General Electric Capital Corporation, GE Financial Markets, GE Capital International Holding, GE Capital Irish GBP Funding Co III, GE Capital Irish Holdings, GE Capital UK Funding, GE Capital UK Funding & Co, GE Capital UK Funding & Co, GE Capital European Funding & Co, GE Hungary Kft, GECC Trading Ireland, GEMS Capital Trading Company Ltd, GE Global Financial Ireland, GE Financial Ireland, GE Financial Funding, Coleraine Ltd, Sawtooth SARL, GE Healthcare Funding Ireland, GE Healthcare Holding Ireland, GE UK Euro I Co, GE Capital Irish GBP Funding Co I, GE Capital Irish GBP Funding Co II, GE Capital UK Finance, GE Capital Irish SEK Funding Co I, GE Capital Irish SEK Funding Co II, GE Capital Irish Eur Funding Co III, GE Capital Finance III Gmbh & Co. KG, GE Capital Irish EUR Funding Co II, GE Capital Irish Holdings I, GECS Polish Funding Co I, GE Capital Shannon, GE Capital FCC, GE Capital Global Financial Holdings Inc, GE Capital Financial Holdings USA, Inc, GE Capital International Finance Bermuda, GE Financial Investments Inc, GEFS Europa Financing SARL, Eireann Aviation Finance Ltd, GE Capital German Holdings (Bermuda) Ltd, GECS Polish Funding Co II, GE Capital Eireann Holdings, GE Capital Eireann Funding, GEFS Nordic Funding HandelsbolagTIP Finance BV, GEC SAS, GE Commercial Distribution Finance Ltd, GE Capital Irish Eur Funding Co. I, Sofia SA, GE Capital Equipement Finance SAS, GE Real Estate Corporation, GE Capital Asia Securitisation, GE Capital Investments Holdings B.V, GE Capital Bank AG, GE Commercial Distribution Finance

**25 Related party disclosures** *(continued)*

***(a) Transactions with subsidiary undertakings and other affiliate GE Group companies*** *(contd)*

GmbH, GE Commercial Distribution Finance Europe, GE Capital Investments Holding BV, GE Capital Bank AG, GE Capital Bank S.A., GE Financial Ireland, GE Global Financial Ireland, Soldeva Grupo de Inversiones 2006 SL, Cinderella Property GmbH, GE Deutschland Holdings GmbH, Kiel Pries Healthcare & Co. KG, Brake Healthcare & Co. KG, Travemeunde Healthcare & Co. KG, Ratekau Healthcare & Co. KG, St. Franziskus Healthcare Immobilien, Alte Oberofersterei Healthcare Immobilien, CDF France, GE Commercial Finance Holding Nederland B.V., GE Energy Europe B.V., Banque Artesia Nederland NV, Hyundai Capital Services, GERE Investments BV, III Funds, GE Corporate Finance Bank SAS, GE Real Estate European Finance Ltd., GE Corporate Finance Bank SAS, GE Commercial Finance Holding Nederland BV, GE Corporate Finance SAS, GE Capital Bank S.A, Disko Leasing GmbH, GE Capital Equipement Finance SCS, GE Money AS, Cinderella PropertyAS GE Money Bank, Aldigar Grupo de Inversiones SL, GE Capital Holdings Gmbh, OC Futurum Kolin a.s., RP Liberc a.s., GE Auto Service Leasing GmbH, GERE CEE Investments BV, Rock Fixtures GmbH, GE Real Estate Korea, HPE Erste Hausbau Beteiligungsgesellschaft mbH, GE Capital European Treasury Services Ireland.

***(b) Compensation of Key Management Personnel***

Disclosures are made in Note 7 in accordance with the provisions of IAS 24 - Related Party Disclosures and Company law in respect of the compensation of Key Management Personnel. Under IAS 24,"Key Management Personnel" are defined as comprising directors (executive and non-executive) together with senior executive officers. The Board of Directors consider Key Management Personnel to be the Directors of the Company.

***(c)Transactions with Key Management Personnel***

There were no loans, quasi-loans or credit transactions outstanding by the Company or Group to its Board of Directors at any time during the current or preceding year.

***(d) Off balance sheet arrangements***

As part of the wider GE Group the Company and Group avail of services provided by other related GE companies. These include cash operations, treasury, human resources and technical accounting services. These services are not charged to the Company or Group.

**26 Holding Company**

The Company is a wholly owned subsidiary of GE Capital Shannon, an unlimited Company incorporated in the Republic of Ireland, which is a wholly owned subsidiary of General Electric Company, a company incorporated in the United States of America.

The smallest group in which the Company results are included within is that held by General Electric Capital Corporation incorporated in the United States of America, copies of whose consolidated financial statements may be obtained from General Electric Capital Corporation, Norwalk, Connecticut 06851, CT, USA.

The largest group in which the Company results are included within is that held by General Electric Company incorporated in the United States of America, copies of whose consolidated financial

**26 Holding Company** *(continued)*

statements may be obtained from General Electric Company, Fairfield, Connecticut 06828, CT, USA.

**27 Subsequent events**

No significant events affecting the Company or Group occurred since the reporting date, which require adjustment to or disclosure in the consolidated Financial Statements.

**28 Commitments and contingencies**

The Company and Group had commitments to lend of €14,434 million at 31 December 2011 *(2010: €8,942 million)*.
In the opinion of the directors, the Company and Group had no contingent liabilities at 31 December 2011 *(2010: Nil)*.

**Lease commitments**
Non-cancellable operating lease rentals of land, buildings and other are payable as follows:

| | **2011** | 2010 |
|---|---|---|
| | **€'000** | €'000 |
| Less than one year | 106 | 106 |
| Between one and five years | 186 | 292 |
| More than five years | - | - |
| | 292 | 398 |

The Company leases an office premises under an operating lease. The lease runs for a period of 25 years, with an option to renew the lease after that period. Lease payments are reviewed every five years to reflect market rentals.

**29 Approval of Financial Statements**

The Board of Directors approved the Financial Statements on 30 March 2012.

**GE CAPITAL EUROPEAN FUNDING**

**AUDITED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS OF GE CAPITAL EUROPEAN FUNDING FOR THE FINANCIAL PERIOD ENDED DECEMBER 31, 2010, TOGETHER WITH THE AUDIT REPORT THEREON**

# GE Capital European Funding

## Directors' report

The Board of Directors present their annual report and audited Financial Statements for the year ended 31 December 2010.

**Principal activities, business review and future developments**

GE Capital European Funding (the "Company") is incorporated and tax resident in Ireland and operates as a financial services company in Shannon, Ireland. The Company, GE Capital European Funding & Co. (the "Partnership") and Eireann Aviation Finance Ltd (see Note 12) are consolidated in the GE Capital European Funding group (the "Group").

The Company has established a Euro Commercial Paper ("Commercial Paper" or "CP") Programme and a Euro Medium Term Note ("MTN") Programme. The MTN programme is listed on the London Stock Exchange. The purpose of these programmes is to obtain financing in the capital markets, primarily to fund the operations of affiliated companies.

The Board of Directors is satisfied with the results of the Company. The results for the year are set out in the Statements of Comprehensive Income on pages 24 and 25 and the related notes.

The Board of Directors will continue to develop and seek opportunities to grow the Company and Group. During 2010 changes in the loan portfolio reflected the activity of the wider General Electric ("GE") Group in Euro and the cash required to fund this activity. The future growth of the Company is dependent on the cash needs of the wider GE Group.

The following table sets out the year on year increase / (decrease) in CP and MTNs issued, and lending to affiliated companies. The Board of Directors defines affiliated companies to be subsidiaries, associates and joint ventures of the wider GE Group. The table has been calculated using the average balances over the year.

| Type of debt / loan | Year on year increase / (decrease) | |
|---|---|---|
| | **2010** | 2009 |
| Commercial Paper | 31.4% | (43.7)% |
| Medium Term Notes | (3.6)% | 4.5% |
| Loans to affiliated companies | (0.5)% | (4.9)% |

**Risk and uncertainties**

The main financial risks that the Company and Group are exposed to are credit risk, liquidity risk, market risk, and operational risk. The Board has set policies to manage these exposures, as set out in Note 17 to the Financial Statements 'Financial risk management'.

As interest rates remained at record lows, credit spreads saw some improvements however borrowing remained more expensive and as a funding company, GE Capital European Funding has been exposed to this volatility. The current market dislocation is expected to continue throughout 2011, although interest rates are expected to increase during the period. However through the use of derivatives the Company is generally able to match the maturity of its assets and liabilities and in so doing reduce its interest rate risk. The Board of Directors monitors interest rate exposure regularly. See Note 17(c) for an analysis of interest rate exposure at the year end.

As the credit markets tightened in 2008/ 2009 many corporates faced serious liquidity problems. The Company is reliant on the capital markets to support the current MTN programme and any future issues. The Company’s parent, General Electric Capital Corporation (GECC), which is itself a AA+ (2009: AA+) rated borrower has guaranteed the commercial paper and MTN programmes of the Company thus reducing the risk to any potential investor and supporting the MTN programme. However the Company expects the markets to remain challenging in the near-term. The Group also has access to the cash pool of the wider GE Group to fill any short-term liquidity requirements. See further analysis of liquidity risk at the year end at Note 17(b).

In an effort to ensure appropriate valuations were obtained, the Company relied on independent pricing providers such as Bloomberg and models used by the wider GE Group which primarily use observable market data as inputs. Such valuations necessarily involve judgments and uncertainties. Critical judgments and uncertainties surrounding valuations are discussed further in Note 18.

With the current market dislocation many companies are defaulting on loans. By carrying out comprehensive due diligence on each borrower the Company has been able to manage its exposure to credit risk and the Company experienced no defaults during the year. Additionally the Board of Directors considers no loans to be past due or impaired. The Board of Directors will continue to regularly monitor the financial strength of its borrowers to ensure the Company’s exposure to the risk of default is minimized.

As all of the Company’s and Group’s lending is to other GE Group companies and affiliates, the directors consider all loans as good credit risk.

The Company’s functional currency is the Euro (€). The Company has no material exposure to currency risk as it borrows and lends in the same currency.

**Dividends**

The Board of Directors do not propose a dividend for the current year *(*2009*: €Nil)*.

**Directors, secretary and their interests**

The Board of Directors is listed on page 1. In accordance with the Articles of Association, the Directors are not required to retire by rotation.

The Directors and Secretary as at 31 December 2010, together with their families had the following interests in the common stock of General Electric Company and its Group undertakings.

| **General Electric Company** | **No of Shares At 31 Dec 2010** | No of Shares At 1 Jan 2010 (or date of appointment if later) |
|---|---|---|
| M. Barber | 59,246 | 56,375 |
| F. Cantillon | 10,046 | 8,701 |
| B. Gilligan | 4,174 | 3,495 |
| P. Gilmartin | 3,879 | 3,879 |
| C. Glavin | 2,764 | 2,186 |
| J. Lawlor (secretary) | 729 | 513 |

**Accounting records**

The Board of Directors believes that it has complied with the requirements of Section 202 of the Companies Act, 1990 with regard to books of account by employing accounting personnel with appropriate expertise and by providing adequate resources to the financial function. The books of account of the Company are maintained at WIL House, Shannon Business Park, Shannon, Co. Clare.

**Corporate Governance**

The European Communities (2006/46 EC) Regulations 2009 were signed into law on 19 November 2009, introducing a requirement for the directors of all companies with securities admitted for trading on a regulated market to make an annual statement on corporate governance. The statement is required to include commentary on compliance with applicable codes of governance, systems of risk management and internal controls together with other details, including the operation of Board and arrangements for shareholder meetings.

Relevant information on the Company's governance arrangements for the year ended 31 December 2010 are set out below.

*Internal control and risk management systems relating to the financial reporting process:*

The Board of Directors is responsible for establishing and maintaining adequate control and risk management systems of the Company and Group in relation to the financial reporting process. Such systems are designed to manage rather than eliminate the risk of failure to achieve the Company's and Group's financial reporting objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board has established processes regarding internal control and risk management systems to ensure its effective oversight of the financial reporting process. The Board evaluates and discusses significant accounting and reporting issues as the need arises. From time to time, the Board also examines and evaluates the external auditors' performance, qualifications and independence. The Board is responsible for assessing the risk of irregularities whether caused by fraud or error in financial reporting and ensuring the processes are in place for the timely identification of internal and external matters with a potential effect on financial reporting.

The Company has procedures to ensure all relevant accounting records are properly maintained and are readily available, including production of annual financial statements. The annual financial statements of the Company are required to be approved by the board of directors of the Company and filed with the London Stock Exchange.

# GE Capital European Funding

## Directors' report *(continued)*

The Company has appointed appropriately qualified finance personnel to maintain the accounting records. The Board receives and considers reports from the finance personnel on a regular basis. It also considers and evaluates reports by the independent auditor concerning the operation of controls over its financial accounting and reporting process.

*Composition and operation of the Board of Directors*

The business of the Company is managed by the directors, who exercise all such powers of the Company as are not by the Companies Acts or by the Articles of Association of the Company required to be exercised by the Company in general meeting.

Unless otherwise determined by an ordinary resolution of the Company in general meeting, the number of Directors may not be less than two. Currently the board of directors of the Company is composed of five directors, being those listed in the directory in these financial statements.

A director may, and the company secretary of the Company on the requisition of a director will, at any time summon a meeting of the directors. Questions arising at any meeting of the directors are determined by a majority of votes. The quorum necessary for the transaction of business at a meeting of the directors is two.

The Board of Directors is responsible for monitoring compliance with the Company's and Group's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Company and Group. The Board of Directors is assisted in these functions by GE Corporate Audit Staff "Internal Audit". Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures.

The Board of Directors has formulated credit policies for the management of credit risk and has delegated responsibility for the implementation of these policies to its Credit Committee which is responsible for oversight of the Company's and Group's credit risk.

The Audit Committee has non-executive members and reports regularly to the Board of Directors on their activities.

**Auditor**

KPMG, Chartered Accountants, have expressed their willingness to continue in office in accordance with Section 160 (2) of the Companies Act, 1963.

On behalf of the board.

Columba Glavin
*Director*

Frank Cantillon
*Director*

18 April 2011

# GE Capital European Funding

## Statement of directors' responsibilities in respect of the Financial Statements

The directors are responsible for preparing the Group and Company Financial Statements, in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and Company Financial Statements for each financial year. Under that law the directors are required to prepare the Group Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and have elected to prepare the Company Financial Statements in accordance with IFRSs as adopted by the EU and as applied in accordance with the Companies Acts 1963 to 2009.

The Group and Company Financial Statements are required by law and IFRSs as adopted by the EU to present fairly the financial position and performance of the Group and Company. The Companies Acts 1963 to 2009 provide in relation to such Financial Statements that references in the relevant part of that Act to Financial Statements giving a true and fair view are references to their achieving a fair presentation.

In preparing each of the Group and Company 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 that the Financial Statements comply with IFRSs as adopted by the EU as applied in accordance with the Companies Acts 1963 to 2009; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

In accordance with the Transparency (Directive 2004/109/EC) Regulations 2007 (the Transparency Regulations), the Directors are required to include in their report a fair review of the business and a description of the principal risks and uncertainties facing the Group and the Company and a responsibility statement relating to these and other matters, included below.

The Directors are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the Financial Statements comply with the Companies Acts 1963 to 2009 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation. They are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

# GE Capital European Funding

## Statement of directors' responsibilities in respect of the Financial Statements
*(continued)*

**Responsibility Statement, in accordance with the Transparency Regulations**

Each of the directors, whose names and functions are listed on page 1 of these Financial Statements confirm that, to the best of each person's knowledge and belief:

- the Group Financial Statements, prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities and financial position of the Group at 31 December 2010 and its profit for the year then ended;
- the Company Financial Statements, prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the Companies Acts 1963 to 2009, give a true and fair view of the assets, liabilities and financial position of the Company at 31 December 2010; and
- the directors' report contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that they face.

On behalf of the Board

Columba Glavin
*Director*

Frank Cantillon
*Director*

18 April 2011

KPMG
**Chartered Accountants**
1 Harbourmaster Place
IFSC
Dublin 1
Ireland

# Independent auditor's report to the members of GE Capital European Funding

We have audited the Group and Company Financial Statements (the "Financial Statements") of GE Capital European Funding for the year to 31 December 2010 which comprise the Consolidated and Company Statement of Comprehensive Income, Consolidated and Company Statement of Financial Position, Consolidated and Company Statement of Changes in Equity, Consolidated and Company Cash Flow Statement and the related notes. These Financial Statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 193 of the Companies Act 1990. 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 auditor's 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 auditor**

The Directors' responsibilities for preparing the Directors' Report and the Financial Statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU are set out in the Statement of Directors' Responsibilities on page 6-7.

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 in accordance with IFRSs as adopted by the EU and, have been properly prepared in accordance with the Companies Acts, 1963 to 2009. We also report to you whether, in our opinion: proper books of account have been kept by the Company; whether at the reporting date, there exists a financial situation requiring the convening of an extraordinary general meeting of the Company; and whether the information given in the Directors' Report is consistent with the Financial Statements. In addition, we state whether we have obtained all the information and explanations necessary for the purposes of our audit, and whether the Company Statement of Financial Position is in agreement with the books of account.

We also report to you if, in our opinion, any information specified by law regarding directors' remuneration and directors' transactions is not disclosed and, where practicable, include such information in our report.

We are required by law to report to you our opinion as to whether the description of the main features of the internal control and risk management systems in relation to the process for preparing the group consolidated financial statements, set out in the Corporate Governance Statement is consistent with the consolidated financial statements.

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

KPMG

# Independent auditor's report to the members of GE Capital European Funding (continued)

**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 Group's and 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.

**Opinion**

In our opinion:

- the Group Financial Statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Group's affairs as at 31 December 2010 and of its profit for the year then ended;
- the Company Financial Statements give a true and fair view, in accordance with IFRSs as adopted by the EU as applied in accordance with the provisions of the Companies Acts 1963 to 2009, of the state of the Company's affairs as at 31 December 2010, and of its profit for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with the Companies Acts 1963 to 2009 and Article 4 of the IAS Regulation; and
- the Company Financial Statements have been properly prepared in accordance with the Companies Acts 1963 to 2009.

**Other matters**

We have obtained all the information and explanations which we considered necessary for the purposes of our audit. In our opinion proper books of account have been kept by the Company. The Company's Financial Statements are in agreement with the books of account.

In our opinion the information given in the Directors' Report and the description in the annual corporate governance statement of the main features of the internal controls and risk management systems in relation to the process for preparing the consolidated group financial statements is consistent with the Financial Statements.

KPMG

# Independent auditor's report to the members of GE Capital European Funding (continued)

**Other matters** *(continued)*

The net assets of the Company, as stated in the Company Statement of Financial Position, are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 December 2010 a financial situation which under Section 40 (1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the Company.

KPMG

**KPMG**
*Chartered Accountants*
*Registered Auditor*
*1/2 Harbourmaster Place*
*IFSC*
*Dublin 1*

18 April 2011

# GE Capital European Funding

## Basis of preparation

**Statement of compliance**

The Financial Statements of the Company and Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, and interpretations adopted by the International Accounting Standards Board ("IASB"). The Financial Statements also comply with the requirements of the relevant Irish legislation including the Companies Act 1963 to 2009.

**Basis of measurement**

The consolidated Financial Statements have been prepared on the historical cost basis except for the following:

- derivative financial instruments are measured at fair value,
- financial instruments at fair value through profit or loss are measured at fair value; and
- certain fixed rate debt securities issued are measured at fair value. De-designated fixed rate debt securities are measured at historical value or open market value.

**Functional and presentation currency**

These consolidated Financial Statements are presented in euro (€), which is the Company's and Group's functional currency. Except as indicated, financial information presented in euro has been rounded to the nearest thousand.

**Use of estimates and judgements**

The preparation of Financial Statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the consolidated Financial Statements are described in Note 18.

**Going Concern**

The financial statements have been prepared on a going concern basis. Risk factors including: credit, liquidity, market, and operational risk impact on the Group's and Company's activities. The Board of Directors has reviewed these risk factors, as set out in Note 17, and all relevant information to assess the Group's and Company's ability to continue as a going concern and are satisfied that the Group's and Company's Financial Statements continue to be prepared on a going concern basis as the Group and Company will have access to sufficient funding and resources for the foreseeable future.

# GE Capital European Funding

## Statement of accounting policies

**Significant accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in these consolidated Financial Statements, and have been applied consistently by the Company and Group.

**(a) Basis of consolidation**

The consolidated Financial Statements of GE Capital European Funding as at and for the year ended 31 December 2010 and 31 December 2009 include the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). The Company invests in a partnership and as a result income earned in the partnership is recognised as other operating income in the Company. The partnership is consolidated on a line-by-line basis in the consolidated accounts.

**Subsidiaries**

Subsidiaries and partnerships are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries and partnerships are included in the consolidated Financial Statements from the date that control commences until the date that control ceases. The consolidated Financial Statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances.

**Transactions eliminated on consolidation**

Intra-Group balances, and any unrealised income and expenses arising from intra-Group transactions, are eliminated in preparing the consolidated Financial Statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

**(b) Foreign currency transactions**

Transactions in foreign currencies are translated to the functional currencies at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rates at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rates at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rates at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the Statement of Comprehensive Income.

## Statement of accounting policies *(continued)*

**(c) Interest**

Interest income and expense are recognised in the Statement of Comprehensive Income using the effective interest method. The effective interest rate is the rate that discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset or liability and is not revised subsequently.

The calculation of the effective interest rate includes all fees paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Interest income and expense presented in the Statement of Comprehensive Income includes interest on financial assets and liabilities at amortised cost on an effective interest rate basis together with interest on financial assets and liabilities at fair value through profit or loss.

**(d) Fees and commission**

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission expense relates mainly to transaction and service fees, which are expensed as the services are received.

**(e) Net trading income**

Net trading income comprises gains less losses related to trading assets and liabilities, and includes all realised and unrealised fair value changes, interest, dividends and foreign exchange differences.

**(f) Net income from financial instruments at fair value**

Net income from other financial instruments at fair value relates to non-qualifying derivatives held for risk management purposes and financial assets and liabilities designated at fair value through profit or loss, and includes all realised and unrealised fair value changes, interest, dividends and foreign exchange differences.

**(g) Lease payments made**

Payments made under operating leases are recognised in the Statement of Comprehensive Income on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

## Statement of accounting policies *(continued)*

**(h) Income tax expense**

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the Statement of Comprehensive Income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

**(i) Financial assets and liabilities**

***Recognition***

All financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the Company and Group become a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus (for an item not subsequently measured at fair value through profit or loss) transaction costs that are directly attributable to its acquisition or issue.

***Classification***

See accounting policies (i), (j), (k), (l) and (n).

**(i) Financial assets and liabilities** *(continued)*

***Derecognition***

The Company and Group derecognise a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that are created or retained by the Company and Group is recognised as a separate asset or liability.

The Company and Group derecognise a financial liability when its contractual obligations are discharged or cancelled or expire.

***Offsetting***

Financial assets and liabilities are set off and the net amount presented in the Statement of Financial Position when, and only when, the Company and Group have a legal right to set off the amounts and intend either to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted by accounting standards.

***Amortised cost measurement***

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

***Fair value measurement***

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date. When available, the Company and Group measure the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, the Company and Group establish fair value using valuation techniques. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes use of market inputs, relies as little as possible on estimates specific to the Company and Group, incorporates factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments.

Inputs to valuation techniques reasonably represent market expectations and measures of the risk return factors inherent in the financial instrument. The Company and Group calibrate valuation techniques and

**(i) Financial assets and liabilities** *(continued)*

***Fair value measurement*** *(continued)*

test them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e., the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in the Statement of Comprehensive Income depending on the individual facts and circumstances of the transaction but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Assets and long positions are measured at a bid price; liabilities and short positions are measured at an asking price. Where the Company and Group have positions with offsetting risks, mid-market prices are used to measure the offsetting risk positions and a bid or asking price adjustment is applied only to the net open position as appropriate. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty where appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that the Company and Group believe a third-party market participant would take them into account in pricing a transaction.

***Identification and measurement of impairment***

At each reporting date the Company and Group assess whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Company and Group on terms that the Company and Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the Company and Group, or economic conditions that correlate with defaults in the Company and Group.

The Company and Group consider evidence of impairment for loans and advances to affiliates at both a specific asset and collective level. All individually significant loans and advances are assessed for specific impairment. All individually significant loans and advances found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances that are not individually significant are collectively assessed for impairment by grouping together loans and advances with similar risk characteristics.

## Statement of accounting policies *(continued)*

### (i) Financial assets and liabilities *(continued)*

***Identification and measurement of impairment*** *(continued)*

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rate. Losses are recognised in the Statement of Comprehensive Income and reflected in an allowance account against loans and advances. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through the Statement of Comprehensive Income.

The Company and Group write off loans and advances and investment securities when they are determined to be uncollectable (See Note 20).

***Designation at fair value through profit or loss***

The Company and Group have designated financial assets and liabilities at fair value through profit or loss when:

- the assets or liabilities are managed, evaluated and reported internally on a fair value basis;
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise;

Note 19 sets out the amount of each class of financial asset or liability that has been designated at fair value through profit or loss. A description of the basis for each designation is set out in the note for the relevant asset or liability class.

### (j) Cash and cash equivalents

Cash and cash equivalents include cash at bank and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Company and Group in the management of their short-term commitments.

Cash and cash equivalents are carried at amortised cost in the Statement of Financial Position.

## Statement of accounting policies *(continued)*

**(k) Derivatives held for risk management purposes**

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value in the Statement of Financial Position.

The Company and Group designate certain derivatives held for risk management as hedging instruments in qualifying hedging relationships. On initial designation of the hedge, the Company and Group formally document the relationship between the hedging instrument(s) and hedged item(s), including the risk management objective and strategy in undertaking the hedge transaction, together with the method that will be used to assess the effectiveness of the hedging relationship. The Company and Group make an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instrument(s) is/(are) expected to be 'highly effective' in offsetting the changes in the fair value or cash flows of the respective hedged item(s) during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent.

***Fair value hedges***

When a derivative is designated as a hedge of the change in fair value of a recognised asset or liability or a firm commitment, changes in the fair value of the derivative are recognised immediately in the Statement of Comprehensive Income together with changes in the fair value of the hedged item that are attributable to the hedged risk (in the same Statement of Comprehensive Income line item as the hedged item).

If the derivative expires or is sold, terminated or exercised, no longer meets the criteria for fair value hedge accounting, or the designation is revoked, hedge accounting is discontinued. Any adjustment up to that point, to a hedged item for which the effective interest method is used, is amortised to the Statement of Comprehensive Income as part of the recalculated effective interest rate of the item over its remaining life.

***Other non-trading derivatives***

When a derivative is not designated in a qualifying hedge relationship, all changes in its fair value are recognised immediately in the Statement of Comprehensive Income as a component of net income from other financial instruments carried at fair value.

***Embedded derivatives***

Derivatives may be embedded in another contractual arrangement (a "host contract"). The Group and Company account for an embedded derivative separately from the host contract when the host contract is not itself carried at fair value through profit or loss, the terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract, and the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract. Separated embedded derivatives are accounted for depending on their classification, and are presented in the Statement of Financial Position together with the host contract.

**(l) Loans and advances**

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Company and Group do not intend to sell immediately or in the near term.

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method, except when the Company and Group choose to carry the loans and advances at fair value through profit or loss as described in the accounting policy (i).

**(m) Property and equipment**

***Recognition and measurement***

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The costs of the day-to-day servicing of leasehold improvements, fixtures and equipment are recognised in the Statement of Comprehensive Income as incurred.

***Subsequent costs***

The cost of replacing a part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in the Statement of Comprehensive Income as incurred.

***Depreciation***

Depreciation is recognised in the Statement of Comprehensive Income on a straight-line basis over the estimated useful lives of each part of an item of leasehold improvements, fixtures and equipment. Assets under finance leases are depreciated over the shorter of the useful life or length of the lease term.

The estimated useful lives for the current and comparative periods are as follows:

- Leasehold improvements and equipment – life of lease
- Furniture, fixtures and fittings – 3 to 5 years

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

**(n) Debt securities issued**

Debt securities issued are the Company's and Group's source of debt funding.

The Company and Group classify capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument.

Debt securities issued are initially measured at fair value plus directly attributable transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the

**(n) Debt securities issued** *(continued)*

Company and Group choose to carry the liabilities at fair value through profit or loss as described in the accounting policy (i).

The Company and Group carry certain debt securities at fair value, with fair value changes recognised immediately in the Statement of Comprehensive Income.

**(o) Employee benefits**

Certain employees of the Company are members of a related undertaking's defined benefit pension scheme. The defined benefit pension scheme is run on a basis that does not enable individual companies who are affiliated to the scheme to identify their share of the underlying assets and liabilities and therefore the Company has taken advantage of the exemptions in IAS 19 "Employee Benefits" and has accounted for the scheme on a defined contribution basis.

Certain employees are members of an externally funded defined contribution superannuation scheme, maintained by GE Capital Woodchester Limited, the funds of which scheme are invested in independent trustees, nominated by that company for the sole benefit of the employees and dependants of GE Capital Woodchester Investments, its subsidiary undertakings, and certain affiliated related undertakings.

Obligations for contributions to the pension plans are recognised as an expense in the Statement of Comprehensive Income when they are due.

**(p) Segment reporting**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the Board of Directors (being the chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance.

The Company's and Group's business is organised as one segment, and all income is earned in Ireland.

## Statement of accounting policies *(continued)*

**(q) Prospective accounting changes**

The following legislative changes and new accounting standards or amendments to standards approved by the IASB in 2010 (but not early adopted by the Group) will impact the Group's financial reporting in future periods. If applicable they will be adopted in 2011. The IASB issued 'Improvements to IFRSs in May 2010, which comprise a collection of necessary but not urgent amendments to IFRSs. The amendments have not been adopted as they become effective for annual periods on or after either 1 July 2010 or 1 January 2011.

The following are applicable in 2011:

***Amendment to IAS 24 – Related Party Disclosures***
This amendment simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition. It also provides a partial exemption from the disclosure requirements for government-related entities which, as permitted by the amendment, has been early adopted by the Group in 2010.The remainder of the amendment will impact upon the disclosure of certain related party relationships, transactions and outstanding balances, including commitments in the financial statements of the Group.

***Amendment to IFRIC 14 - Prepayments of a Minimum Funding Requirement***
The amendment which is effective for annual periods beginning on or after 1 January 2011 corrects an unintended consequence of IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. Without the amendment, in some circumstances entities would not be permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendment corrects the problem. The revision will allow such prepayments to be recorded as assets in the statement of financial position. This IFRIC is not expected to have a material impact on the Group.

***IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments***
This IFRIC which is effective for annual periods beginning on or after 1 July 2010, clarifies the requirements of International Financial Reporting Standards ("IFRSs") when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. The impact on the Group will be dependent on the nature of any future liability management actions, undertaken by the Group.

***Amendment to IFRS 7 - Financial Instruments: Disclosures***
The amendment to IFRS 7 clarifies the required level of disclosure about credit risk and collateral held and provides relief from disclosures previously required regarding renegotiated loans.

***Amendments to IAS 34 - Interim Financial Reporting***
These amendments, which are effective for annual periods beginning on or after 1 January 2011, emphasise the principle in IAS 34 that disclosures about significant events and transactions in interim periods should update the relevant information presented in the most recent annual financial report. Additional disclosure requirements included in the amendment will require the Group to disclose:
- transfers between levels of the 'fair value hierarchy' used in measuring the fair value of financial instruments;

**(q) Prospective accounting changes (continued)**

-changes in the classification of financial assets as a result of a change in the purpose or use of those assets;
- changes in the business or economic circumstances that affect the fair value of the entity's financial assets and financial liabilities;
whether those assets or liabilities are recognised at fair value or amortised cost; and
- changes in contingent liabilities or contingent assets.

The following are applicable in 2012:

***Amendments to IAS 12 - Deferred Tax: Recovery of Underlying Assets***
These amendments provide a practical approach for measuring deferred tax assets and deferred tax liabilities when investment property is measured using the fair value model in IAS 40 Investment Property. The amendments introduce a presumption that an investment property is recovered entirely through sale. However, this presumption may be rebutted. As a result of the amendments, SIC-21 Income Taxes-Recovery of Revalued Non-Depreciable Assets would no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC-21 which is accordingly withdrawn.

The following are applicable in 2013:

***IFRS 9 Financial instruments***
*Phase 1: Classification and measurement*
In November 2009, the IASB issued IFRS 9 'Financial Instruments', effective for accounting periods beginning on or after 1 January 2013, to address the classification and measurement of financial assets. This is the first phase of its project to replace IAS 39 and simplify the accounting for financial instruments. The new standard endeavours to enhance the ability of investors and other users of financial information to understand the accounting for financial assets and to reduce complexity. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets.

On 28 October 2010, the IASB reissued IFRS 9, incorporating new requirements on accounting for financial liabilities, and carrying over from IAS 39 the requirements for derecognition of financial assets and financial liabilities.
- IFRS 9 does not change the basic accounting model for financial liabilities under IAS 39.Two measurement categories continue to exist: fair value through profit or loss ("FVTPL") and amortised cost. Financial liabilities held for trading are measured at FVTPL, and all other financial liabilities are measured at amortised cost unless the fair value option is applied.
- The basic premise for the derecognition model in IFRS 9 (carried over from IAS 39) is to determine whether the asset under consideration for derecognition is:
- an asset in its entirety or
- specifically identified cash flows from an asset (or a group of similar financial assets) or
- a fully proportionate (pro rata) share of the cash flows from an asset (or a group of similar financial assets) or

## Statement of accounting policies *(continued)*

**(q) Prospective accounting changes (continued)**

- a fully proportionate (pro rata) share of specifically identified cash flows from a financial asset (or a group of similar financial assets).
- A financial liability should be removed from the statement of financial position when, and only when, it is extinguished, that is, when the obligation specified in the contract is either discharged or cancelled or expires.
- All derivatives, including those linked to unquoted equity investments, are measured at fair value.

Value changes are recognised in profit or loss unless the entity has elected to treat the derivative as a hedging instrument in accordance with IAS 39, in which case the requirements of IAS 39 apply. IFRS 9 requires gains and losses on financial liabilities designated as at fair value through profit or loss to be split into the amount of change in the fair value that is attributable to changes in the credit risk of the liability, which should be presented in other comprehensive income, and the remaining amount of change in the fair value of the liability which should be presented in profit or loss.

***Phase 2: Impairment of financial assets***
Subsequent to the issue of IFRS 9 in November 2009, the IASB issued an exposure draft of its proposals for changes to the impairment rules for financial assets measured at amortised cost. The proposals are intended to result in the earlier recognition of impairment losses. The model proposed in the exposure draft is an ‘expected loss model’. Under that model, expected losses are recognised throughout the life of a loan or other financial asset measured at amortised cost, not just after a loss event has been identified.

This exposure draft is expected to be incorporated into IFRS 9 with the effective date currently set at January 2013 with comparative information required.

***Phase 3: Hedge accounting***
In December 2010 the IASB issued an exposure draft on hedge accounting which will ultimately be incorporated into IFRS 9.The exposure draft proposes a model for hedge accounting that aims to align accounting with risk management activities. It is proposed that the financial statements will reflect the effect of an entity’s risk management activities that uses financial instruments to manage exposures arising from particular risks that could affect profit or loss. This aims to convey the context of hedge instruments to allow insight into their purpose and effect.

It is expected that by the end of June 2011, IFRS 9 will be a complete replacement for IAS 39.

The Company and Group is currently in the process of evaluating the potential effect of this standard. Given the nature of the Group’s operations, this standard is expected to have a pervasive impact on the Company’s and Group’s financial statements.

# GE Capital European Funding

## Statement of Comprehensive Income
*for the year ended 31 December*

| | Note | 2010 €'000 | 2009 €'000 |
|---|---|---|---|
| Interest income | 1 | 879,598 | 1,052,837 |
| Interest expense | 2 | (820,519) | (1,042,713) |
| Net interest income | | 59,079 | 10,124 |
| Fee and commission income | 3 | 6,336 | 3,873 |
| Fee and commission expense | 4 | (231,929) | (414,211) |
| Net fee and commission expense | | (225,593) | (410,338) |
| **Net trading expense** | 5 | **(166,514)** | **(400,214)** |
| Net income / (expense) from financial instruments carried at fair value | 6 | (30,882) | 66,033 |
| Other operating income | 16 | 207,555 | 485,995 |
| | | 176,673 | 552,028 |
| **Operating income** | | **10,159** | **151,814** |
| Personnel expenses | 9 | (1,873) | (1,709) |
| Other expenses | | (1,716) | (659) |
| **Profit before income tax** | 7 | **6,570** | **149,446** |
| Income tax expense | 8 | (821) | (18,681) |
| Profit for the year | | 5,749 | 130,765 |
| **Total comprehensive income for the year** | | **5,749** | **130,765** |
| **Attributable to:** | | | |
| Equity holders of the Company | | 5,749 | 130,765 |

The Company has no recognised gains or losses in the financial year or the preceding financial year other than those dealt with in the Statement of Comprehensive Income for the financial year.

The accompanying notes form an integral part of the company Financial Statements.

On behalf of the board.

Columba Glavin
*Director*

Frank Cantillon
*Director*

18 April 2011

# GE Capital European Funding

## Consolidated Statement of Comprehensive Income

*for the year ended 31 December*

| | *Note* | **2010 €'000** | 2009 €'000 |
|---|---|---|---|
| Interest income | *1* | 1,088,974 | 1,540,982 |
| Interest expense | *2* | (826,645) | (1,050,809) |
| Net interest income | | 262,329 | 490,173 |
| Fee and commission income | *3* | 10,641 | 9,850 |
| Fee and commission expense | *4* | (231,929) | (414,211) |
| Net fee and commission expense | | (221,288) | (404,361) |
| **Net trading income** | *5* | **41,041** | **85,812** |
| Net income / (expense) from financial instruments carried at fair value | *6* | (30,882) | 66,033 |
| | | (30,882) | 66,033 |
| **Operating income** | | **10,159** | **151,845** |
| Personnel expenses | *9* | (1,873) | (1,709) |
| Other expenses | | (1,716) | (690) |
| **Profit before income tax** | *7* | **6,570** | **149,446** |
| Income tax expense | *8* | (821) | (18,681) |
| Profit for the year | | 5,749 | 130,765 |
| **Total comprehensive income for the year** | | **5,749** | **130,765** |
| **Attributable to:** | | | |
| Equity holders of the Company | | 5,749 | 130,765 |

The Group has no recognised gains or losses in the financial year or the preceding financial year other than those dealt with in the Statement of Comprehensive Income for the financial year.

The accompanying notes form an integral part of the consolidated Financial Statements.

On behalf of the board.

Columba Glavin
*Director*

Frank Cantillon
*Director*

18 April 2011

# GE Capital European Funding

## Company Statement of Financial Position

*at 31 December*

| | Note | 2010 €'000 | 2009 €'000 |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | *10* | 939,810 | 913,176 |
| Derivative assets held for risk management | *19* | 2,376,223 | 2,271,196 |
| Loans and advances to affiliates | *20* | 46,033,904 | 45,509,114 |
| Other assets | | 3,129 | 245 |
| Current tax receivable | | 15,808 | - |
| **Total assets** | | 49,368,874 | 48,693,731 |
| **Liabilities** | | | |
| Derivative liabilities held for risk management | *19* | 248,882 | 259,363 |
| Loans and advances from affiliates | *20* | 1,598,878 | 1,358,683 |
| Debt securities issued | *21* | 46,855,834 | 46,406,058 |
| Current tax liabilities | | - | 7,391 |
| Deferred tax liabilities | *13* | 1,973 | 3,947 |
| Other liabilities | *22* | 1,202 | 1,933 |
| **Total liabilities** | | 48,706,769 | 48,037,375 |
| **Equity** | | | |
| Share capital and share premium | *14* | 234,315 | 234,315 |
| Retained earnings | | 427,790 | 422,041 |
| **Total equity attributable to equity holders of the Company** | | 662,105 | 656,356 |
| **Total liabilities and equity** | | 49,368,874 | 48,693,731 |

The accompanying notes form an integral part of the company Financial Statements.

On behalf of the board.

Columba Glavin
*Director*

Frank Cantillon
*Director*

18 April 2011

# GE Capital European Funding

## Consolidated Statement of Financial Position

*at 31 December*

| | Note | 2010 €'000 | 2009 €'000 |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | *10* | 939,810 | 913,176 |
| Derivative assets held for risk management | *19* | 2,376,223 | 2,271,196 |
| Loans and advances to affiliates | *20* | 46,105,380 | 46,583,489 |
| Other assets | | 3,129 | 245 |
| Current tax receivable | | 15,808 | - |
| **Total assets** | | 49,440,350 | 49,768,106 |
| **Liabilities** | | | |
| Derivative liabilities held for risk management | *19* | 248,882 | 259,363 |
| Loans and advances from affiliates | *20* | 1,599,412 | 2,365,347 |
| Debt securities issued | *21* | 46,926,776 | 46,473,769 |
| Current tax liabilities | | - | 7,391 |
| Deferred tax liabilities | *13* | 1,973 | 3,947 |
| Other liabilities | *22* | 1,202 | 1,933 |
| **Total liabilities** | | 48,778,245 | 49,111,750 |
| **Equity** | | | |
| Share capital and share premium | *14* | 234,315 | 234,315 |
| Retained earnings | | 427,790 | 422,041 |
| **Total equity attributable to equity holders of the Company** | | 662,105 | 656,356 |
| **Total liabilities and equity** | | 49,440,350 | 49,768,106 |

The accompanying notes form an integral part of the consolidated Financial Statements.

On behalf of the board.

Columba Glavin
*Director*

Frank Cantillon
*Director*

18 April 2011

# GE Capital European Funding

## Company and Consolidated Statement of Changes in Equity
*at 31 December*

| | Share capital €'000 | Share premium €'000 | Retained earnings €'000 | Total €'000 |
|---|---|---|---|---|
| **Balance at 1 January 2009** | **42,565** | **191,750** | **291,276** | **525,591** |
| Total comprehensive income for the year | - | - | 130,765 | 130,765 |
| **Balance at 31 December 2009** | **42,565** | **191,750** | **422,041** | **656,356** |
| **Balance at 1 January 2010** | **42,565** | **191,750** | **422,041** | **656,356** |
| Total comprehensive income for the year | - | - | 5,749 | 5,749 |
| **Balance at 31 December 2010** | **42,565** | **191,750** | **427,790** | **662,105** |

The accompanying notes form an integral part of the company and consolidated Financial Statements.

# GE Capital European Funding

## Company Cashflow Statement
*for the year ended 31 December*

| | *Note* | **2010 €'000** | 2009 €'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit for the year | | 5,749 | 130,765 |
| Adjustments for: | | | |
| Depreciation | | - | - |
| Net interest income | | (59,079) | (10,124) |
| Income tax expense | 8 | 821 | 18,681 |
| | | (52,509) | 139,322 |
| Change in loans and advances to affiliates | | 337,874 | 1,943,260 |
| Change in other assets | | (663) | 4,821 |
| Change in derivatives held for risk management | | (115,508) | (1,057,063) |
| Change in loans and advances from affiliates | | 231,578 | 408,201 |
| Change in other liabilities and provisions | | (730) | 465 |
| Change in tax | | (45,994) | - |
| | | 406,557 | 1,299,684 |
| Interest received | | 14,132 | 20,203 |
| Interest paid | | (740,106) | (1,355,988) |
| Income tax paid | | 20,000 | 2,063 |
| **Net cash used in operating activities** | | **(351,926)** | **105,284** |
| **Cash flows from financing activities** | | | |
| Debt securities issued | | 41,285,172 | 94,523,004 |
| Debt securities redeemed | | (40,906,947) | (93,731,071) |
| **Net cash from financing activities** | | **378,225** | **791,933** |
| **Net increase in cash and cash equivalents** | *10* | **26,299** | **897,217** |
| Cash and cash equivalents at 1 January | | 913,176 | 16,930 |
| Effect of exchange rate fluctuations on cash held | | 335 | (971) |
| **Cash and cash equivalents at 31 December** | *10* | **939,810** | **913,176** |

# GE Capital European Funding

## Consolidated Cashflow Statement
*for the year ended 31 December*

| | *Note* | **2010 €'000** | 2009 €'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit for the year | | 5,749 | 130,765 |
| Adjustments for: | | | |
| Depreciation | | - | - |
| Net interest income | | (262,329) | (490,173) |
| Income tax expense | *8* | 821 | 18,681 |
| | | (255,759) | (340,727) |
| Change in loans and advances to affiliates | | 1,366,983 | 1,764,317 |
| Change in other assets | | (663) | 4,821 |
| Change in derivatives held for risk management | | (115,508) | (1,057,063) |
| Change in loans from affiliates | | (774,553) | 770,831 |
| Change in other liabilities and provisions | | (730) | 465 |
| Change in tax | | (45,994) | - |
| | | 429,535 | 1,483,371 |
| Interest received | | 197,113 | 313,329 |
| Interest paid | | (746,047) | (1,355,988) |
| Income tax paid | | 20,000 | 2,063 |
| **Net cash used in operating activities** | | **(355,158)** | **102,048** |
| **Cash flows from financing activities** | | | |
| Debt securities issued | | 41,288,404 | 94,526,240 |
| Debt securities redeemed | | (40,906,947) | (93,731,071) |
| **Net cash from financing activities** | | **381,457** | **795,169** |
| **Net increase in cash and cash equivalents** | *10* | **26,299** | **897,217** |
| Cash and cash equivalents at 1 January | | 913,176 | 16,930 |
| Effect of exchange rate fluctuations on cash held | | 335 | (971) |
| **Cash and cash equivalents at 31 December** | *10* | **939,810** | **913,176** |

# GE Capital European Funding

## Notes
*for the year ended 31 December*

### 1 Interest income

The following tables detail the interest income earned by the Company and Group during the year.

| **Company** | **2010** | 2009 |
|---|---|---|
| | **€'000** | €'000 |
| Interest income from financial assets at fair value through profit or loss: | | |
| Loans and advances to affiliates *(Note 23)* | 13,347 | 209 |
| Interest income for financial assets that are not at fair value through profit or loss: | | |
| Loans and advances to affiliates *(Note 23)* | 863,451 | 1,047,936 |
| Cash and cash equivalents | 2,800 | 4,692 |
| | 879,598 | 1,052,837 |

| **Group** | **2010** | 2009 |
|---|---|---|
| | **€'000** | €'000 |
| Interest income from financial assets at fair value through profit or loss: | | |
| Loans and advances to affiliates *(Note 23)* | 146,569 | 158,658 |
| Interest income for financial assets that are not at fair value through profit or loss: | | |
| Loans and advances to affiliates *(Note 23)* | 939,605 | 1,377,632 |
| Cash and cash equivalents | 2,800 | 4,692 |
| | 1,088,974 | 1,540,982 |

Interest income is earned on loans made by the Company and Group directly to other GE companies including Hyundai Capital Services, a joint venture entity. The companies are located in Europe, the USA, and the rest of the world.

## Notes *(continued)*
*for the year ended 31 December*

### 2 Interest expense

The following tables detail the interest expense incurred by the Company and Group during the year.

| **Company** | **2010** **€'000** | 2009 €'000 |
|---|---|---|
| Net interest expense for financial liabilities at fair value through profit or loss: | | |
| Debt securities issued | 598,719 | 522,867 |
| Interest expense for financial liabilities that are not at fair value through the profit or loss: | | |
| Debt securities issued | 212,938 | 506,700 |
| Loans and advances from affiliates *(Note 23)* | 8,616 | 12,548 |
| Cash and cash equivalents | 246 | 598 |
| | 820,519 | 1,042,713 |

| **Group** | **2010** **€'000** | 2009 €'000 |
|---|---|---|
| Net interest expense for financial liabilities at fair value through profit or loss: | | |
| Debt securities issued | 598,719 | 522,867 |
| Interest expense for financial liabilities that are not at fair value through profit or loss: | | |
| Debt securities issued | 219,064 | 512,275 |
| Loans and advances from affiliates *(Note 23)* | 8,616 | 15,069 |
| Cash and cash equivalents | 246 | 598 |
| | 826,645 | 1,050,809 |

Notes *(continued)*
*for the year ended 31 December*

## 3 Fee and commission income

| **Company** | **2010 €'000** | 2009 €'000 |
|---|---|---|
| Commitment fee income from affiliates *(Note 23)* | 3,916 | 3,033 |
| Management fee income from affiliates *(Note 23)* | 2,085 | 840 |
| Foreign exchange gain | 335 | - |
| **Total fee and commission income** | 6,336 | 3,873 |

| **Group** | **2010 €'000** | 2009 €'000 |
|---|---|---|
| Commitment fee income from affiliates *(Note 23)* | 8,226 | 9,082 |
| Management fee income from affiliates *(Note 23)* | 2,085 | 768 |
| Foreign exchange gain | 330 | - |
| **Total fee and commission income** | 10,641 | 9,850 |

## 4 Fee and commission expense

| **Company and Group** | **2010 €'000** | 2009 €'000 |
|---|---|---|
| Commitment fee expense to affiliates *(Note 23)* | - | 4 |
| Guarantee fee expense to affiliates *(Note 23)* | 231,929 | 413,236 |
| Foreign exchange loss | - | 971 |
| **Total fee and commission expense** | 231,929 | 414,211 |

FX gain for 2010 of €335k has been included in Note 3.

## Notes *(continued)*
*for the year ended 31 December*

### 5 Net trading expense

The note below sets out the net trading (expense) / income for the Company and Group by principal source.

| **Company** | **2010 €'000** | 2009 €'000 |
|---|---|---|
| Cash and cash equivalents | 2,554 | 4,094 |
| Derivatives held for risk management | 833,667 | 652,497 |
| Loans and advances to affiliates | 880,714 | 1,051,178 |
| Loans and advances from affiliates | (8,616) | (12,552) |
| Management and other fees | (229,510) | (413,367) |
| Debt securities issued | (1,645,323) | (1,682,064) |
| **Net trading expense** | (166,514) | (400,214) |

| **Group** | **2010 €'000** | 2009 €'000 |
|---|---|---|
| Cash and cash equivalents | 2,554 | 4,094 |
| Derivatives held for risk management | 833,667 | 652,497 |
| Loans and advances to affiliates | 1,088,276 | 1,545,372 |
| Loans and advances from affiliates | (8,616) | (15,073) |
| Management and other fees | (229,517) | (413,439) |
| Debt securities issued | (1,645,323) | (1,687,639) |
| **Net trading income** | 41,041 | 85,812 |

### 6 Net income / (expense) from financial instruments carried at fair value

| **Company and Group** | **2010 €'000** | 2009 €'000 |
|---|---|---|
| Net income / (expense) from financial instruments carried at fair value: | | |
| Interest rate swaps | 52,250 | 325,756 |
| Debt securities issued (*Note 21*) | (68,988) | (267,736) |
| Loans and advances to affiliates | (14,144) | 8,013 |
| | (30,882) | 66,033 |

**6 Net income from financial instruments carried at fair value** *(continued)*

The portion of net income / (expense) from other financial instruments carried at fair value relating to the ineffective portion of fair value hedges was €(26,551,390) *(2009: €41,841,553)*.

**7 Profit on ordinary activities before taxation**

| **Company and Group** | **2010 €'000** | 2009 €'000 |
|---|---|---|
| Profit on ordinary activities before taxation has been arrived at after charging: | | |
| Director's remuneration | 409 | 381 |
| Auditor's remuneration | | |
| - Audit | 20 | 20 |
| - Other assurance | 35 | 35 |
| - Tax advisory services | - | - |
| - Other non-audit services | - | - |

Amounts to be disclosed exclude VAT and out-of-pocket expenses.

**8 Tax on profit on ordinary activities**

| **Company and Group** | **2010 €'000** | 2009 €'000 |
|---|---|---|
| Analysis of charge in year | | |
| *Current tax:* | | |
| Irish corporation tax on profits for the year | 2,795 | 19,792 |
| Total current tax | 2,795 | 19,792 |
| *Deferred tax:* | | |
| Profits carried forward on conversion to IFRS | (1,974) | (1,974) |
| Losses carried forward in adoption of FRS 26 | - | 863 |
| Total deferred tax (*Note 13*) | (1,974) | (1,111) |
| Tax on profit on ordinary activities | 821 | 18,681 |

# Notes *(continued)*
*for the year ended 31 December*

## 8 Tax on profit on ordinary activities *(continued)*

*Factors effecting tax charge for year*
The tax assessed for the year is higher than the standard rate of corporation tax in Ireland (12.5%). The differences are explained below.

| | **2010** | 2009 |
|---|---|---|
| | **€'000** | €'000 |
| Profit on ordinary activities before taxation | 6,570 | 149,446 |
| Profit on ordinary activities multiplied by the standard rate of corporation tax of 12.5% (*2009: 12.5%*) – total tax charge | 821 | 18,681 |
| *Effects of:* | | |
| Depreciation for the period in excess of capital allowances | - | - |
| Deferred tax on profits carried forward on conversion to IFRS | 1,974 | 1,974 |
| Deferred tax on losses carried forward on adoption of FRS 26 | - | (863) |
| Current tax charge for year | 2,795 | 19,792 |

## 9 Staff number and costs

The average weekly number of Company and Group staff (including Executive Directors) during the year was 12 *(2009: 10).* The aggregate payroll costs for these employees was as follows:

| | **2010** | 2009 |
|---|---|---|
| | **€'000** | €'000 |
| Wages and salaries | 1,595 | 1,578 |
| Social welfare costs | 158 | 83 |
| Other pension costs | 120 | 48 |
| | 1,873 | 1,709 |

## 10 Cash and cash equivalents

| | **2010** | 2009 |
|---|---|---|
| | **€'000** | €'000 |
| **Company and Group** | | |
| Cash and balances with banks | 939,810 | 913,176 |
| | 939,810 | 913,176 |

**10 Cash and cash equivalents** *(continued)*

There were no restricted cash balances at the year end *(2009: €Nil)*.

Cash balances are held with Deutsche Bank rated A+ *(2009: A+)*, Societe Generale, rated A+ *(2009: A+)*, BNP Paribas rated AA *(2009: AA)*, JP Morgan AA- *(2009: A),* Bank of Ireland rated BB+ *(2009: A-)*. All 2010 ratings are S&P long-term counterparty credit ratings as at 31 December 2010. The percentage of cash held by each bank is Deutsche Bank (0.0002%), Societe Generale, (75.5207%), BNP Paribas (6.3842%), JP Morgan (17.5565%) and Bank of Ireland (0.5384%).

**11 Property and equipment**

**Company and Group**

| | Leasehold improvements and equipment €'000 | Furniture fixtures & fittings €'000 | Total €'000 |
|---|---|---|---|
| *Cost*: | | | |
| Balance at 1 January 2010 | 309 | 236 | 545 |
| Additions in the year | - | - | - |
| **Balance at 31 December 2010** | 309 | 236 | 545 |
| *Depreciation*: | | | |
| Balance at 1 January 2010 | 309 | 236 | 545 |
| Charge for year | - | - | - |
| **Balance at 31 December 2010** | 309 | 236 | 545 |
| *Carrying amount*: | | | |
| **Balance at 31 December 2010** | **-** | **-** | **-** |
| Balance at 31 December 2009 | - | - | - |

## 12 Financial assets

**Company**

Financial assets comprise the following undertaking of the Company at 31 December 2010. The Company's investment in this undertaking is €3 *(2009: €3)*. In the opinion of the Board of Directors the market value of the financial fixed asset is not less than this amount.

| *Company Name* | *% Holding 2010 and 2009* | *Registered Office Activities* | *Nature of business* | *Country of Principal and incorporation* |
|---|---|---|---|---|
| Eireann Aviation Finance Limited | 100% Ordinary Shares | WIL House Shannon Business Park Shannon Ireland | Aircraft Leasing | Ireland |

## 13 Deferred tax assets and liabilities

**Asset**

| **Company and Group** | **2010 €'000** | 2009 €'000 |
|---|---|---|
| *Deferred taxation* | | |
| Balance at 1 January | - | (863) |
| Decrease recognised in the Statement of Comprehensive Income | - | 863 |
| Balance at 31 December | - | - |

| | **2010 €'000** | 2009 €'000 |
|---|---|---|
| *The balance can be analysed as follows:* | | |
| Tax losses carried forward on adoption of FRS 26 | - | - |
| | - | - |

**13 Deferred tax assets and liabilities** *(continued)*

**Liability**

| **Company and Group** | **2010 €'000** | 2009 €'000 |
|---|---|---|
| *Deferred taxation* | | |
| Balance at 1 January | 3,947 | 5,921 |
| Decrease recognised in the Statement of Comprehensive Income | (1,974) | (1,974) |
| Balance at 31 December | 1,973 | 3,947 |

The balance can be analysed as follows:

| | | |
|---|---|---|
| Tax profits carried forward on conversion to IFRS | 1,973 | 3,947 |
| | 1,973 | 3,947 |
| Net deferred tax liability | 1,973 | 3,947 |

**14 Share capital**

| **Company and Group** | **2010 €'000** | 2009 €'000 |
|---|---|---|
| *Authorised* | | |
| 100,000,000 Ordinary Shares of €1.27 each | 127,000 | 127,000 |
| *Allotted, called up and fully paid equity shares* | | |
| 33,515,848 Ordinary Shares of €1.27 each | 42,565 | 42,565 |
| *Share premium* | 191,750 | 191,750 |
| Total share capital and share premium | 234,315 | 234,315 |

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. The ordinary shares rank pari passu in all respects. The Company did not pay nor declare a dividend on its share capital during the period or prior period. The Company and Group do not have any externally imposed capital requirements.

**15 Pensions**

**Group and Company**

All pension entitlements of employees of GE Capital European Funding are met by payments to two externally funded superannuation schemes, a defined benefit and a defined contribution scheme, maintained by GE Capital Woodchester Limited, the funds of which schemes are invested by independent trustees, nominated by that company for the sole benefit of the employees and dependants of GE Capital Woodchester Investments, its subsidiary undertakings, and certain affiliated related undertakings. The contributions to the defined benefit scheme are based on the advice of independent professionally qualified actuaries. The latest available actuarial valuation of the defined benefit plan was at 1 January 2008.

The principal actuarial assumptions used in the valuation was that the rate of long term investment returns will exceed the rate of pensionable salary increases by 3% and the discount rate used was 5.4%.

The actuarial report showed that at the valuation date the actuarially adjusted market value of the defined benefit scheme assets was €65.2million. The latest actuarial review performed showed a deficit of €27.3million. The actuarial report is not available for public inspection.

The defined benefit scheme is run on a basis that does not enable individual companies affiliated to the scheme to identify their share of the underlying asset and liabilities and therefore the Company has taken advantage of the exemptions in IAS 19 "Employee Benefits" and has accounted for the scheme as a defined contribution scheme.

The assets of the defined contribution scheme are held separately from those of the Company by an independently administered fund.

The total pension charge for the year for both schemes amounted to €158,000 *(2009: €48,107)* and the accrual at the year end was € Nil *(2009:Nil).*

**16 Partnership name and principal activities**

The Company is a limited partner in the following Partnership:

GE Capital European Funding & Co
WIL House
Shannon Business Park
Shannon
Co Clare
Ireland

Another group company, GE Capital Edinburgh Limited acts as the general partner to the partnership. The Company provides capital to the Partnership, which in turn makes loans to other GE affiliated entities. The total capital provided to the partnership at the year end was €6,175,363,400 *(2009: €7,534,670,693)*. This balance is included in loans and advances to affiliates at the year end in the company financial statements.

Under the partnership agreement, the Company is entitled to the profits of the Partnership after the first €1,000 has been allocated to the general partner. For the year ended 31 December 2010, this amounted to €207,554,933 *(2009: €485,994,855)*.

## 17 Financial risk management

***Introduction and overview***
The Company and Group have exposure to the following risks from its use of financial instruments:

(a) credit risk
(b) liquidity risk
(c) market risks
(d) operational risks

This note presents information about the Company's and Group's exposure to each of the above risks, the Company's and Group's objectives, policies and processes for measuring and managing risk, and the Company's and Group's management of capital.

***Risk management framework***
The Board of Directors has overall responsibility for the establishment and oversight of the Company's and Group's risk management framework.

The Audit Committee has non-executive members and reports regularly to the Board of Directors on their activities.

The Company's and Group's risk management policies are based on the policies of the ultimate parent GECC and are established to identify and analyse the risks faced by the Company and Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Company and Group, through their training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Board of Directors is responsible for monitoring compliance with the Company's and Group's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Company and Group. The Board of Directors is assisted in these functions by GE Corporate Audit Staff "Internal Audit". Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors.

**17 Financial risk management** *(continued)*

***(a) Credit risk***
Credit risk is the risk of financial loss to the Company and Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's and Group's loans and advances to affiliates.

*Management of credit risk*
The Board of Directors has formulated credit policies for the management of credit risk and has delegated responsibility for the implementation of these policies to its Credit Committee which is responsible for oversight of the Company's and Group's credit risk, including:

- Establishing the authorization structure for the approval and renewal of credit facilities.
- Reviewing and assessing credit risk. Credit committee assesses all credit exposures prior to facilities being committed, and these facilities are subject to periodic review based on the overall risk associated as determined by management.

As all of the Company's and Group's lending is to other GE Group companies and affiliates, the directors considers all loans as good credit risk. The total carrying amount of lending exposed to credit risk in the Company amounted to €46,034 million *(2009: €45,509 million)*, and in the Group amounted to €46,105 million *(2009: €46,583 million)*. The Board of Directors considers none of these loans to be either past due or impaired. The Company and Group have provided €Nil *(2009: €Nil)* in collective and specific provisions during the year. There were no loans written off during the year *(2009: €Nil)*.

The following table shows the breakdown of loans and advances to group companies designated at fair value:

| **Designated at fair value** | **Loans and receivables** | |
|---|---|---|
| | **2010** | 2009 |
| **Company and Group** | **€'000** | €'000 |
| Loans to 100% GE affiliates | 1,834,938 | 2,240,258 |
| Loans to less than 100% GE affiliates | 665,195 | 695,564 |
| Carrying amount *(Note 20)* | 2,500,133 | 2,935,822 |

In addition to the above, the Company and Group had entered into lending commitments of € 8,942 million *(2009: €15,709 million)* with 100% GE affiliates including lending commitments of €900 million to Hyundai Capital Services.

**17 Financial risk management** *(continued)*

***(a) Credit risk*** *(continued)*
The Company and Group held derivative assets for risk management purposes of €2,376 million at 31 December 2010. All derivatives were placed with another GE affiliate which is backed by GECC's AA+ *(2009: AA+)* credit rating. The Company and Group have no receivables that are past due or impaired at the reporting date.

***(b) Liquidity risk***
Liquidity risk is the risk that the Company and Group will encounter difficulty in meeting obligations from its financial liabilities.

***Management of liquidity risk***
The Company's and Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's and Group's reputation.

The Company's parent GECC has guaranteed that it will meet the liabilities of the Commercial Paper and MTN programmes should the Company, or Group, be unable to meet these liabilities.

GECC Treasury receives information from other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. GECC Treasury then maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Company and Group as a whole. The Board of Directors with the assistance of GECC Treasury monitor the on-going liquidity requirements of the Company and Group in detail, and by way of short-term loans from GECC Treasury cover any short-term fluctuations and obtain longer term funding to address any structural liquidity requirements. The overall daily liquidity position is monitored by GECC Treasury.

## 17 Financial risk management *(continued)*

### *(b) Liquidity risk* (continued)

### Residual contractual maturities of financial liabilities

**Company**

| *In millions of euro* | *Note* | Carrying amount | Gross nominal inflow / (outflow) | Less than 1 month | 1-3 months | 3 months to 1 year | 1-5 years | More than 5 years |
|---|---|---|---|---|---|---|---|---|
| **31 December 2010** | | | | | | | | |
| *Non-derivative liabilities* | | | | | | | | |
| Loans and advances from affiliates | 20 | 1,599 | (1,599) | (1,599) | - | - | - | - |
| Debt securities issued | 21 | 46,856 | (46,856) | (3,246) | (4,774) | (4,630) | (23,399) | (10,807) |
| Current tax liabilities | | - | - | - | - | - | - | - |
| Deferred tax liabilities | 13 | 2 | (2) | - | - | - | (2) | - |
| Other liabilities | 22 | 1 | (1) | (1) | - | - | - | - |
| | | 48,458 | (48,458) | (4,846) | (4,774) | (4,630) | (23,401) | (10,807) |
| *Derivative liabilities* | | | | | | | | |
| Risk management: outflow | 19 | 249 | (876) | - | - | (7) | (710) | (159) |
| Risk management: inflow | | | 627 | - | - | 1 | 529 | 97 |
| | | 249 | (249) | - | - | (6) | (181) | (62) |
| Undrawn loan commitments | | | (8,942) | | | | | (8,942) |
| | | 48,707 | (57,649) | (4,846) | (4,774) | (4,636) | (23,582) | (19,811) |

**Group**

| *In millions of euro* | *Note* | Carrying amount | Gross nominal inflow / (outflow) | Less than 1 month | 1-3 months | 3 months to 1 year | 1-5 years | More than 5 years |
|---|---|---|---|---|---|---|---|---|
| **31 December 2010** | | | | | | | | |
| *Non-derivative liabilities* | | | | | | | | |
| Loans and advances from affiliates | 20 | 1,599 | (1,599) | (1,599) | - | - | - | - |
| Debt securities issued | 21 | 46,927 | (46,927) | (3,246) | (4,774) | (4,630) | (23,470) | (10,807) |
| Current tax liabilities | | - | - | - | - | - | - | - |
| Deferred tax liabilities | 13 | 2 | (2) | - | - | - | (2) | - |
| Other liabilities | 22 | 1 | (1) | (1) | - | - | - | - |
| | | 48,529 | (48,529) | (4,846) | (4,774) | (4,630) | (23,472) | (10,807) |
| *Derivative liabilities* | | | | | | | | |
| Risk management: outflow | 19 | 249 | (876) | - | - | (7) | (710) | (159) |
| Risk management: inflow | | - | 627 | - | - | 1 | 529 | 97 |
| | | 249 | (249) | - | - | (6) | (181) | (62) |
| Undrawn loan commitments | | | (8,942) | | | | | (8,942) |
| | | 48,778 | (57,720) | (4,846) | (4,774) | (4,636) | (23,653) | (19,811) |

# GE Capital European Funding

## Notes *(continued)*
*for the year ended 31 December*

### 17 Financial risk management *(continued)*

#### *(b) Liquidity risk* (continued)

#### Residual contractual maturities of financial liabilities

**Company**

| *In millions of euro* | *Note* | Carrying amount | Gross nominal inflow / (outflow) | Less than 1 month | 1-3 months | 3 months to 1 year | 1-5 years | More than 5 years |
|---|---|---|---|---|---|---|---|---|
| **31 December 2009** | | | | | | | | |
| *Non-derivative liabilities* | | | | | | | | |
| Loans and advances from affiliates | 20 | 1,359 | (1,359) | (1,359) | - | - | - | - |
| Debt securities issued | 21 | 46,406 | (46,406) | (1,340) | (4,542) | (3,035) | (26,806) | (10,683) |
| Current tax liabilities | 8 | 7 | (7) | - | - | (7) | - | - |
| Deferred tax liabilities | 13 | 4 | (4) | - | - | - | (4) | - |
| Other liabilities | 22 | 2 | (2) | (2) | - | - | - | - |
| | | 47,778 | (47,778) | (2,701) | (4,542) | (3,042) | (26,810) | (10,683) |
| *Derivative liabilities* | | | | | | | | |
| Risk management: outflow | 19 | 259 | (1,216) | - | - | (69) | (285) | (862) |
| Risk management: inflow | | - | 957 | - | - | 18 | 114 | 825 |
| | | 259 | (259) | - | - | (51) | (171) | (37) |
| Undrawn loan commitments | | - | (5) | - | - | - | - | (5) |
| | | 48,037 | (48,042) | (2,701) | (4,542) | (3,093) | (26,981) | (10,725) |

**Group**

| *In millions of euro* | *Note* | Carrying amount | Gross nominal inflow / (outflow) | Less than 1 month | 1-3 months | 3 months to 1 year | 1-5 years | More than 5 years |
|---|---|---|---|---|---|---|---|---|
| **31 December 2009** | | | | | | | | |
| *Non-derivative liabilities* | | | | | | | | |
| Loans and advances from affiliates | 20 | 2,366 | (2,366) | (2,366) | - | - | - | - |
| Debt securities issued | 21 | 46,474 | (46,474) | (1,340) | (4,542) | (3,040) | (26,869) | (10,683) |
| Current tax liabilities | 8 | 7 | (7) | - | - | (7) | - | - |
| Deferred tax liabilities | 13 | 4 | (4) | - | - | - | (4) | - |
| Other liabilities | 22 | 2 | (2) | (2) | - | - | - | - |
| | | 48,853 | (48,853) | (3,708) | (4,542) | (3,047) | (26,873) | (10,683) |
| *Derivative liabilities* | | | | | | | | |
| Risk management: outflow | 19 | 259 | (1,216) | - | - | (69) | (285) | (862) |
| Risk management: inflow | | - | 957 | - | - | 18 | 114 | 825 |
| | | 259 | (259) | - | - | (51) | (171) | (37) |
| Undrawn loan commitments | | - | (5) | - | - | - | - | (5) |
| | | 49,112 | (49,117) | (3,708) | (4,542) | (3,098) | (27,044) | (10,725) |

**17 Financial risk management** *(continued)*

***(b) Liquidity risk*** *(continued)*

The previous table shows the undiscounted cash flows on the Company's and Group's financial liabilities and unrecognised loan commitments on the basis of their earliest possible contractual maturity. The Company's and Group's expected cash flows on these instruments may vary significantly from this analysis. For example undrawn loan commitments are not all expected to be drawn down immediately, but upon drawdown would have contractual maturity not greater than 15 years.

The Gross nominal inflow / (outflow) disclosed in the previous table is the contractual, undiscounted cash flow on the financial liability or commitment. The disclosure for derivatives shows a net amount for derivatives that are net settled, and a gross inflow and outflow amount for derivatives that have simultaneous gross settlement.

To manage the liquidity risk arising from financial liabilities, the Company and Group holds liquid assets comprising cash and cash equivalents and investment grade securities for which there is an active and liquid market. These assets can be readily sold to meet liquidity requirements. Hence, the Company and Group believes that it is not necessary to disclose a maturity analysis in respect of these assets to enable users to evaluate the nature and extent of liquidity risk.

***(c) Market risks***
Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's / issuer's credit standing) will affect the Company's and Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

**Management of market risks**
The principal risk faced by the Company and Group relates to interest rates. This is mitigated by entering into interest rate swaps to match the maturity of assets and liabilities held by the Company and Group.

The Company and Group have no material exposure to currency risk as almost all borrowing and lending is in the same currency.

**Exposure to interest rate risk**
The principal risk to which portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for re-pricing loans. The Board of Directors is the monitoring body for compliance with these limits. A summary of the Company's and Group's interest rate gap position is as set out below:

## 17 Financial risk management *(continued)*

### Exposure to interest rate risk *(continued)*

The interest rate on floating rate loans is reset quarterly. The interest rate on floating rate funding is reset quarterly from the initial date of funding. Therefore movements in the benchmark interest rate during the quarter can give rise to a mismatch between interest expense and income. The effect on the group of a 1% increase in the benchmark rate for a full quarter could give rise to a profit of approximately €115m *(2009: €116m)*. A decrease of 1% would have an equal and opposite effect.

**Company**

| *In millions of euro* | *Note* | Carrying amount | Non interest bearing | Less than 3 months | 3-6 months | 6-12 months | 1-5 years | More than 5 years |
|---|---|---|---|---|---|---|---|---|
| **31 December 2010** | | | | | | | | |
| Cash and cash equivalents | 10 | 940 | - | 940 | - | - | - | - |
| Derivative assets held for risk management | 19 | 2,376 | - | 127 | 39 | 67 | 1,158 | 985 |
| Loans and advances to affiliates | 20 | 46,034 | 317 | 42,440 | 136 | 100 | 2,597 | 445 |
| Current tax asset | | 16 | 16 | - | - | - | - | - |
| Other assets | | 3 | 3 | - | - | - | - | - |
| | | 49,369 | 336 | 43,507 | 175 | 167 | 3,755 | 1,430 |
| Derivative liabilities held for risk management | 19 | (249) | - | - | (3) | (3) | (181) | (62) |
| Loans and advances from affiliates | 20 | (1,599) | (1,095) | (504) | - | - | - | - |
| Debt securities issued | 21 | (46,856) | (993) | (15,530) | (1,010) | (1,521) | (19,820) | (7,982) |
| Deferred tax liability | 13 | (2) | (2) | - | - | - | - | - |
| Other liabilities | 22 | (1) | (1) | - | - | - | - | - |
| | | (48,707) | (2,091) | (16,034) | (1,013) | (1,524) | (20,001) | (8,044) |
| Effects of derivatives held for risk management | | - | - | (25,487) | 895 | 1,425 | 16,530 | 6,637 |
| Sensitivity gap | | - | - | 1,986 | 57 | 68 | 284 | 23 |

**Company**

| *In millions of euro* | *Note* | Carrying amount | Non interest bearing | Less than 3 months | 3-6 months | 6-12 months | 1-5 years | More than 5 years |
|---|---|---|---|---|---|---|---|---|
| **31 December 2009** | | | | | | | | |
| Cash and cash equivalents | 10 | 913 | - | 913 | - | - | - | - |
| Derivative assets held for risk management | 19 | 2,271 | - | - | 7 | 46 | 1,320 | 898 |
| Loans and advances to affiliates | 20 | 45,509 | 427 | 41,473 | 103 | 424 | 2,541 | 541 |
| | | 48,693 | 427 | 42,386 | 110 | 470 | 3,861 | 1,439 |
| Derivative liabilities held for risk management | 19 | (259) | - | - | (9) | (42) | (172) | (36) |
| Loans and advances from affiliates | 20 | (1,359) | (864) | (495) | - | - | - | - |
| Debt securities issued | 21 | (46,406) | (903) | (16,004) | - | (555) | (18,987) | (9,957) |
| Current tax liability | 8 | (7) | (7) | - | - | - | - | - |
| Deferred tax liability | 13 | (4) | (4) | - | - | - | - | - |
| Other liabilities | 22 | (2) | (2) | - | - | - | - | - |
| | | (48,037) | (1,780) | (16,499) | (9) | (597) | (19,159) | (9,993) |
| Effects of derivatives held for risk management | | - | - | (27,045) | (80) | 322 | 15,518 | 11,285 |
| Sensitivity gap | | - | - | (1,158) | 21 | 195 | 220 | 2,731 |

### 17 Financial risk management *(continued)*

#### Exposure to interest rate risk *(continued)*

**Group**

| *In millions of euro* | *Note* | Carrying amount | Non interest bearing | Less than 3 months | 3-6 months | 6-12 months | 1-5 years | More than 5 years |
|---|---|---|---|---|---|---|---|---|
| **31 December 2010** | | | | | | | | |
| Cash and cash equivalents | 10 | 940 | - | 940 | - | - | - | - |
| Derivative assets held for risk management | 19 | 2,376 | - | 127 | 39 | 67 | 1,158 | 985 |
| Other assets | | 3 | 3 | - | - | - | - | - |
| Loans and advances to affiliates | 20 | 46,105 | 317 | 42,440 | 136 | 100 | 2,668 | 445 |
| Current tax asset | | 16 | 16 | - | - | - | - | - |
| | | 49,440 | 336 | 43,507 | 175 | 167 | 3,826 | 1,430 |
| Derivative liabilities held for risk management | 19 | (249) | - | - | (3) | (3) | (181) | (62) |
| Loans and advances from affiliates | 20 | (1,599) | (1,095) | (504) | - | - | - | - |
| Debt securities issued | 21 | (46,927) | (993) | (15,530) | (1,010) | (1,521) | (19,891) | (7,982) |
| Deferred tax liability | 13 | (2) | (2) | - | - | - | - | - |
| Other liabilities | 22 | (1) | (1) | - | - | - | - | - |
| | | (48,778) | (2,091) | (16,034) | (1,013) | (1,524) | (20,072) | (8,044) |
| Effects of derivatives held for risk management | | - | - | (25,487) | 895 | 1,425 | 16,530 | 6,637 |
| Sensitivity gap | | - | - | 1,986 | 57 | 68 | 284 | 23 |

**Group**

| *In millions of euro* | *Note* | Carrying amount | Non interest bearing | Less than 3 months | 3-6 months | 6-12 months | 1-5 years | More than 5 years |
|---|---|---|---|---|---|---|---|---|
| **31 December 2009** | | | | | | | | |
| Cash and cash equivalents | 10 | 913 | - | 913 | - | - | - | - |
| Derivative assets held for risk management | 19 | 2,271 | - | - | 7 | 46 | 1,320 | 898 |
| Loans and advances to affiliates | 20 | 46,584 | 428 | 42,480 | 103 | 428 | 2,604 | 541 |
| | | 49,768 | 428 | 43,393 | 110 | 474 | 3,924 | 1,439 |
| Derivative liabilities held for risk management | 19 | (259) | - | - | (9) | (42) | (172) | (36) |
| Loans and advances from affiliates | 20 | (2,366) | (864) | (1,502) | - | - | - | - |
| Debt securities issued | 21 | (46,474) | (904) | (16,004) | - | (559) | (19,050) | (9,957) |
| Current tax liability | 8 | (7) | (7) | - | - | - | - | - |
| Deferred tax liability | 13 | (4) | (4) | - | - | - | - | - |
| Other liabilities | 22 | (2) | (2) | - | - | - | - | - |
| | | (49,112) | (1,781) | (17,506) | (9) | (601) | (19,222) | (9,993) |
| Effects of derivatives held for risk management | | - | - | (27,045) | (80) | 322 | 15,518 | 11,285 |
| Sensitivity gap | | - | - | (1,158) | 21 | 195 | 220 | 2,731 |

**17 Financial risk management** *(continued)*

**(d) Operational risks**
Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's and Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's and Group's operations and are faced by all business entities.

The Company's and Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's and Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is reviewed by the Board of Directors.

This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- training and professional development
- ethical and business standards

Compliance with Company and Group standards is supported by a programme of periodic reviews to ensure compliance with GE Group risk management policies.

**18 Use of estimates and judgements**

The Board of Directors review the development, selection and disclosure of the Company's and Group's critical accounting policies and estimates, and the application of these policies and estimates.

These disclosures supplement the commentary on financial risk management (see Note 17).

**Key sources of estimation uncertainty**

**Allowances for credit losses**
Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy (i).

The specific counterparty component of the total allowances for impairment applies to financial assets evaluated individually for impairment and is based upon the Board of Directors' best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, the Board of Directors makes judgements about a counterparty's financial situation.

Collectively assessed impairment allowances cover credit losses inherent in portfolios of loans and advances when there is objective evidence to suggest that they contain impaired loans and advances, but the individual impaired items cannot yet be identified.

There is no specific or collective provisions at the year end (2009: Nil).

**Determining fair values**
The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in accounting policy (i). For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

**18 Use of estimates and judgements** *(continued)*

**Critical accounting judgements**
Critical accounting judgements made in applying the Company’s and Group’s accounting policies include:

**Valuation of financial instruments**
The Company and Group measure fair values using the following hierarchy of methods:

- **Level 1 -** Quoted market price in an active market for an identical instrument.
- **Level 2 -** Valuation techniques based on observable inputs. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- **Level 3 -** Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs could have a significant effect on the instrument’s valuation. This category includes instruments that are valued based on quoted prices for similar instruments.

Fair values of certain financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Company and Group determine fair values using valuation techniques. Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond prices, foreign currency exchange rates, expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date, that would have been determined by market participants acting at arm’s length.

The Company and Group use widely recognised valuation models for determining the fair value of common and more simple financial instruments, such as interest rate swaps that use only observable market data and require little management judgement and estimation. Observable prices and model inputs are usually available in the market for listed debt securities of the parent GECC, exchange traded derivatives and simple over the counter derivatives such as interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

**18 Use of estimates and judgements** *(continued)*

**Valuation of financial instruments** *(continued)*

*The table below analyses financial instruments carried at fair value, by valuation method:*

**Company**

| | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| *In millions of euro* | | | | |
| **31 December 2010** | | | | |
| **Assets** | | | | |
| Loans and advances to affiliates | - | 2,500 | - | 2,500 |
| Derivative assets held for risk management- | 2,376 | - | 2,376 | |
| | - | 4,876 | - | 4,876 |
| **Liabilities** | | | | |
| Debt securities issued | 1,549 | 24,197 | - | 25,746 |
| Derivative liabilities held for risk management | - | 249 | - | 249 |
| | 1,549 | 24,446 | - | 25,995 |
| **31 December 2009** | | | | |
| **Assets** | | | | |
| Loans and advances to affiliates | - | 2,936 | - | 2,936 |
| Derivative assets held for risk management- | 2,271 | - | 2,271 | |
| | - | 5,207 | - | 5,207 |
| **Liabilities** | | | | |
| Debt securities issued | 931 | 25,326 | - | 26,257 |
| Derivative liabilities held for risk management | - | 259 | - | 259 |
| | 931 | 25,585 | - | 26,516 |

Although the Directors consider that the estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. During the year there were no movements/purchases/sales/transfers from/between each level.

## Notes *(continued)*
*for the year ended 31 December*

### 18 Use of estimates and judgements *(continued)*

**Valuation of financial instruments** *(continued)*

**Group**

| *In millions of euro* | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| **31 December 2010** | | | | |
| **Assets** | | | | |
| Loans and advances to affiliates | - | 2,500 | - | 2,500 |
| Derivative assets held for risk management- | 2,376 | - | 2,376 | |
| | - | 4,876 | - | 4,876 |
| **Liabilities** | | | | |
| Debt securities issued | 1,549 | 24,197 | - | 25,746 |
| Derivative liabilities held for risk management | - | 249 | - | 249 |
| | 1,549 | 24,446 | - | 25,995 |
| **31 December 2009** | | | | |
| **Assets** | | | | |
| Loans and advances to affiliates | - | 2,936 | - | 2,936 |
| Derivative assets held for risk management- | 2,271 | - | 2,271 | |
| | - | 5,207 | - | 5,207 |
| **Liabilities** | | | | |
| Debt securities issued | 931 | 25,326 | - | 26,257 |
| Derivative liabilities held for risk management | - | 259 | - | 259 |
| | 931 | 25,585 | - | 26,516 |

Although the Directors consider that the estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. During the year there were no movements/purchases/sales/transfers from/between each level.

## 18 Use of estimates and judgements *(continued)*

### Valuation of financial instruments *(continued)*

As indicated in note 19 many of the Company's financial instruments are measured at fair value on the Statement of Financial Position and it is usually possible to determine their fair values within a reasonable range of estimates.

Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement (including interest rates, volatility, estimated cash flows) and therefore, cannot be determined with precision. Our valuation techniques for derivatives and loans at fair value through profit and loss do not currently include an adjustment attributable to counterparty credit risk, as we concluded that such an adjustment was not appropriate given that the counterparty to the derivatives and loans are all GE affliates.

**Financial asset and liability classification**
The Company's and Group's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances:

- In designating financial assets or liabilities at fair value through profit or loss, the Company and Group have determined that it has met the criteria for this designation set out in accounting policy (i) has been met.

Details of the Company's and Group's classification of financial assets and liabilities are given in Note 19.

**Qualifying hedge relationships**
In designating financial instruments as qualifying hedge relationships, the Company and Group have determined that it expects the hedge to be highly effective over the life of the hedging instrument. For disclosure of the impact of hedge ineffectiveness in the year, see Note 6.

**Segment reporting**
It is the Board of Directors view that the Company's and Group's business is organised as a single segment. As a result no further segmental disclosures have been presented.

Notes *(continued)*
*for the year ended 31 December*

## 19 Accounting classifications and fair values

The table below sets out the carrying amounts and fair values of the Company's and Group's of financial assets and liabilities, and their fair values.

| **Company** | **Fair Value Through Profit and Loss** | | **Amortised Cost** | | | |
|---|---|---|---|---|---|---|
| *In millions of euro* | **Held for Trading** | **Designated at fair value** | **Loans and receivables** | **Amortised cost** | **Carrying amount** | **Total Fair value** |
| **31 December 2010** | | | | | | |
| Cash and cash equivalents | - | - | - | - | 940 | 940 |
| Derivative assets held for risk management | 2,376 | - | - | - | 2,376 | 2,376 |
| Current tax receivable | | | 16 | - | 16 | 16 |
| Other assets | - | - | 3 | - | 3 | 3 |
| Loans and advances to affiliates | - | 2,500 | 43,534 | - | 46,034 | 46,034 |
| | 2,376 | 2,500 | 43,553 | - | 49,369 | 49,369 |
| Derivative liabilities held for risk management | 249 | - | - | - | 249 | 249 |
| Loans and advances from affiliates | - | - | 1,599 | - | 1,599 | 1,599 |
| Debt securities issued | - | 25,746 | - | 21,110 | 46,856 | 46,856 |
| Other liabilities | - | - | - | 2 | 2 | 2 |
| Deferred tax liabilities | - | - | - | 1 | 1 | 1 |
| | 249 | 25,746 | 1,599 | 21,113 | 48,707 | 48,707 |
| **31 December 2009** | | | | | | |
| Cash and cash equivalents | - | - | - | 913 | 913 | 913 |
| Derivative assets held for risk management | 2,271 | - | - | - | 2,271 | 2,271 |
| Loans and advances to affiliates | - | 2,936 | 42,573 | - | 45,509 | 45,509* |
| | 2,271 | 2,936 | 42,573 | 913 | 48,693 | 48,693 |
| Derivative liabilities held for risk management | 259 | - | - | - | 259 | 259 |
| Loans and advances from affiliates | - | - | 1,359 | - | 1,359 | 1,359 |
| Debt securities issued | - | 26,257 | - | 20,149 | 46,406 | 46,406 |
| Deferred tax liabilities | - | - | - | 4 | 4 | 4 |
| | 259 | 26,257 | 1,359 | 20,153 | 48,028 | 48,028 |

Notes *(continued)*
*for the year ended 31 December*

**19 Accounting classifications and fair values** *(continued)*

| **Group** | **Fair Value Through Profit and Loss** | | **Amortised Cost** | | | |
|---|---|---|---|---|---|---|
| *In millions of euro* | **Held for Trading** | **Designated at fair value** | **Loans and receivables** | **Amortised cost** | **Carrying amount** | **Total Fair value** |
| **31 December 2010** | | | | | | |
| Cash and cash equivalents | - | - | - | - | 940 | 940 |
| Derivative assets held for risk management | 2,376 | - | - | - | 2,376 | 2,376 |
| Current tax receiveable | - | - | 16 | - | 16 | 16 |
| Other assets | - | - | 3 | - | 3 | 3 |
| Loans and advances to affiliates | - | 2,500 | 43,605 | - | 46,105 | 46,105* |
| | 2,376 | 2,500 | 43,624 | - | 49,440 | 49,440 |
| Derivative liabilities held for risk management | 249 | - | - | - | 249 | 249 |
| Loans and advances from affiliates | - | - | 1,599 | - | 1,599 | 1,599 |
| Debt securities issued | - | 25,746 | - | 21,181 | 46,927 | 46,927 |
| Other liabilities | - | - | - | 1 | 1 | 1 |
| Deferred tax liabilities | - | - | - | 2 | 2 | 2 |
| | 249 | 25,746 | 1,599 | 21,184 | 48,778 | 48,778 |
| **31 December 2009** | | | | | | |
| Cash and cash equivalents | - | - | - | 913 | 913 | 913 |
| Derivative assets held for risk management | 2,271 | - | - | - | 2,271 | 2,271 |
| Loans and advances to affiliates | - | 2,936 | 43,648 | - | 46,584 | 46,584* |
| | 2,271 | 2,936 | 43,648 | 913 | 49,768 | 49,768 |
| Derivative liabilities held for risk management | 259 | - | - | - | 259 | 259 |
| Loans and advances from affiliates | - | - | 2,366 | - | 2,366 | 2,366 |
| Debt securities issued | - | 26,257 | - | 20,217 | 46,474 | 46,474 |
| Deferred tax liabilities | - | - | - | 4 | 4 | 4 |
| | 259 | 26,257 | 2,366 | 20,221 | 49,103 | 49,103 |

Notes *(continued)*
*for the year ended 31 December*

**19 Financial assets and liabilities** (continued)

The term ‘financial instruments’ includes both financial assets and financial liabilities. The fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction. The Company’s and Group’s accounting policy for the determination of fair value of financial instruments is set out in accounting policy number (i).

* Readers of these financial statements are advised to use caution when using the data in the table above to evaluate the Group’s financial position or to make comparisons with other institutions. All “Loans and advances to affiliates” are with GE counterparties and planned to be held to maturity. The valuation of financial instruments, including “Loans and advances to affiliates”, involves the application of judgement and estimation. Market and credit risks are key assumptions in the estimation of the fair value of “Loans and advances to affiliates”. The volatility in financial markets and the illiquidity that is evident in these markets has reduced the demand for many financial instruments and this creates a difficulty in estimating the fair value for loans to affiliates. No ready quotable market is available to fair value the loans and advances to affiliates. In the context of the foregoing, the directors are satisfied that amortised cost represents a reasonable approximation of fair value.

**Fair value hedging relationships**
Certain medium term notes shown within debt securities issued are designated in qualifying fair value interest rate hedging relationships Company and Group 2010: €25,746 million; (*2009: €25,326 million*) and are fair valued with respect to the hedged interest rate.

**Derivatives held for risk management**
All derivative instruments are entered into with an affiliate Company, GE Financial Markets.

| **Company and Group** | **2010** | 2009 |
|---|---|---|
| | **€’000** | €’000 |
| **Derivative assets held for risk management** | | |
| Instrument type: | | |
| Interest rate swaps | 2,376,223 | 2,271,196 |
| **Derivative liabilities held for risk management** | | |
| Instrument type: | | |
| Interest rate swaps | (248,882) | (259,363) |
| | 2,127,341 | 2,011,833 |

## 19 Financial assets and liabilities *(continued)*

**Derivatives held for risk management** *(continued)*

| | **2010** | 2009 |
|---|---|---|
| | **€'000** | €'000 |
| **Net derivatives held for risk management** | | |
| Fair value hedges of interest rate risk | 2,234,997 | 2,089,772 |
| Other derivatives held for risk management | (107,656) | (77,939) |
| | 2,127,341 | 2,011,833 |

**Fair value hedges of interest rate risk**
The Company and Group use interest rate swaps to hedge its exposure to changes in the fair value of its fixed rate Euro Medium Term Notes. Interest rate swaps are matched to specific issuances of fixed rate notes. The fair value of derivative assets designated as fair value hedges is € 2,375 million (2009: €2,090 million). The fair value of derivative liabilities designated as fair value hedges is €140 million (2009: €Nil).

**Other derivatives held for risk management**
The Company and Group use other derivatives, not designated in a qualifying hedge relationship, to manage the exposure to interest rate risk. The instruments used include interest rate swaps. The fair values of those derivatives are shown in the table above.

The notional amounts of all interest rate swaps outstanding at 31 December 2010 were €38,058 million (2009: €41,508 million).

**Embedded derivatives**
In the Company and Group, embedded derivatives with a value of €19 million (2009: €16 million) have been separated from their host contracts and included, at fair value, in the derivative liabilities held for risk management caption of the Statement of Financial Position.

## 20 Loans and advances

**Loans and advances to affiliates**

| **Company** | **2010** | 2009 |
|---|---|---|
| | **€'000** | €'000 |
| Loans and advances to affiliates at fair value through profit or loss | 2,500,133 | 2,935,822 |
| Loans and advances to affiliates at amortised cost | 43,533,771 | 42,573,292 |
| | 46,033,904 | 45,509,114 |

**20 Loans and advances** *(continued)*

**Loans and advances to affiliates**

| **Group** | **2010** | 2009 |
|---|---|---|
| | **€'000** | €'000 |
| Loans and advances to affiliates at fair value through profit or loss | 2,500,133 | 2,935,822 |
| Loans and advances to affiliates at amortised cost | 43,605,247 | 43,647,667 |
| | 46,105,380 | 46,583,489 |

The opening provision for impairment in 2009 was € Nil *(2009: €Nil)*. There were no provisions created or written back in the year *(2009: €Nil)*. The closing balance on the provision for impairment in 2009 was €Nil *(2009: €Nil)*. All loans are entered into with other GE affiliate companies.

Certain loans and advances to affiliates held by the Company and Group have been designated at fair value through profit or loss as the Company and Group manage these loans and advances on a fair value basis. Internal reporting and performance measurement of these loans and advances are on a fair value basis.

**Loans and advances from affiliates**

| **Company** | **2010** | 2009 |
|---|---|---|
| | **€'000** | €'000 |
| Loans and advances from affiliates at amortised cost | 1,598,878 | 1,358,683 |
| | 1,598,878 | 1,358,683 |

| **Group** | **2010** | 2009 |
|---|---|---|
| | **€'000** | €'000 |
| Loans and advances from affiliates at amortised cost | 1,599,412 | 2,365,347 |
| | 1,599,412 | 2,365,347 |

**21 Debt securities issued**

| **Company** | **2010** | 2009 |
|---|---|---|
| | **€'000** | €'000 |
| Debt securities issued at fair value through profit or loss | 25,745,881 | 26,257,256 |
| Debt securities issued at amortised cost | 21,109,953 | 20,148,802 |
| | 46,855,834 | 46,406,058 |

| **Group** | **2010** | 2009 |
|---|---|---|
| | **€'000** | €'000 |
| Debt securities issued at fair value through profit or loss | 25,745,881 | 26,257,256 |
| Debt securities issued at amortised cost | 21,180,895 | 20,216,513 |
| | 46,926,776 | 46,473,769 |

Fixed rate debt securities issued have been designated at fair value through profit or loss when in a hedging relationship.

At 31 December 2010 € 34,206 million *(2009: €37,489 million)* of debt securities issued are expected to be settled more than twelve months after the reporting date.

The carrying amount of financial liabilities designated at fair value through profit or loss at 31 December 2010 was €1,329 million higher than the contractual amount at maturity *(2009: €1,263 million)*.

| **Company** | **2010** | 2009 |
|---|---|---|
| | **€'000** | €'000 |
| **Debt securities at amortised cost** | | |
| Floating rate debt securities | 4,965,573 | 3,623,731 |
| Medium term notes | 16,144,380 | 16,525,071 |
| | 21,109,953 | 20,148,802 |

| **Group** | **2010** | 2009 |
|---|---|---|
| | **€'000** | €'000 |
| **Debt securities at amortised cost** | | |
| Floating rate debt securities | 5,036,516 | 3,691,442 |
| Medium term notes | 16,144,379 | 16,525,071 |
| | 21,180,895 | 20,216,513 |

### 21 Debt securities issued *(continued)*

Included in the floating rate debt securities is commercial paper amounting to € 3,972 million (2009: €3,624 million) with an average maturity of 70 days (2009: 59 days). The debt securities issued by the MTN program have a range of maturities from 1 month to 28 years *(2009: 2 months to 29 years)* and an average maturity of 5.4 years *(2009: 4.7 years)*.

The Company and Group had unutilised loan commitments, all to other GE affiliates, of €8,942 million at 31 December 2010 *(2009: €15,709 million)*. An unutilised commitment is the amount of any given credit facility that has not been drawn by the borrower. The longest of these commitments terminates in 2025.

The Company and Group have not had any defaults of principal, interest or other breaches with respect to its debt securities during 2010 and 2009.

### 22 Other liabilities

| | **2010** | 2009 |
|---|---|---|
| | **€'000** | €'000 |
| **Company and Group** | | |
| Creditors and accruals | 1,202 | 1,933 |
| | 1,202 | 1,933 |

### 23 Related party disclosures

***(a) Transactions with subsidiary undertakings and other affiliate GE Group companies***
The Group enters into Banking transactions with its subsidiaries and other affiliate companies in the normal course of business. These include loans, derivative instruments and foreign currency transactions on an "arms length" basis. In addition, the Company enters into transactions with GECC and derivative transactions with GE Financial Markets. Transactions and balances between the Company, its subsidiaries and other Group companies are detailed in Notes 1, 2, 3, 4, 5, 6, 16, 17, 19, and 20.

The following are the related parties with whom the Group and Company has balances or has transacted with during the year;
General Electric Capital Corporation, GE Financial Markets, GE Capital International Holding, TIP Finance BV, GE Finance Holdings GmbH, GEC SAS, GE Capital Irish Eur Funding Co. I, Sofia SA, GE Commercial Distribution Finance B.V., GE Capital Equipement Finance SAS, GE Real Estate Corporation, GE Capital Asia Securitisation, GE Capital Investments Holdings B.V, GE Commercial Distribution Finance Europe, GE Capital Bank S.A., GE Financial Ireland, GE Global Financial Ireland, Soldeva Grupo de Inversiones 2006 SL, GE Money Bank (France), Cinderella Property GmbH, GE Deutschland Holdings GmbH, Kiel Pries Healthcare, Brake Healthcare, Travemeunde Healthcare, Ratekau Healthcare, St. Franziskus Healthcare, Alte Oberofersterei Healthcare, CDF France, GE Commercial Finance Holding Nederland B.V., GE Energy Europe

B.V., Banque Artesia, Disko und Kredit AG, Hyundai Capital, III Funds, GE Corporate Finance Bank, GE Real Estate European Finance Ltd., AS GE Money Bank, Aldigar Grupo de Inversiones SL, GE Capital Holdings Gmbh, OC Futurum Kolin a.s., RP Liberc a.s., GE Auto Service Leasing GmbH, GERE CEE Investments BV, Rock Fixtures GmbH, GE Real Estate Korea, HPE Erste Hausbau Beteiligungsgesellschaft mbH, GECETS Ireland.

***(b) Compensation of Key Management Personnel***
Disclosures are made in Note 7 in accordance with the provisions of IAS 24 - Related Party Disclosures and Company law in respect of the compensation of key management personnel. Under IAS 24,"Key Management Personnel" are defined as comprising directors (executive and non-executive) together with senior executive officers. The Board of Directors consider key management personnel to be the Directors of the Company.

***(c)Transactions with Key Management Personnel***
There were no loans, quasi-loans or credit transactions outstanding by the Company or Group to its Board of Directors at any time during the current or preceding year.

***(d) Off balance sheet arrangements***
As part of the wider GE Group the Company and Group avail of services provided by other related GE companies. These include cash operations, treasury, human resources and technical accounting services. These services are not charged to the Company or Group.

## 24 Holding Company

The Company is a wholly owned subsidiary of GE Capital Shannon, an unlimited Company incorporated in the Republic of Ireland, which is a wholly owned subsidiary of General Electric Company, a company incorporated in the United States of America.

The smallest group in which the Company results are included within is that held by General Electric Capital Corporation incorporated in the United States of America, copies of whose consolidated financial statements may be obtained from General Electric Capital Corporation, Norwalk, Connecticut 06851, CT, USA.

The largest group in which the Company results are included within is that held by General Electric Company incorporated in the United States of America, copies of whose consolidated financial statements may be obtained from General Electric Company, Fairfield, Connecticut 06828, CT, USA.

**25 Subsequent events**

No significant events affecting the Company or Group occurred since the reporting date, which require adjustment to or disclosure in the consolidated Financial Statements.

**26 Commitments and contingencies**

The Company and Group had commitments to lend of €8,942 million at 31 December 2010 *(2009: €15,709 million)*. In the opinion of the directors, the Company and Group had no contingent liabilities at 31 December 2010 *(2009: Nil)*.

**Lease commitments**
Non-cancellable operating lease rentals of land, buildings and other are payable as follows:

| | **2010** | 2009 |
|---|---|---|
| | **€'000** | €'000 |
| Less than one year | 106 | 106 |
| Between one and five years | 292 | 398 |
| More than five years | - | - |
| | 398 | 504 |

The Company leases an office premises under an operating lease. The lease runs for a period of 25 years, with an option to renew the lease after that period. Lease payments are reviewed every five years to reflect market rentals.

**27 Approval of Financial Statements**

The board of Directors approved the Financial Statements on 18 April 2011.

**GE CAPITAL UK FUNDING**

**AUDITED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS OF GE CAPITAL UK FUNDING FOR THE FINANCIAL PERIOD ENDED DECEMBER 31, 2011, TOGETHER WITH THE AUDIT REPORT THEREON**

# GE Capital UK Funding

## Directors' report

The Board of Directors present their annual report and audited Financial Statements for the year ended 31 December 2011.

**Principal activities, business review and future developments**

GE Capital UK Funding (the "Company") is incorporated and tax resident in Ireland and operates as a financial services company in Shannon, Ireland. The Company and GE Capital UK Funding & Co. (the "Partnership") (see Note 14) are consolidated in GE Capital UK Funding group (the "Group").

The Company has established a GBP Commercial Paper ("Commercial Paper"or "CP") Programme and a Medium Term Note ("MTN") Programme. The MTN programme is listed on the London Stock Exchange and Irish Stock Exchange. The purpose of these programmes is to obtain financing in the capital markets, primarily to fund the operations of affiliated companies. The Company's parent, General Electric Capital Corporation (GECC), which is itself a AA+ (2010: AA+) rated borrower has guaranteed the commercial paper and MTN programmes of the Company and Group thus reducing the risk to any potential investor and supporting the MTN programme.

The Board of Directors are satisfied with the results of the Company and Group. The results for the year are set out in the Statements of Comprehensive Income on pages 24 and 25 and the related notes.

The loss for the year is driven by mark to markets losses on asset and liabilities held at fair value. These fair value losses are primarily being caused by volatility in interest rates.

The Board of Directors will continue to develop and seek opportunities to grow the Company and Group. During 2011, changes in the loan portfolio reflected the activity of the wider General Electric ("GE") Group in Sterling and the cash required to fund this activity. The future growth of the Company and Group is dependant on the cash needs of the GE Group.

The following table sets out the year on year decrease in CP and MTNs issued, and lending to affiliated companies. The Board of Directors defines affiliated companies to be subsidiaries, associates and joint ventures of the wider GE Group. The table has been calculated using the average balances over the year.

| Type of debt / loan | Year on year (decrease) | |
|---|---|---|
| | **2011** | 2010 |
| Commercial Paper | (4.5) % | (41.0) % |
| Medium Term Notes | (17.3) % | (16.4) % |
| Loans to affiliated companies | (13.7) % | (18.9) % |

The following table sets out the average maturities of CP and MTN in issue at 31 December 2011.

| | **31 December 2011** | 31 December 2010 |
|---|---|---|
| Commercial Paper | 52 days | 64 days |
| Medium Term Notes at amortised cost | 2.65 years | 3 years |
| Medium Term Notes at fair value | 12.3 years | 11.56 years |

# GE Capital UK Funding

## Directors' report

**Risk and uncertainties**

The main financial risks that the Company and Group are exposed to are credit risk, liquidity risk, market risk, other price risk and operational risk. The Board has set policies to manage these exposures, as set out in Note 15 to the Financial Statements 'Financial risk management'.

Interest rates remained at historic lows during the year due to economic conditions and overhanging of debt on the private sector as the Bank of England attempted to increase the rate of recovery and stimulate lending. However as interest rates remained largely unchanged, credit spreads widened making borrowing more expensive and as a funding company, GE Capital UK Funding has been exposed to this volatility. The current market dislocation is expected to continue throughout 2012. However through the use of derivatives the Company and Group is generally able to match the maturity of its assets and liabilities and in so doing reduce its interest rate risk. The Board of Directors monitors interest rate exposure regularly. See Note 15(c) for an analysis of interest rate exposure at the year end.

As the credit markets tightened in 2008/2009 many corporates faced serious liquidity problems. The Company and Group is reliant on the capital markets to support the current MTN programme and any future issues. However the Company and Group expects the markets to remain challenging in the near-term. The Group also has access to the cash pool of the wider GE Group to fill any short-term liquidity requirements. See further analysis of liquidity risk at the year end at Note 15(b).

As credit spreads remained wide over the last year, fair values of financial assets and liabilities remained volatile. In an effort to ensure appropriate valuations were obtained, the Company and Group relied on independent pricing providers such as Bloomberg and models used by the wider GE Group, which primarily use observable market data as inputs. Such valuations necessarily involve judgments and uncertainties on the selection of the inputs. Critical judgments and uncertainties surrounding valuations are discussed further in Note 16.

With the current market dislocation many companies are experiencing difficulty in repaying loans. By carrying out comprehensive due diligence on each borrower the Company and Group has been able to manage its exposure to credit risk and the Company and Group experienced no defaults during the year. Additionally the Board of Directors considers no loans to be past due or impaired. The Board of Directors will continue to regularly monitor the financial strength of its borrowers to ensure the Company's exposure to the risk of default is minimized.

As all of the Company's and Group's lending is to other GE companies and affiliates, the directors consider all loans as low credit risk.

The Company's functional currency is the Pound Sterling (£). The Company has no material exposure to currency risk as it borrows and lends in the same currency.

**Dividends**

The Board of Directors do not propose a dividend for the current year *(2010: £Nil)*.

**Board of Directors, secretaries and their interests**

The Board of Directors is listed on page 1. In accordance with the Articles of Association, the Directors are not required to retire by rotation.

The Board of Directors and Secretaries as at 31 December 2011, together with their families had the following interests in the common stock of General Electric Company and its Group undertakings.

| **General Electric Company** | **No of Shares At 31 Dec 2011** | No of Shares At 1 January 2011 (or date of appointment if later) |
|---|---|---|
| M. Barber | 67,388 | 59,246 |
| F. Cantillon | 10,969 | 10,046 |
| B. Gilligan | 6,390 | 4,174 |
| P. Gilmartin | 3,879 | 3,879 |
| C. Glavin | 3,419 | 2,764 |
| J. Fitzgerald (secretary) | 738 | 729 |
| P. O'Connor (assistant secretary) | 559 | 386 |

All Directors listed on page 1 served throughout the year.

Patricia O'Connor was appointed Assistant Company Secretary on 30 July 2010.

**Accounting records**

The Board of Directors believes that it has complied with the requirements of Section 202 of the Companies Act, 1990 with regard to books of account by employing accounting personnel with appropriate expertise and by providing adequate resources to the finance function. The books of account of the Company are maintained at WIL House, Shannon Business Park, Shannon, Co. Clare.

**Corporate Governance Statement**

The Board has put in place a framework for corporate governance which it believes is suitable for the Company and Group and which enables the Company and Group to operate in an environment of good governance throughout the year.

The Group's internal control procedures are designed to safeguard the group's net assets, support effective management of the group's resources and provide reliable and timely financial reporting both internally to management and those charged with governance and externally to other stakeholders. They include the following:

−An organisational structure with formally defined lines of responsibility and delegation of authority.

− Established systems and procedures to identify control and report on key risks. Exposure to these risks will be monitored mainly by the Board of Directors through the operations of the committees accountable to it. These committees are the Credit Committee and Audit Committee whose members

**Corporate Governance Statement** *(continued)*

include executive directors and non-executive directors respectively. Their activities are described in Note 15. The terms of reference of these committees are reviewed regularly by the board.

− The preparation and issue of financial reports, including the consolidated annual accounts is managed by the finance function with oversight from the Audit Committee. The Group's financial reporting process is controlled using documented accounting policies and reporting formats issued by the finance function to all reporting entities (including subsidiaries) within the Group in advance of each reporting period end. The finance function supports all reporting entities with guidance in the preparation of financial information. The process is supported by a network of finance professionals throughout the Group, who have responsibility and accountability to provide information in keeping with agreed policies, including the completion of reconciliations of financial information to processing systems. Its quality is underpinned by arrangements for segregation of duties to facilitate independent checks on the integrity of financial data. The financial information for each entity is subject to a review at reporting entity and Group level by senior management. There is a risk management framework in place in each business throughout the Group whereby management reviews and monitors, on an on-going basis, the controls in place, both financial and non-financial, to manage the risks facing that business.

As the Company has only debt securities listed on the London and Irish Stock Exchanges, it has availed itself of an exemption from the Financial Services Authority's requirements to make corporate governance disclosures and from auditor review thereof.

*Financial Reporting*

The Company is responsible for establishing and maintaining adequate internal control and risk management systems of the Company in relation to the financial reporting process. Such systems are designed to manage rather than eliminate the risk of error or fraud in achieving the Company's financial reporting objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Company is responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the Company and which enable it to ensure that the financial statements are prepared in accordance with accounting standards generally accepted in Ireland and comply with the Irish Companies Acts, 1963 to 2009.

The measures taken by the Directors to secure compliance with the Company's obligation to keep proper books of account are the use of appropriate systems and procedures and employment of competent persons.

The Company has procedures in place to ensure all relevant accounting records are properly maintained and are readily available, including production of annual financial statements. The annual financial statements of the Company are required to be approved by the Board of Directors of the Company and filed with the LSE and ISE. The statutory financial statements are required to be audited by independent auditors who report annually to the Board on their findings. The Board evaluates and discusses significant accounting and reporting issues as the need arises.

**Corporate Governance Statement** *(continued)*

*Shareholder Meetings*
The convening and conduct of shareholder meetings are governed by the Articles of Association of the Company and the Companies Acts. The Company is required to hold an annual general meeting in each year and not more than fifteen months may elapse between the date of one annual general meeting of the Company and that of the next. The Directors may call general meetings and extraordinary general meetings may be convened in such manner as provided by the Companies Acts.

Subject to the provisions of the Companies Acts allowing a general meeting to be called by shorter notice, an annual general meeting and a general meeting called for the passing of a special resolution will be called by at least twenty-one clear days' notice and all other meetings of the Company will be called by at least seven clear days' notice.

Save as provided herein, two shareholders present in person or by proxy and entitled to vote on the business to be transacted will be a quorum. If within half an hour from the time appointed for the meeting a quorum is not present, the meeting will stand adjourned to the same day in the next week, at the same time and place or to such other time and place as the Directors may determine. If at such adjourned meeting a quorum is not present within half an hour from the time appointed for holding the meeting, except where the meeting was convened otherwise than by resolution of the Directors, the meeting will be dissolved.

At any general meeting, a resolution put to the vote of the meeting is decided on a show of hands unless a poll is demanded by the chairman of the meeting or by at least one member present in person or by proxy having the right to vote at the meeting or by a shareholder of shareholders present in person or by proxy representing not less than one tenth of the total voting rights of all the shareholders having the right to vote at the meeting. Subject to any special rights or restrictions for the time being attached to any class of shares, on a show of hands every shareholder who is present in person or by proxy will be entitled to one vote for every share held by the shareholder. Shareholders may resolve to sanction an ordinary resolution or special resolution at a shareholders' meeting. An ordinary resolution is a resolution of a general meeting passed by a simple majority of the votes recorded. A special resolution must be passed in accordance with the Companies Acts.

*Composition and Operation of the Board*
The board has established an on-going process for identifying, evaluating and managing the significant risks faced by the group for the year under review and up to the date of approval of the financial statements. This risk management process is regularly reviewed by the board. The board has two sub committees to assist it. The Audit Committee reviews the internal audit programmes and the financial statements. There are formal procedures in place for the external auditors to report findings and recommendations to the Audit Committee. Any significant findings or identified risks are examined so that appropriate action can be taken. The Credit Committee reviews the credit exposures, in line with the overall policy approved by the board. See further information in Note 15.

The business of the Company is managed by the Directors who exercise all such powers of the Company as are not by the Companies Acts or by the Articles of Association of the Company required to be exercised by the Company in general meeting. Unless otherwise determined by the Company in a general meeting, the number of Directors shall not be less than two. Currently the

## Directors' report *(continued)*

*Composition and Operation of the Board (continued)*

Board of Directors of the Company is composed of five Directors, being those listed on page 1 of these financial statements.

The Directors may meet together for the dispatch of business, adjourn and otherwise regulate their meetings as they think fit. The quorum necessary for the transaction of the business of the Directors may be fixed by the Directors and unless so fixed at any other number will be two. Questions arising at any meeting of the Directors are determined by a majority of votes. A Director may, and the Company's secretary on the request of a Director will, at any time call a meeting of the Directors.

**Auditor**

KPMG, Chartered Accountants, have expressed their willingness to continue in office in accordance with Section 160 (2) of the Companies Act, 1963.

On behalf of the board.

Frank Cantillon
*Director*

Columba Glavin
*Director*

30 March 2012

# GE Capital UK Funding

## Statement of Directors' responsibilities

The directors are responsible for preparing the Group and Company Financial Statements, in accordance with applicable law and regulations**.**

Company law requires the directors to prepare Group and Company Financial Statements for each financial year. Under that law the directors are required to prepare the Group Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and have elected to prepare the Company Financial Statements in accordance with IFRSs as adopted by the EU and as applied in accordance with the Companies Acts 1963 to 2009.

The Group and Company Financial Statements are required by law and IFRSs as adopted by the EU to present fairly the financial position and performance of the Group and Company. The Companies Acts 1963 to 2009 provide in relation to such Financial Statements that references in the relevant part of that Act to Financial Statements giving a true and fair view are references to their achieving a fair presentation.

In preparing each of the Group and Company 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; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group and the parent Company will continue in business.

In accordance with the Transparency (Directive 2004/109/EC) Regulations 2007 (the Transparency Regulations), the Directors are required to include in their report a fair review of the business and a description of the principal risks and uncertainties facing the Group and the Company and a responsibility statement relating to these and other matters, included below.

The Directors are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the Financial Statements comply with the Companies Acts 1963 to 2009 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation. They are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

# GE Capital UK Funding

## Statement of Directors' responsibilities *(continued)*

**Responsibility Statement, in accordance with the Transparency Regulations**

Each of the directors, whose names and functions are listed on page 1 of these Financial Statements confirm that, to the best of each person's knowledge and belief:

- the Group Financial Statements, prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities and financial position of the Group at 31 December 2011 and its loss for the year then ended;
- the Company Financial Statements, prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the Companies Acts 1963 to 2009, give a true and fair view of the assets, liabilities and financial position of the Company at 31 December 2011 and its loss for the year then ended; and
- the Directors' Report contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that they face.

On behalf of the board

| | | |
|---|---|---|
| Frank Cantillon<br>*Director* | Columba Glavin<br>*Director* | 30 March 2012 |

KPMG

**KPMG**
**Chartered Accountants**
1 Harbourmaster Place
IFSC
Dublin 1
Ireland

# Independent auditor's report to the members of GE Capital UK Funding

We have audited the Group and Company Financial Statements ("the Financial Statements") of GE Capital UK Funding for the year to 31 December 2011 which comprise the Consolidated and Company Statement of Comprehensive Income, Consolidated and Company Statement of Financial Position, Consolidated and Company Statement of Changes in Equity, Consolidated and Company Cash Flow Statement and the related notes. These Financial Statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 193 of the Companies Act 1990. 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 auditor's 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 auditor**

The Directors' responsibilities for preparing the Directors' Report and the Financial Statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU are set out in the Statement of Board of Directors' Responsibilities on pages 8-9.

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 in accordance with IFRSs as adopted by the EU and, have been properly prepared in accordance with the Companies Acts, 1963 to 2009 and in the case of the Group Financial Statements, Article 4 of the IAS regulations. We also report to you whether, in our opinion: proper books of account have been kept by the Company; whether at the reporting date, there exists a financial situation requiring the convening of an extraordinary general meeting of the Company; and whether the information given in the Board of Directors' Report is consistent with the Financial Statements. In addition, we state whether we have obtained all the information and explanations necessary for the purposes of our audit, and whether the Company's Financial Statements are in agreement with the books of account.

We also report to you if, in our opinion, any information specified by law regarding Directors' remuneration and Directors' transactions is not disclosed and, where practicable, include such information in our report.

We are required by law to report to you our opinion as to whether the description of the main features of the internal control and risk management systems in relation to the process for preparing the consolidated Financial Statements, set out in the Corporate Governance Statement is consistent with the consolidated Financial Statements.

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

KPMG

## Independent auditor's report to the members of GE Capital UK Funding *(continued)*

**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 Group's and 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.

**Opinion**

In our opinion:

- the Group Financial Statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Group's affairs as at 31 December 2011 and of its loss for the year then ended;
- the Company Financial Statements give a true and fair view, in accordance with IFRSs as adopted by the EU as applied in accordance with the provisions of the Companies Acts 1963 to 2009, of the state of the Company's affairs as at 31 December 2011 and of its loss for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with the Companies Acts 1963 to 2009 and Article 4 of the IAS Regulation; and
- the Company Financial Statements have been properly prepared in accordance with the Companies Acts 1963 to 2009.

**Other matters**

We have obtained all the information and explanations which we considered necessary for the purposes of our audit. In our opinion proper books of account have been kept by the Company. The Company's Financial Statements are in agreement with the books of account.

In our opinion the information given in the Directors' Report and the description in the annual Corporate Governance Statement of the main features of the internal controls and risk management systems in relation to the process for preparing the consolidated financial statements is consistent with the Financial Statements.

KPMG

## Independent auditor's report to the members of GE Capital UK Funding *(continued)*

**Other matters** *(continued)*

The net assets of the Company, as stated in the Company's Financial Statements, are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 December 2011 a financial situation which under Section 40 (1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the Company.

Jonathan Lew
**for and on behalf of**
**KPMG**
**Chartered Accountants, Statutory Audit firm,**
*1 Harbourmaster Place*
*I.F.S.C.*
*Dublin 1*
*Ireland*

30 March 2012

# GE Capital UK Funding

## Basis of Preparation

**Reporting Entity**

GE Capital UK Funding (the Company) is a company domiciled in Ireland. The address of the Company's registered office is Wil House, Shannon Business Park, Shannon Co. Clare. The consolidated financial statements of the Company are as at and for the year ended 31 December 2011 and comprise the company and its subsidiary (together referred to as the Group and individually as Group entities). The Group is primarily involved in obtaining finance in the capital markets to fund the operations of affiliated entities.

**Statement of compliance**

The Financial Statements of the Company and Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, and interpretations adopted by the International Accounting Standards Board ("IASB"). The Financial Statements also comply with the requirements of the relevant Irish legislation including the Companies Acts 1963 to 2009.

**Basis of measurement**

The consolidated Financial Statements have been prepared on the historical cost basis except for the following:
- derivative financial instruments are measured at fair value;
- financial instruments at fair value through profit or loss are measured at fair value;
- certain debt securities issued are measured at fair value; and
- de-designated fixed rate debt securities are measured at historical value or open market value.

**Functional and presentation currency**

These consolidated Financial Statements are presented in GBP, which is the Company's and Group's functional currency. Except as indicated, financial information presented in GBP has been rounded to the nearest thousand.

**Use of estimates and judgements**

The preparation of Financial Statements requires the Board of Directors to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the consolidated and Company Financial Statements are allowances for credit losses, determining fair value, valuation of financial instruments and financial asset and liability classification. These are described in Note 16.

## Basis of Preparation *(continued)*

### Going Concern

The Financial Statements have been prepared on a going concern basis. Risk factors including credit, liquidity, market, other price, and operational risk impact on the Group's and Company's activities as described in Note 15. The Board of Directors has reviewed these risk factors and all relevant information to assess the Group's and Company's ability to continue as a going concern and are satisfied that the Group's and Company's Financial Statements continue to be prepared on a going concern basis as the Group and Company will have access to sufficient funding and resources for the foreseeable future.

**Significant accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in these consolidated and Company Financial Statements, and have been applied consistently by the Company and Group.

**(a) Basis of consolidation**

The consolidated Financial Statements of GE Capital UK Funding as at and for the year ended 31 December 2011 and 31 December 2010 include the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). The Company invests in a partnership and as a result income earned in the partnership is recognised as other operating income in the Company. The partnership is consolidated on a line by line basis in the consolidated accounts.

**Subsidiaries**

Subsidiaries and partnerships are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The Financial Statements of subsidiaries and partnerships are included in the consolidated Financial Statements from the date that control commences until the date that control ceases. The consolidated Financial Statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances.

**Transactions eliminated on consolidation**

Intra-Group balances, and any unrealised income and expenses arising from intra-Group transactions, are eliminated in preparing the consolidated Financial Statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

**(b) Foreign currency transactions**

Transactions in foreign currencies are translated to the functional currency at exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rates at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rates at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rates at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the Statement of Comprehensive Income.

**(c) Interest**

Interest income and expense are recognised in the Statement of Comprehensive Income using the effective interest rate method. The effective interest rate is the rate that discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability.

## Statement of accounting policies *(continued)*

**(c) Interest** *(continued)*

When calculating the effective interest rate, the Group and Company estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes all fees paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Interest income and expense presented in the Statement of Comprehensive Income include interest on financial assets and liabilities at amortised cost on an effective interest rate basis together with interest on financial assets and liabilities at fair value through profit or loss.

**(d) Fees and commission**

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

**(e) Net trading income**

Net trading income comprises gains less losses related to trading assets and liabilities, and includes all realised and unrealised fair value changes and related, interest, dividends and foreign exchange differences.

**(f) Net income from other financial instruments at fair value**

Net income from other financial instruments at fair value relates to derivatives that do not qualify for hedge accounting but are held for risk management purposes and financial assets and liabilities designated at fair value through profit or loss, and includes all realised and unrealised fair value changes and related interest, dividends and foreign exchange differences.

**(g) Tax expense**

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

**Tax expense** *(continued)*

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary difference on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and
- temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Additional taxes that arise from the distribution of dividends by the Group and Company are recognised at the same time as the liability to pay the related dividend is recognised.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

**(h) Financial assets and liabilities**

***Recognition***

All financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the Company and Group become a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus (for an item not subsequently measured at fair value through profit or loss) transaction costs that are directly attributable to its acquisition or issue.

### (h) Financial assets and liabilities *(continued)*

***Derecognition***

The Company and Group derecognise a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that are created or retained by the Company and Group is recognised as a separate asset or liability.

The Company and Group derecognise a financial liability when its contractual obligations are discharged or cancelled or expire.

***Offsetting***

Financial assets and liabilities are set off and the net amount presented in the Statement of Financial Position when, and only when, the Company and Group have a legal right to set off the amounts and intend either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS.

***Amortised cost measurement***

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

***Fair value measurement***

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, the Company and Group measure the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, the Company and Group establish fair value using valuation techniques. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes use of market inputs, relies as little as possible on estimates specific to the Company and Group, incorporates factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments.

**(h) Financial assets and liabilities** *(continued)*

***Fair value measurement*** *(continued)*

Inputs to valuation techniques reasonably represent market expectations and measures of the risk return factors inherent in the financial instrument. The Company and Group calibrate valuation techniques and test them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e., the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in the Statement of Comprehensive Income depending on the individual facts and circumstances of the transaction but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Assets and long positions are measured at a bid price; liabilities and short positions are measured at an asking price. Where the Company and Group have positions with offsetting risks, mid-market prices are used to measure the offsetting risk positions and a bid or asking price adjustment is applied only to the net open position as appropriate.

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty where appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that the Company and Group believe a third-party market participant would take them into account in pricing a transaction.

***Identification and measurement of impairment***

At each reporting date the Company and Group assess whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Company and Group on terms that the Company and Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the Company and Group, or economic conditions that correlate with defaults in the Company and Group.

### (h) Financial assets and liabilities *(continued)*

***Identification and measurement of impairment*** *(continued)*

The Company and Group consider evidence of impairment for loans and advances to affiliates at both a specific asset and collective level. All individually significant loans and advances are assessed for specific impairment. All individually significant loans and advances found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances that are not individually significant are collectively assessed for impairment by grouping together loans and securities with similar risk characteristics.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rate. Losses are recognised in the Statement of Comprehensive Income and reflected in an allowance account against loans and advances. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through the Statement of Comprehensive Income.

The Company and Group write off loans and advances when they are determined to be uncollectable.

***Designation at fair value through profit or loss***

The Company and Group have designated financial assets and liabilities at fair value through profit or loss when:

- the assets or liabilities are managed, evaluated and reported internally on a fair value basis or
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise.

Derivatives and fixed rate debt securities that are in a hedging relationship have been designated at fair value through profit or loss.

Note 17 sets out the amount of each class of financial asset or liability that has been designated at fair value through profit or loss. A description of the basis for each designation is set out in the note for the relevant asset or liability class.

### (i) Cash and cash equivalents

Cash and cash equivalents include cash at bank and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Company and Group in the management of their short-term commitments.

Cash and cash equivalents are carried at amortised cost in the Statement of Financial Position.

## Statement of accounting policies *(continued)*

**(j) Derivatives held for risk management purposes**

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value in the Statement of Financial Position.

The Company and Group designate certain derivatives held for risk management as hedged instruments in qualifying hedging relationships. On initial designation of the hedge, the Company and Group formally document the relationship between the hedging instrument and hedged item, including the risk management objective and strategy in undertaking the hedge transaction, together with the method that will be used to assess the effectiveness of the hedging relationship. The Company and Group make an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instrument is expected to be 'highly effective' in offsetting the changes in the fair value or cash flows of the respective hedged item during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent.

***Fair value hedges***

When a derivative is designated as a hedge of the change in fair value of a recognised asset or liability or a firm commitment, changes in the fair value of the derivative are recognised immediately in the Statement of Comprehensive Income together with changes in the fair value of the hedged item that are attributable to the hedged risk (in the same Statement of Comprehensive Income line item as the hedged item).

If the derivative expires or is sold, terminated or exercised, no longer meets the criteria for fair value hedge accounting, or the designation is revoked, hedge accounting is discontinued. Any adjustment up to that point, to a hedged item for which the effective interest method is used, is amortised to the Statement of Comprehensive Income as part of the recalculated effective interest rate of the item over its remaining life.

***Other non-trading derivatives***

When a derivative is not designated in a qualifying hedge relationship, all changes in its fair value are recognised immediately in the Statement of Comprehensive Income as a component of net income from other financial instruments carried at fair value.

**(k) Loans and advances**

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Company and Group do not intend to sell immediately or in the near term.

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method, except when the Company and Group choose to carry the loans and advances at fair value through the Statement of Comprehensive Income.

## Statement of accounting policies *(continued)*

**(l) Debt securities issued**

Debt securities issued are the company's and group's source of debt funding.

The Company and Group classify capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument.

Debt securities issued are initially measured at fair value plus directly attributable transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the Company and Group choose to carry the liabilities at fair value through profit or loss as described in the accounting policy (h).

The Company and Group carry certain debt securities at fair value, with fair value changes recognised immediately in the Statement of Comprehensive Income.

**(m) Employee benefits**

All pension entitlements of employees of GE Capital UK Funding are met by payments to an externally funded defined contribution superannuation scheme, maintained by GE Capital Woodchester Limited, an affiliated entity, the funds of which scheme are invested in independent trustees, nominated by that company for the sole benefit of the employees and dependants of GE Capital Woodchester Investments, a further affiliate, its subsidiary undertakings, and certain affiliated related undertakings.

Obligations for contributions to the pension plan are recognised as an expense in the Statement of Comprehensive Income when they are due.

**(n) Segment reporting**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the Board of Directors (being the chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance.

The company's and group's business is organized as one segment and all income is earned in Ireland.

**(o) Prospective accounting changes**

**Prospective accounting changes**

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 April 2010 and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Group save for IFRS 9 as described below.

IFRS 9 deals with recognition, derecognition, classification and measurement of financial assets and financial liabilities. Its requirements represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: at amortised cost and fair value. A financial asset would be measured at amortised cost if it is held

## Statement of accounting policies *(continued)*

### (o) Prospective accounting changes *(continued)*

within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payment of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of held to maturity, available for sale and loans and receivables. For and investment in an equity instrument that is not held for trading, the standard permits an irrevocable election, on initial recognition, on an individual share-by-share basis, to present all fair value changes from the investment in other comprehensive income. No amount recognised in other comprehensive income would ever be reclassified to profit or loss. However, dividends on such investment are recognised in profit or loss, rather than other comprehensive income unless they clearly represent a partial recovery of the cost of the investment. Investments in equity instruments in respect of which an entity does not elect to present fair value changes in other comprehensive income would be measured at fair value with changes in fair value recognised in profit or loss.

The standard requires that derivatives embedded in contracts with a host that is a financial asset within the scope of the standard are not separated: instead the hybrid financial instrument is assessed in its entirety as to whether it should be measured at amortised cost or fair value.

IFRS 9 requires that the effects of changes in credit risk of liabilities designated as at fair value through profit or loss are presented in other comprehensive income unless such treatment would create or enlarge an accounting mismatch in profit or loss, in which case all gains or losses on that liability are presented in profit or loss. Other requirements of IFRS 9 relating to classification and measurement of financial liabilities are unchanged from IAS 39.

The requirements of IFRS 9 relating to derecognition are unchanged from IAS 39.

The standard is effective for annual periods beginning on or after 1 January 2015. Earlier application is permitted. The Company and Group do not plan to adopt this standard early.

# GE Capital UK Funding

## Company Statement of Comprehensive Income

*for the year ended 31 December*

| | *Note* | **2011 £'000** | 2010 £'000 |
|---|---|---|---|
| Interest income | *1* | 377,474 | 414,607 |
| Interest expense | *2* | (184,392) | (192,752) |
| Net interest income | | 193,082 | 221,855 |
| Fee and commission income | *3* | 1,995 | 1,793 |
| Fee and commission expense | *4* | (179,705) | (224,343) |
| Net fee and commission (expense) | | (177,710) | (222,550) |
| **Net trading income/(expense)** | *5* | **15,372** | **(695)** |
| Net expense from financial instruments carried at fair value | *6* | (57,772) | (27,251) |
| Other operating income | *14* | 17,389 | 20,589 |
| | | (40,383) | (6,662) |
| **Operating expense** | | **(25,011)** | **(7,357)** |
| Personnel expenses | *9* | (50) | (60) |
| Other income | | 148 | 9 |
| **Loss before taxation** | *7* | **(24,913)** | **(7,408)** |
| Income tax credit | *8* | 2,543 | 926 |
| Loss for the year | | (22,370) | (6,482) |
| **Total comprehensive (loss) for the year** | | **(22,370)** | **(6,482)** |
| **Attributable to:** | | | |
| Equity holders of the Company | | (22,370) | (6,482) |

The accompanying notes form an integral part of the Company's Financial Statements.

On behalf of the board.

Frank Cantillon
*Director*

Columba Glavin
*Director*

30 March 2012

# GE Capital UK Funding

## Consolidated Statement of Comprehensive Income
*for the year ended 31 December*

| | Note | 2011 £'000 | 2010 £'000 |
|---|---|---|---|
| Interest income | 1 | 393,888 | 435,196 |
| Interest expense | 2 | (184,392) | (192,752) |
| Net interest income | | 209,496 | 242,444 |
| Fee and commission income | 3 | 2,970 | 1,793 |
| Fee and commission (expense) | 4 | (179,705) | (224,343) |
| Net fee and commission expense | | (176,735) | (222,550) |
| **Net trading income** | 5 | **32,761** | **19,894** |
| Net expense from financial instruments carried at fair value | 6 | (57,772) | (27,251) |
| | | (57,772) | (27,251) |
| **Operating expense** | | **(25,011)** | **(7,357)** |
| Personnel expenses | 9 | (50) | (60) |
| Other income | | 148 | 9 |
| **Loss before taxation** | 7 | **(24,913)** | **(7,408)** |
| Income tax credit | 8 | 2,543 | 926 |
| Loss for the year | | (22,370) | (6,482) |
| **Total comprehensive (loss) for the year** | | **(22,370)** | **(6,482)** |
| **Attributable to:** | | | |
| Equity holders of the Company | | (22,370) | (6,482) |

The accompanying notes form an integral part of the consolidated Financial Statements.

On behalf of the board.

Frank Cantillon
*Director*

Columba Glavin
*Director*

30 March 2012

# GE Capital UK Funding

## Company Statement of Financial Position
*at 31 December*

| | *Note* | **2011 £'000** | 2010 £'000 |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | *10* | 132,125 | 4,604 |
| Derivative assets held for risk management | *18* | 1,212,071 | 758,532 |
| Loans and advances to affiliates | *19* | 9,334,562 | 10,827,126 |
| Corporation tax receivable | | 254 | 940 |
| Deferred tax asset | *11* | 3,139 | 1,413 |
| **Total assets** | | 10,682,151 | 11,592,615 |
| **Liabilities** | | | |
| Derivative liabilities held for risk management | *18* | 8,258 | 69,468 |
| Loans and advances from affiliates | *19* | 997,490 | 810,809 |
| Debt securities issued | *21* | 9,558,840 | 10,571,500 |
| Deferred tax liabilities | *11* | - | 1,273 |
| Other liabilities | | 368 | - |
| **Total liabilities** | | 10,564,956 | 11,453,050 |
| **Equity** | | | |
| Share capital and share premium | *12* | 50,000 | 50,000 |
| Retained earnings | | 67,195 | 89,565 |
| **Total equity attributable to equity holders of the Company** | | 117,195 | 139,565 |
| **Total liabilities and equity** | | 10,682,151 | 11,592,615 |

The accompanying notes form an integral part of the Company Financial Statements.

On behalf of the board.

Frank Cantillon
*Director*

Columba Glavin
*Director*

30 March 2012

# GE Capital UK Funding

## Consolidated Statement of Financial Position
*at 31 December*

| | *Note* | **2011 £'000** | 2010 £'000 |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | *10* | 132,125 | 4,604 |
| Derivative assets held for risk management | *18* | 1,212,071 | 758,532 |
| Loans and advances to affiliates | *19* | 9,334,562 | 10,827,126 |
| Corporation tax receivable | | 254 | 940 |
| Deferred tax asset | *11* | 3,139 | 1,413 |
| **Total assets** | | 10,682,151 | 11,592,615 |
| **Liabilities** | | | |
| Derivative liabilities held for risk management | *18* | 8,258 | 69,468 |
| Loans and advances from affiliates | *19* | 997,490 | 810,809 |
| Debt securities issued | *21* | 9,558,840 | 10,571,500 |
| Deferred tax liabilities | *11* | - | 1,273 |
| Other liabilities | | 368 | - |
| **Total liabilities** | | 10,564,956 | 11,453,050 |
| **Equity** | | | |
| Share capital and share premium | *12* | 50,000 | 50,000 |
| Retained earnings | | 67,195 | 89,565 |
| **Total equity attributable to equity holders of the Company** | | 117,195 | 139,565 |
| **Total liabilities and equity** | | 10,682,151 | 11,592,615 |

The accompanying notes form an integral part of the consolidated Financial Statements.

On behalf of the board.

Frank Cantillon
*Director*

Columba Glavin
*Director*

30 March 2012

# GE Capital UK Funding

## Company and Consolidated Statement of Changes in Equity
*at 31 December 2011*

| | Share capital £'000 | Share premium £'000 | Retained earnings £'000 | Total £'000 |
|---|---|---|---|---|
| **Balance at 1 January 2010** | 11,750 | 38,250 | 96,047 | 146,047 |
| Total comprehensive loss for the year | - | - | (6,482) | (6,482) |
| **Balance at 31 December 2010** | **11,750** | **38,250** | **89,565** | **139,565** |
| **Balance at 1 January 2011** | **11,750** | **38,250** | **89,565** | **139,565** |
| Total comprehensive loss for the year | - | - | (22,370) | (22,370) |
| **Balance at 31 December 2011** | **11,750** | **38,250** | **67,195** | **117,195** |

The accompanying notes form an integral part of the company and consolidated Financial Statements.

# GE Capital UK Funding

## Company Cash Flow Statement
*for the year ended 31 December*

| | *Note* | **2011 £'000** | 2010 £'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Loss for the year | | (22,370) | (6,482) |
| Adjustments for: | | | |
| Net interest income | | (193,082) | (221,855) |
| Income tax credit | *8* | (2,543) | (926) |
| | | (217,995) | (229,263) |
| Change in derivative assets held for risk management | | (453,539) | (53,926) |
| Change in loans and advances to affiliates | | 1,870,204 | 2,512,379 |
| Change in derivative liabilities held for risk management | | (61,210) | (56,970) |
| Change in loans and advances from affiliates | | 180,048 | 224,552 |
| Change in tax | | 230 | 4,595 |
| | | 1,535,733 | 2,630,630 |
| Interest received | | - | 7,335 |
| Interest paid | | (170,175) | (583,486) |
| **Net cash provided by operating activities** | | **1,147,563** | **1,825,216** |
| **Cash flows from financing activities** | | | |
| Debt securities issued | | 10,237,257 | 9,962,767 |
| Debt securities redeemed | | (11,257,299) | (11,783,388) |
| **Net cash used in financing activities** | | **(1,020,042)** | **(1,820,621)** |
| **Net increase in cash and cash equivalents** | | 127,521 | 4,595 |
| Cash and cash equivalents at 1 January | *10* | 4,604 | 9 |
| **Cash and cash equivalents at 31 December** | *10* | **132,125** | **4,604** |

# GE Capital UK Funding

## Consolidated Cash Flow Statement
*for the year ended 31 December*

| | *Note* | **2011** **£'000** | 2010 £'000 |
|---|---|---|---|
| Loss for the year | | (22,370) | (6,482) |
| Adjustments for: | | | |
| Net interest income | | (209,496) | (242,444) |
| Income tax credit | *8* | (2,543) | (926) |
| | | (234,409) | (249,852) |
| Change in derivative assets held for risk management | | (453,539) | (53,926) |
| Change in loans and advances to affiliates | | 1,886,625 | 2,527,427 |
| Change in derivative liabilities held for risk management | | (61,210) | (56,970) |
| Change in loans and advances from affiliates | | 180,048 | 224,552 |
| Change in tax | | 230 | 4,595 |
| | | 1,552,154 | 2,645,678 |
| Interest received | | 192 | 13,187 |
| Interest paid | | (170,374) | (583,797) |
| **Net cash provided by operating activities** | | **1,147,563** | **1,825,216** |
| **Cash flows from financing activities** | | | |
| Debt securities issued | | 10,237,257 | 9,962,767 |
| Debt securities redeemed | | (11,257,299) | (11,783,388) |
| **Net cash used in financing activities** | | **(1,020,042)** | **(1,820,621)** |
| **Net increase in cash and cash equivalents** | | **127,521** | **4,595** |
| Cash and cash equivalents at 1 January | *10* | 4,604 | 9 |
| **Cash and cash equivalents at 31 December** | *10* | **132,125** | **4,604** |

## 1 Interest income

The following tables detail the interest income earned by the Company and Group during the year.

**Company**

| | **2011** **£'000** | 2010 £'000 |
|---|---|---|
| Interest income from financial assets that are not at fair value through profit or loss: | | |
| Loans and advances to affiliates *(Note 23)* | 377,474 | 414,607 |
| | 377,474 | 414,607 |

**Group**

| | **2011** **£'000** | 2010 £'000 |
|---|---|---|
| Interest income from financial assets at fair value through profit or loss: | | |
| Loans and advances to affiliates *(Note 23)* | 3,212 | 2,974 |
| Interest income from financial assets that are not at fair value through profit or loss: | | |
| Loans and advances to affiliates *(Note 23)* | 390,676 | 432,222 |
| | 393,888 | 435,196 |

## 2 Interest expense

The following tables detail the interest expense incurred by the Company and Group during the year.

**Company and Group**

| | **2011** **£'000** | 2010 £'000 |
|---|---|---|
| Net interest expense for financial liabilities at fair value through profit or loss: | | |
| Debt securities issued | 163,497 | 186,720 |
| Interest expense for financial liabilities that are not at fair value through profit or loss: | | |
| Debt securities issued | 13,892 | 1,381 |
| Loans and advances from affiliates *(Note 23)* | 7,003 | 4,651 |
| | 184,392 | 192,752 |

## 3 Fee and commission income

| **Company** | **2011 £'000** | 2010 £'000 |
|---|---|---|
| Commitment fee income from affiliates *(Note 23)* | 1,995 | 1,793 |
| **Total fee and commission income** | 1,995 | 1,793 |

| **Group** | **2011 £'000** | 2010 £'000 |
|---|---|---|
| Commitment fee income from affiliates *(Note 23)* | 2,970 | 1,793 |
| **Total fee and commission income** | 2,970 | 1,793 |

## 4 Fee and commission expense

| **Company and Group** | **2011 £'000** | 2010 £'000 |
|---|---|---|
| Commitment fee expense to affiliates *(Note 23)* | 82 | 88 |
| Guarantee fee expense to affiliates | 179,623 | 224,255 |
| **Total fee and commission expense** | 179,705 | 224,343 |

The Company's parent, General Electric Capital Corporation (GECC), has guaranteed the commercial paper and MTN programmes of the Company and Group thus reducing the risk to any potential investor and supporting the MTN programme.

## 5 Net trading income/(expense)

The note below sets out the income / (expense) for the Company and Group by principal source.

| **Company** | **2011** **£'000** | 2010 £'000 |
|---|---|---|
| Derivatives held for risk management | 236,546 | 314,578 |
| Loans and advances to affiliates | 380,019 | 416,388 |
| Loans and advances from affiliates | (7,085) | (4,739) |
| Management and other fees | (180,173) | (224,255) |
| Debt securities issued | (413,935) | (502,667) |
| **Net trading income/(expense)** | **15,372** | (695) |

| **Group** | **2011** **£'000** | 2010 £'000 |
|---|---|---|
| Derivatives held for risk management | 236,546 | 314,578 |
| Loans and advances to affiliates | 396,433 | 436,977 |
| Loans and advances from affiliates | (7,085) | (4,739) |
| Management and other fees | (179,198) | (224,255) |
| Debt securities issued | (413,935) | (502,667) |
| **Net trading income** | **32,761** | 19,894 |

## 6 Net expense from financial instruments carried at fair value

| **Company and Group** | **2011** **£'000** | 2010 £'000 |
|---|---|---|
| Net expense from derivatives held for risk management purposes: | | |
| Interest rate swaps | 567,091 | 138,857 |
| Debt securities issued *(Note 20)* | (623,554) | (164,886) |
| Loans and advances from affiliates | (1,309) | (1,222) |
| | (57,772) | (27,251) |

The portion of net expense from financial instruments carried at fair value relating to the ineffective portion of fair value hedges was £56,463,541 *(2010: £27,038,514)*.

## 7 Loss on ordinary activities before taxation

| **Company and Group** | **2011 £'000** | 2010 £'000 |
|---|---|---|
| Loss on ordinary activities before taxation has been arrived at after charging: | | |
| Auditor's remuneration | | |
| - Audit | 10 | 9 |
| - Other assurance | 10 | 6 |
| - Tax advisory services | - | - |
| - Other non-audit services | - | - |

Amounts disclosed exclude VAT and out-of-pocket expenses.

Compensation of key management personnel (Note 23b) is borne by other group companies and not separately recharged to this Company.

Directors' remuneration is nil (2010: nil). The Company has a management service agreement in place with GE Capital European Funding, a group company. Auditor's remuneration and other assurance fees have been included in the service fee charged from this Company.

## 8 Income tax credit

| **Company and Group** | **2011 £'000** | 2010 £'000 |
|---|---|---|
| Recognised in the Income Statement | | |
| *Current tax expense* | | |
| Current year | - | 350 |
| Adjustments in relation to prior years | 456 | - |
| Current tax expense | 456 | 350 |
| *Deferred tax:* | | |
| Origination and reversal of temporary differences (note 11) | (2,999) | (2,689) |
| Movement from current to deferred tax | - | 1,413 |
| Total tax credit in the income statement | (2,543) | (926) |

## 8 Income tax credit *(continued)*

The tax assessed for the year is different to that at the standard rate of corporation tax in Ireland (12.5%). The differences are explained below.

**Reconciliation of effective rate**

| | **2011** | 2010 |
|---|---|---|
| | **£'000** | £'000 |
| Loss on ordinary activities before taxation | (24,913) | (7,408) |
| Loss on ordinary activities multiplied by the standard rate of corporation tax in Republic of Ireland of 12.5% (*2010: 12.5%*) | (3,114) | (926) |
| Tax *effect of:* | | |
| Non-deductible expenditure | 115 | - |
| Under provision in respect of prior years | 456 | - |
| Total tax in the income statement | (2,543) | (926) |

## 9 Staff number and costs

The average weekly number of Company and Group staff (including Executive Board of Directors) during the year was 1 *(2010: 1)*. The aggregate payroll costs for these employees was as follows:

| | **2011** | 2010 |
|---|---|---|
| | **£'000** | £'000 |
| Wages and salaries | 43 | 52 |
| Social welfare costs | 4 | 5 |
| Other pension costs | 3 | 3 |
| | 50 | 60 |

## 10 Cash and cash equivalents

| **Company and Group** | **2011** | 2010 |
|---|---|---|
| | **£'000** | £'000 |
| Cash and balances with banks | 132,125 | 4,604 |
| | 132,125 | 4,604 |

There were no restricted cash balances at the year end *(2010: £Nil)*. At the year end, all of the cash balance was held with National Irish Bank, a subsidiary of Danske Bank, rated A *(2010: A)*. In 2010, cash balances were also held at Barclays Bank plc, rated AA- *(2010: AA-)*. All 2011 and 2010 ratings are S&P long-term counterparty credit ratings as at 31 December 2011 (*2010: 31 December 2010)*.

## 11 Deferred tax assets and liabilities

**Asset**

| **Company and Group** | **2011** **£'000** | 2010 £'000 |
|---|---|---|
| *Deferred taxation* | | |
| Balance at 1 January | 1,413 | - |
| Increase recognized in the Statement of Comprehensive Income | 1,726 | 1,413 |
| Balance at 31 December | 3,139 | 1,413 |
| The balance can be analysed as follows: | | |
| Tax losses available for utilization against future profits | 3,139 | 1,413 |
| | 3,139 | 1,413 |

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be recovered. At 31 December 2011, a deferred tax asset of £3 million arises *(2010: £1.5 million),* all of which relates to unutilised tax losses in the Republic of Ireland. The Directors have considered the assumptions underpinning the recognition of this asset. It has been determined that future taxable profits will be available against which the asset will be realised and as the unutilised tax losses can be carried forward indefinitely, they consider that the recoverability of the deferred tax asset is probable. There were no unrecognised deferred tax assets at 31 December 2011 *(2010: £Nil).*

**Liability**

| **Company and Group** | **2011** **£'000** | 2010 £'000 |
|---|---|---|
| *Deferred taxation* | | |
| Balance at 1 January | 1,273 | 2,549 |
| Decrease recognized in the Statement of Comprehensive Income | (1,273) | (1,276) |
| Balance at 31 December | - | 1,273 |
| The balance can be analysed as follows: | | |
| Taxable profits carried forward on conversion to IFRS | - | 1,273 |
| | - | 1,273 |

**12 Share capital and share premium**

| **Company and Group** | **2011 £'000** | 2010 £'000 |
|---|---|---|
| *Authorised* | | |
| 100,000,000 Ordinary Shares of £1.00 each | 100,000 | 100,000 |
| *Allotted, called up and fully paid equity shares* | | |
| 11,750,000 Ordinary Shares of £1.00 each | 11,750 | 11,750 |
| *Share premium* | 38,250 | 38,250 |
| Total share capital and share premium | 50,000 | 50,000 |

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. The ordinary shares rank pari passu in all respects. The Company did not pay nor declare a dividend on its share capital during the period or prior period. The Company and Group do not have any externally imposed capital requirements.

**13 Pensions**

**Company and Group**

All pension entitlements of employees of GE Capital UK Funding are met by payments to an externally funded defined contribution superannuation scheme. This scheme is maintained by GE Capital Woodchester Limited, an affiliated entity. The funds of the scheme are invested by independent trustees, nominated by that company for the sole benefit of the employees and dependants of GE Capital Woodchester Investments, (an affiliated entity), its subsidiary undertakings, and certain affiliated related undertakings. The assets of the scheme are held separately from those of the Company by an independently administered fund.

The total pension charge for the year amounted to £2,788 (2010: £3,093) and the accrual at the year end was £Nil (2010: £Nil).

**14 Partnership name and principal activities**

The Company is a limited partner in the following Partnership:

GE Capital UK Funding & Co
WIL House
Shannon Business Park
Shannon
Co Clare
Ireland

Another group company, GE Capital Edinburgh Limited acts as the general partner to the partnership. The Company provides capital to the Partnership, which in turn makes loans to other GE affiliated entities. The total capital provided to the partnership at the year end was £799 million (2010: £930 million). This balance is included in loans and advances to affiliates at the year end in the Company Financial Statements. Under the partnership agreement, the Company is entitled to the profits of the Partnership after the first

**14 Partnership name and principal activities** *(continued)*

£1,000 has been allocated to the general partner. For the year ended 31 December 2011, this amounted to £17 million *(2010: £21 million)*.

**15 Financial risk management**

***Introduction and overview***
The Company and Group have exposure to the following risks from the use of financial instruments:

(a) credit risk
(b) liquidity risk
(c) market risks
(d) other price risk
(e) operational risks

This note presents information about the company's and group's exposure to each of the above risks, the Company's and Group's objectives, policies and processes for measuring and managing risk, and the Company's and Group's management of capital.

***Risk management framework***
The Board of Directors has overall responsibility for the establishment and oversight of the company's and group's risk management framework.

The Audit Committee has only non-executive members and reports to the Board of Directors on their activities.

The company's and group's risk management policies are based on policies of the ultimate parent General Electric Capital Corporation (GECC) and are established to identify and analyse the risks faced by the Company and Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Company and Group, through their training and management standards and procedures, aim to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Board of Directors is responsible for monitoring compliance with the company's and group's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Company and Group. The Board of Directors is assisted in these functions by GE Corporate Audit Staff "Internal Audit". Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors.

***(a) Credit risk***

Credit risk is the risk of financial loss to the Company and Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's and Group's loans and advances to affiliates. For risk management reporting purposes the Company and Group considers and consolidates all elements of credit risk exposure (such as individual obligor risk, default risk and country risk).

*Management of credit risk*
The Board has established the Credit Committee, which is responsible for developing and monitoring Company and Group credit policies. The Board of Directors has formulated credit policies for the management of credit risk and has delegated responsibility for the implementation of these policies to its Credit Committee which is responsible for oversight of the company's and group's credit risk, including:

**15 Financial risk management** (continued)

***(a) Credit risk*** *(continued)*

- Following parent company credit policies covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements;
- Establishing the authorization structure for the approval and renewal of credit facilities;
- Reviewing and assessing credit risk. The Credit Committee assesses all credit exposures prior to facilities being committed, and these facilities are subject to periodic review based on the overall risk associated as determined by management.

For each periodic review, a comprehensive due diligence is carried out on each borrower. The total carrying amount of lending exposed to credit risk in the Company amounted to £9,335 million *(2010: £10,827 million)*, and in the Group amounted to £9,335 million *(2010: £10,827 million)*. The Board of Directors consider none of these loans to be either past due or impaired. The Company and Group have provided £Nil *(2010: £Nil)* in collective and specific provisions during the year. There were no loans written off during the year *(2010: £nil)*.

| **Exposure to credit risk** | **Loans and receivables** | |
|---|---|---|
| | **2011** | 2010 |
| **Company and Group** | | |
| | **£'000** | £'000 |
| Carrying amount | 9,334,562 | 10,827,126 |
| **Assets at Amortised Cost** | | |
| *Individually Impaired* | | |
| Gross Amount | - | - |
| Allowance for impairment *(Note 20)* | - | - |
| **Carrying amount individually impaired** | - | - |
| *Collectively impaired* | | |
| Gross Amount | - | - |
| Allowance for impairment *(Note 20)* | - | - |
| **Carrying amount collectively impaired** | - | - |
| *Past due but not impaired* | | |
| Gross Amount | - | - |
| Allowance for impairment (Note 20) | - | - |
| **Carrying amount past due but not impaired** | - | - |
| *Neither past due nor impaired* | | |
| Gross Amount *(Note 19)* | 9,289,707 | 10,784,174 |
| Allowance for impairment *(Note 20)* | - | - |
| **Carrying amount neither past due nor impaired** | 9,289,707 | 10,784,174 |
| Carrying amount at amortised cost | 9,289,707 | 10,784,174 |

**15 Financial risk management** (continued)

***(a) Credit risk*** *(continued)*

**Exposure to credit risk** *(continued)*

| | Loans and receivables | |
|---|---|---|
| | **2011** | 2010 |
| **Company and Group** | | |
| **Assets at Fair Value** | **£'000** | £'000 |
| *Individually Impaired* | | |
| Gross Amount | - | - |
| Allowance for impairment *(Note 20)* | - | - |
| **Carrying amount individually impaired** | - | - |
| *Collectively impaired* | | |
| Gross Amount | - | - |
| Allowance for impairment *(Note 20)* | - | - |
| **Carrying amount collectively impaired** | - | - |
| *Past due but not impaired* | | |
| Gross Amount | - | - |
| Allowance for impairment *(Note 20)* | - | - |
| **Carrying amount past due but not impaired** | - | - |
| *Neither past due nor impaired* | | |
| Gross Amount *(Note 19)* | 44,855 | 42,952 |
| Allowance for impairment *(Note 20)* | - | - |
| **Carrying amount neither past due nor impaired** | 44,855 | 42,952 |
| Carrying amount at fair value | 44,855 | 42,952 |
| **Total carrying amount** | **9,334,562** | **10,827,126** |

## 15 Financial risk management (continued)

***(a) Credit risk** (continued)*

*Impaired loans*

Individually impaired loans are loans and advances for which the Company and Group determines that there is objective evidence of impairment and it does not expect to collect all principal and interest due according to the contractual terms of the loan agreement(s).

*Past due but not impaired loans*

Past due but not impaired loans are those for which contractual interest or principal payments are past due, but the Company and Group believes that impairment is not appropriate on the basis that the following have not occurred:

- Delinquency by the borrower;
- Restructuring of a loan or advance by the Company and Group on terms that the Company and Group would not otherwise consider;
- Indications that a borrower will enter bankruptcy.

At 31 December 2011 there were no loans past due but not impaired in the Company and Group *(2010: Nil)*.

*Loans with renegotiated terms*

Loans with renegotiated terms are loans that have been restructured due to deterioration the borrower's financial position. No loans were renegotiated during the year ended 31 December 2011 *(2010: £nil)*

*Allowances for impairment*

The Company and Group establishes an allowance for impairment losses on assets carried at amortised costs that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and, for assets measured at amortised cost.

*Write-off policy*

The Company and Group write off loans and advances when they are determined to be uncollectable.
There were no write-offs in the year ended 31 December 2011 *(2010:£nil)*.

All loans and advances made by the Company and Group are with affiliated entities. All loans are uncollateralized.

The following table shows the breakdown of loans and advances to group companies designated at fair value:

| **Designated at fair value** | *Note* | **Loans and receivables** | |
|---|---|---|---|
| | | **2011** | 2010 |
| | | **£'000** | £'000 |
| **Company and Group** | | | |
| Loans to 100% GE affiliates | | 44,855 | 42,952 |
| Carrying amount | *19* | 44,855 | 42,952 |

## 15 Financial risk management (continued)

***(a) Credit risk** (continued)*

In addition to the above, the Company and Group had entered into lending commitments of £7,000 million *(2010: £5,697 million)* with 100% GE affiliates.

The Company and Group held derivative assets for risk management purposes of £1,212 million at 31 December 2011 *(2010: £759 million)*. All derivatives were placed with another GE affiliate whose external derivative liabilities are backed by GECC's AA+ *(2010: AA+)* credit rating. The Company has no receivables that are past due at the reporting date.

***(b) Liquidity risk***

Liquidity risk is the risk that the Company and Group will encounter difficulty in meeting obligations from its financial liabilities.

***Management of liquidity risk***

The company's and group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's and group's reputation.

The Company's parent GECC has guaranteed that it will meet the liabilities of the Commercial Paper and MTN programmes should the company or group, be unable to meet these liabilities.

GECC receives information from other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. GECC then maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Company and Group. The Board of Directors with the assistance of GECC monitor the on-going liquidity requirements of the Company and Group in detail, and by way of short-term loans from GECC cover any short-term fluctuations and obtain longer term funding to address any structural liquidity requirements. The overall group daily liquidity position is monitored by GECC.

## 15 Financial risk management *(continued)*

### *(b) Liquidity risk* (continued)

### Residual contractual maturities of financial liabilities

**Company and Group**

| *In millions of £* | *Note* | Carrying amount | Gross nominal inflow / (outflow) | Less than 1 month | 1-3 months | 3 months to 1 year | 1-5 years | More than 5 years |
|---|---|---|---|---|---|---|---|---|
| **31 December 2011** | | | | | | | | |
| *Non-derivative liabilities* | | | | | | | | |
| Loans and advances from affiliates | 19 | 997 | (997) | (997) | - | - | - | - |
| Debt securities issued | 21 | 9,559 | (9,559) | (390) | (1,392) | (697) | (1,779) | (5,301) |
| | | 10,556 | (10,556) | (1,387) | (1,392) | (697) | (1,779) | (5,301) |
| *Derivative liabilities* | | | | | | | | |
| Risk management: outflow | 18 | 8 | 2 | - | - | - | 2 | - |
| Risk management: inflow | | - | (10) | (1) | - | (2) | (7) | - |
| | | 8 | (8) | (1) | - | (2) | (5) | - |
| Undrawn loan commitments | | | (7,000) | | | | | |
| | | 10,564 | (17,564) | (1,388) | (1,392) | (699) | (1,784) | (5,301) |

**Company and Group**

| *In millions of £* | *Note* | Carrying amount | Gross nominal inflow / (outflow) | Less than 1 month | 1-3 months | 3 months to 1 year | 1-5 years | More than 5 years |
|---|---|---|---|---|---|---|---|---|
| **31 December 2010** | | | | | | | | |
| *Non-derivative liabilities* | | | | | | | | |
| Loans and advances from affiliates | 19 | 811 | (811) | (811) | - | - | - | - |
| Debt securities issued | 21 | 10,571 | (10,571) | (273) | (605) | (1,234) | (3,615) | (4,844) |
| Deferred tax liabilities | 11 | 1 | (1) | (1) | - | - | - | - |
| | | 11,383 | (11,383) | (1,085) | (605) | (1,234) | (3,615) | (4,844) |
| *Derivative liabilities* | | | | | | | | |
| Risk management: outflow | 18 | 69 | (1,070) | - | - | - | 4 | (1,074) |
| Risk management: inflow | | - | 1,001 | (1) | (1) | (2) | (15) | 1,020 |
| | | 69 | (69) | (1) | (1) | (2) | (11) | (54) |
| Undrawn loan commitments | | - | (5,697) | - | - | - | - | (5,697) |
| | | 11,452 | (17,149) | (1,086) | (606) | (1,236) | (3,626) | (10,595) |

## 15 Financial risk management *(continued)*

### *(b) Liquidity risk* (continued)

The above table shows the undiscounted cash flows on the Company's and Group's financial liabilities and unrecognised loan commitments on the basis of their earliest possible contractual maturity. The Company's and Group's expected cash flows on these instruments may vary significantly from this analysis. For example undrawn loan commitments are not all expected to be drawn down immediately, but upon drawdown would have contractual maturity not greater than 15 years.

**Residual contractual maturities of financial liabilities**

The Gross nominal inflow / (outflow) disclosed in the previous table is the contractual, undiscounted cash flow on the financial liability or commitment. The disclosure for derivatives shows a net amount for derivatives that are net settled, and a gross inflow and outflow amount for derivatives that have simultaneous gross settlement.

To manage the liquidity risk arising from financial liabilities, the Company and Group holds liquid assets comprising cash and cash equivalents and investment grade securities for which there is an active and liquid market. These assets can be readily sold to meet liquidity requirements. Hence, the Company and Group believe that it is not necessary to disclose a maturity analysis in respect of these assets to enable users to evaluate the nature and extent of liquidity risk.

### *(c) Market risk*

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's / issuer's credit standing) will affect the company's and group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

**Management of market risks**

The principal market risk faced by the Company and Group relates to interest rates. This is mitigated by entering into interest rate swaps to match the maturity of assets and liabilities held by the Company and Group.

The Company and Group have no material exposure to currency risk as almost all borrowing and lending is in the same currency.

**Exposure to interest rate risk**

The principal risk to which portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for re-pricing loans. The Board of Directors is the monitoring body for compliance with these limits.

The interest rate on floating rate funding is reset quarterly from the initial date of funding. Therefore movements in the benchmark interest rate during the quarter can give rise to a mismatch between interest expense and income. The effect of a 1% decrease in the benchmark rate for a full quarter could give rise to a profit of approximately £23m *(2010: £26m)*. An increase of 1% would have an equal and opposite effect. A summary of the Company's and Group's interest rate gap position is as set out below:

## 15 Financial risk management *(continued)*

### *(c) Market risk (continued)*

**Company and Group**

| *In millions of £* | *Note* | Carrying amount | Non interest bearing | Less than 3 months | 3-6 months | 6-12 months | 1-5 years | More than 5 years |
|---|---|---|---|---|---|---|---|---|
| **31 December 2011** | | | | | | | | |
| Cash and cash equivalents | 10 | 132 | - | 132 | - | - | - | - |
| Derivative assets held for risk management | 18 | 1,212 | - | 1 | - | 20 | 212 | 979 |
| Loans and advances to affiliates | 19 | 9,335 | 104 | 9,187 | - | 44 | - | - |
| | | 10,679 | 104 | 9,320 | - | 64 | 212 | 979 |
| Derivative liabilities held for risk management | 18 | (8) | - | (1) | - | (1) | (6) | - |
| Loans and advances from affiliates | 19 | (997) | - | (997) | - | - | - | - |
| Debt securities issued | 21 | (9,559) | - | (2,007) | (90) | (608) | (1,739) | (5,115) |
| | | (10,564) | - | (3,005) | (90) | (609) | (1,745) | (5,115) |
| Effect of derivatives held for risk management | | | | (6,313) | - | 488 | 1,600 | 4,225 |
| Sensitivity gap | | | | 2 | (90) | (57) | 67 | 89 |

**Company and Group**

| *In millions of £* | *Note* | Carrying amount | Non interest bearing | Less than 3 months | 3-6 months | 6-12 months | 1-5 years | More than 5 years |
|---|---|---|---|---|---|---|---|---|
| **31 December 2010** | | | | | | | | |
| Cash and cash equivalents | 10 | 5 | - | 5 | - | - | - | - |
| Derivative assets held for risk management | 18 | 759 | - | 40 | 16 | - | 226 | 477 |
| Loans and advances to affiliates | 19 | 10,827 | 108 | 10,716 | - | - | 3 | - |
| Corporation tax asset | | 2 | 2 | - | - | - | - | - |
| | | 11,593 | 110 | 10,761 | 16 | - | 229 | 477 |
| Derivative liabilities held for risk management | 18 | (69) | - | (2) | 2 | (1,089) | 1,020 | - |
| Loans and advances from affiliates | 19 | (811) | - | (811) | - | - | - | - |
| Debt securities issued | 21 | (10,571) | - | (2,773) | (575) | (154) | (2,815) | (4,254) |
| Deferred tax liability | 11 | (1) | (1) | - | - | - | - | - |
| | | (11,452) | (1) | (3,586) | (573) | (1,243) | (1,795) | (4,254) |
| Effect of derivatives held for risk management | | - | - | (6,963) | 850 | - | 1,775 | 4,338 |
| Sensitivity gap | | - | - | 212 | 293 | (1,243) | 209 | 561 |

## 15 Financial risk management *(continued)*

### *(d) Other price risk*

Other price risk is the risk that the fair value of the financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual instrument, its issuer or factors affecting all instruments traded in the market.

The Company's and Group's derivatives are with other GE Group companies and affiliates with fixed spreads in place over the market. In addition, the Company's parent, GE Capital Corporation which is a AA+ (2010: AA+) rated borrower has guaranteed that it will meet the liabilities of the Commercial Paper and MTN programmes should the company, or group be unable to meet these liabilities. As part of the company's and group's processes, management monitor the ratings of GECC and the affiliates with which the Company and Group trades. For these reasons, the directors consider the impact of other price risk to be low.

The process for monitoring and measuring this risk is unchanged from the prior year.

### *(e) Operational risk*

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's and Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the company's and group's operations and are faced by all business entities.

The company's and group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the company's and group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The Board of Directors are responsible for the development and implementation of controls to address operational risk.

This responsibility is supported by the development of overall GECC standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- training and professional development;
- ethical and business standards.

Compliance with Company and Group standards is supported by a programme of periodic reviews to ensure compliance with GE Group risk management policies.

The Board of Directors review the development, selection and disclosure of the Company's and Group's critical accounting policies and estimates, and the application of these policies and estimates.

## 16 Use of estimates and judgements

The Board of Directors review the development, selection and disclosure of the Company's and Group's critical accounting policies and estimates, and the application of these policies and estimates.

These disclosures supplement the commentary on financial risk management (see Note 15).

**Critical accounting judgements**
Critical accounting judgements made in applying the Company's and Group's accounting policies include:

- **Allowances for credit losses**

Assets accounted for at amortised cost are evaluated for impairment on the basis described in accounting policy (h).

The specific counterparty component of the total allowances for impairment applies to financial assets evaluated individually for impairment and is based upon the Board of Directors' best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, the Board of Directors makes judgements about a counterparty's financial situation.

Collectively assessed impairment allowances cover credit losses inherent in portfolios of loans and advances when there is objective evidence to suggest that they contain impaired loans and advances, but the individual impaired items cannot yet be identified.

There is no specific or collective provision at the year end *(2010: £nil).*

- **Determining fair values**

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in accounting policy (h). For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

- **Deferred Tax Asset**

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be recovered. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. In assessing the recoverability of a deferred tax asset, management considers whether it is probable that the asset will be realised. The ultimate realisation of a deferred tax asset is dependent upon the generation of future taxable income.

At 31 December 2011, a deferred tax asset of £3 million arises *(2010: £1.5 million),* all of which relates to unutilised tax losses in the Republic of Ireland. The Directors have considered the assumptions underpinning the recognition of this asset. It has been determined that future taxable profits will be available against which the asset will be realised and as the unutilised tax losses can be carried forward indefinitely, they consider that the recoverability of the deferred tax asset is probable.

## 16 Use of estimates and judgements *(continued)*

### Key sources of estimation uncertainty

### Valuation of financial instruments

The Company and Group measure fair values using the following hierarchy of methods:

- **Level 1** - Quoted market price in an active market for an identical instrument.
- **Level 2** - Valuation techniques based on observable inputs. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- **Level 3** - Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs could have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Company and Group determine fair values using valuation techniques. Valuation techniques include net present value and discounted cash flow models, and comparison to similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond prices, foreign currency exchange rates, expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date, that would have been determined by market participants acting at arm's length.

The Company and Group use widely recognised valuation models for determining the fair value of common and more simple financial instruments, such as interest rate swaps that use only observable market data and require little management judgement and estimation. Observable prices and model inputs are usually available in the market for listed debt securities of the parent GECC, exchange traded derivatives and simple over the counter derivatives such as interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

There were no Level 3 assets or liabilities held in 2011 or 2010.

Although the Directors consider that the estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value.

## 16 Use of estimates and judgements *(continued)*

**Valuation of financial instruments** (continued)

*The table below analyses financial instruments carried at fair value, by valuation method:*

**Company and Group**

| *In millions of £* | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| **31 December 2011** | | | | |
| **Assets** | | | | |
| Loans and advances to affiliates | - | 45 | - | 45 |
| Derivative assets held for risk management | - | 1,212 | - | 1,212 |
| | - | 1,257 | - | 1,257 |
| **Liabilities** | | | | |
| Debt securities issued | - | 7,398 | - | 7,398 |
| Derivative liabilities held for risk management | - | 8 | - | 8 |
| | - | 7,406 | - | 7,406 |
| **31 December 2010** | | | | |
| **Assets** | | | | |
| Loans and advances to affiliates | - | 43 | - | 43 |
| Derivative assets held for risk management | - | 759 | - | 759 |
| | - | 802 | - | 802 |
| **Liabilities** | | | | |
| Debt securities issued | 271 | 7,281 | - | 7,552 |
| Derivative liabilities held for risk management | - | 69 | - | 69 |
| | 271 | 7,350 | - | 7,621 |

Level 2 instruments have been valued using a discounted cash flow model.

There have been no changes to the valuation methods applied to the financial instruments held at fair value.

During 2011 and 2010 there were no movements/purchases/sales/transfers from/between each level.

As indicated in Note 17 many of the Company's financial instruments are measured at fair value on the Statement of Financial Position and it is usually possible to determine their fair values within a reasonable range of estimates.

Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement (including interest rates, volatility, estimated cash flows) and therefore, cannot be determined with precision. The valuation techniques for derivatives and loans at fair value through profit and loss do not currently include an adjustment attributable to counterparty credit risk, as the Board of

**16 Use of estimates and judgements** *(continued)*

**Valuation of financial instruments** (continued)

Directors concluded that such an adjustment was not appropriate given that the counterparties to the derivatives and loans are all GE affiliates that are assessed as a low credit risk.

**Financial asset and liability classification**
The company's and group's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances:

- In designating financial assets or liabilities at fair value through profit or loss, the Company and Group have determined that the criteria for this designation set out in accounting policy (h) has been met.

Details of the company's and group's classification of financial assets and liabilities are given in Note 17.

**Qualifying hedge relationships**
In designating financial instruments as qualifying hedge relationships, the Company and Group have determined that it expects the hedge to be highly effective over the life of the hedging instrument. For disclosure of the impact of hedge ineffectiveness in the year, see Note 6.

**Segment reporting**
It is the Board of Directors' view that the Company's and Group's business is organised as a single segment. Entity wide disclosures are included in Note 22.

Notes *(continued)*
*for the year ended 31 December*

## 17 Accounting classifications and fair values

The table below sets out the carrying amounts and fair values of the Company's and Group's financial assets and liabilities, and their fair values.

| **Company** | Fair Value Through Profit or Loss | | Amortised Cost | | | |
|---|---|---|---|---|---|---|
| *In millions of £* | **Held for Trading** | **Designated at fair value** | **Loans and receivables** | **Amortised cost** | **Total Carrying amount** | **Fair* value** |
| **31 December 2011** | | | | | | |
| Cash and cash equivalents | - | - | - | 132 | 132 | 132 |
| Derivative assets held for risk management | 1,212 | - | - | - | 1,212 | 1,212 |
| Loans and advances to affiliates | - | 45 | 9,290 | - | 9,335 | 9,335 |
| Current tax assets | - | - | - | 4 | 4 | 4 |
| | 1,212 | 45 | 9,290 | 136 | 10,683 | 10,683 |
| Derivative liabilities held for risk management | 8 | - | - | - | 8 | 8 |
| Loans and advances from affiliates | - | - | 998 | - | 998 | 998 |
| Debt securities issued | - | 7,398 | 2,161 | - | 9,559 | 9,559 |
| | 8 | 7,398 | 3,159 | - | 10,565 | 10,565 |
| **31 December 2010** | | | | | | |
| Cash and cash equivalents | - | - | - | 5 | 5 | 5 |
| Derivative assets held for risk management | 759 | - | - | - | 759 | 759 |
| Loans and advances to affiliates | - | 43 | 10,784 | - | 10,827 | 10,827 |
| Current tax assets | - | - | - | 2 | 2 | 2 |
| | 759 | 43 | 10,784 | 7 | 11,593 | 11,593 |
| Derivative liabilities held for risk management | 69 | - | - | - | 69 | 69 |
| Loans and advances from affiliates | - | - | 811 | - | 811 | 811 |
| Debt securities issued | - | 7,552 | 3,019 | - | 10,571 | 10,571 |
| Deferred tax liabilities | - | - | - | 1 | 1 | 1 |
| | 69 | 7,552 | 3,830 | 1 | 11,452 | 11,452 |

Notes *(continued)*
*for the year ended 31 December*

## 17 Accounting classifications and fair values *(continued)*

**Group**

| | Fair Value Through Profit or Loss | | Amortised Cost | | Total | |
|---|---|---|---|---|---|---|
| *In millions of £* | **Held for Trading** | **Designated at fair value** | **Loans and receivables** | **Amortised cost** | **Carrying amount** | **Fair* value** |
| **31 December 2011** | | | | | | |
| Cash and cash equivalents | - | - | - | 132 | 132 | 132 |
| Derivative assets held for risk management | 1,212 | - | - | - | 1,212 | 1,212 |
| Loans and advances to affiliates | - | 45 | 9,290 | - | 9,335 | 9,335 |
| Current tax assets | - | - | - | 4 | 4 | 4 |
| | 1,212 | 45 | 9,290 | 136 | 10,683 | 10,683 |
| Derivative liabilities held for risk management | 8 | - | - | - | 8 | 8 |
| Loans and advances from affiliates | - | - | 998 | - | 998 | 998 |
| Debt securities issued | - | 7,398 | 2,161 | - | 9,559 | 9,559 |
| | 8 | 7,398 | 3,159 | - | 10,565 | 10,565 |
| **31 December 2010** | | | | | | |
| Cash and cash equivalents | - | - | - | 5 | 5 | 5 |
| Derivative assets held for risk management | 759 | - | - | - | 759 | 759 |
| Loans and advances to affiliates | - | 43 | 10,784 | - | 10,827 | 10,827 |
| Current tax assets | - | - | - | 2 | 2 | 2 |
| | 759 | 43 | 10,784 | 7 | 11,593 | 11,593 |
| Derivative liabilities held for risk management | 69 | - | - | - | 69 | 69 |
| Loans and advances from affiliates | - | - | 811 | - | 811 | 811 |
| Debt securities issued | - | 7,552 | 3,019 | - | 10,571 | 10,571 |
| Deferred tax liabilities | - | - | - | 1 | 1 | 1 |
| | 69 | 7,552 | 3,830 | 1 | 11,452 | 11,452 |

### 17 Accounting classifications and fair values *(continued)*

The term 'financial instruments' includes both financial assets and financial liabilities. The fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The Company and Group's accounting policy for the determination of fair value of financial instruments is set out in accounting policy number (h).

* Readers of these financial statements are advised to use caution when using the data in the table above to evaluate the Group's financial position or to make comparisons with other institutions. All "Loans and advances to affiliates" are with GE counterparties and planned to be held to maturity. The valuation of financial instruments, including "Loans and advances to affiliates", involves the application of judgement and estimation. Market and credit risks are key assumptions in the estimation of the fair value of "Loans and advances to affiliates". The volatility in financial markets and the illiquidity that is evident in these markets has reduced the demand for many financial instruments and this creates a difficulty in estimating the fair value for loans to affiliates. No ready quotable market is available to fair value the loans and advances to affiliates. In the context of the foregoing, the Board of Directors are satisfied that amortised cost less impairment represents a reasonable approximation of fair value.

### 18 Financial assets and liabilities

**Fair value hedging relationships**
Certain medium term notes shown within debt securities issued are designated in qualifying fair value interest rate hedging relationships (Company and Group - 2011: £7,127 million, *2010: £7,552 million*). These are fair valued with respect to the hedged interest rate.

**Derivatives held for risk management**
All derivative instruments are entered into with a GE affiliate company, GE Financial Markets.

**Company and Group**

| | **2011** | 2010 |
|---|---|---|
| | **£'000** | £'000 |
| **Derivative assets held for risk management** | | |
| Instrument type: | | |
| Interest rate swaps | 1,212,071 | 758,532 |
| **Derivative liabilities held for risk management** | | |
| Instrument type: | | |
| Interest rate swaps | (8,258) | (69,468) |
| | 1,203,813 | 689,064 |

**18 Financial assets and liabilities** *(continued)*

| | **2011** | 2010 |
|---|---|---|
| | **£'000** | £'000 |
| **Net derivatives held for risk management** | | |
| Fair value hedges of interest rate risk | 1,173,313 | 626,796 |
| Other derivatives held for risk management | 30,500 | 62,268 |
| | 1,203,813 | 689,064 |

**Fair value hedges of interest rate risk**
The Company and Group use interest rate swaps to hedge its exposure to changes in the fair value of its fixed rate GBP Medium Term Notes. Interest rate swaps are matched to specific issuances of fixed rate notes. The fair value of derivative assets designated as fair value hedges is £1,184 million *(2010: £693 million)*. The fair value of derivative liabilities designated as fair value hedges is £8 million *(2010: £66 million)*.

**Other derivatives held for risk management**
The Company and Group use other derivatives, not designated in a qualifying hedge relationship, to manage the exposure to interest rate risk. The instruments used include interest rate swaps. The fair values of those derivatives are shown in the table above.

The notional amounts of all interest rate swaps outstanding at 31 December 2011 were £6,746 million *(2010: £9,010 million)*.

**19 Loans and advances**

**Loans and advances to affiliates**

**Company and Group**

| | **2011** | 2010 |
|---|---|---|
| | **£'000** | £'000 |
| Loans and advances to affiliates at fair value through profit or loss | 44,855 | 42,952 |
| Loans and advances to affiliates at amortised cost | 9,289,707 | 10,784,174 |
| | 9,334,562 | 10,827,126 |
| Provision for impairment losses (*Note 20*) | - | - |
| | 9,334,562 | 10,827,126 |

## 19 Loans and advances *(continued)*

The opening provision for impairment in 2011 was £Nil *(2010: £Nil)*. There were no provisions created or written back in the year *(2010: £Nil)*. The closing balance on the provision for impairment in 2011 was £Nil *(2010: £Nil)*.

All loans are entered into with other GE affiliate companies.

Certain loans and advances to affiliates held by the Company and Group have been designated at fair value through profit or loss as the Company and Group manage these loans and advances on a fair value basis. Internal reporting and performance measurement of these loans and advances are on a fair value basis.

**Loans and advances from affiliates**

**Company and Group**

| | **2011** | 2010 |
|---|---|---|
| | **£'000** | £'000 |
| Loans and advances from affiliates at amortised cost | 997,490 | 810,809 |
| | 997,490 | 810,809 |

## 20 Allowances for impairments

| **Company and Group** | **2011** | 2010 |
|---|---|---|
| | **€'000** | €'000 |
| Balance at the beginning of the reporting period | - | - |
| Impairment loss for the year: | | |
| Charge for the year | - | - |
| | - | - |

## 21 Debt securities issued

**Company and Group**

| | **2011** | 2010 |
|---|---|---|
| | **£'000** | £'000 |
| Debt securities issued at fair value through profit or loss | 7,398,126 | 7,551,514 |
| Debt securities issued at amortised cost | 2,160,714 | 3,019,986 |
| | 9,558,840 | 10,571,500 |

Fixed rate debt securities issued have been designated at fair value through profit or loss when in a hedging relationship.

At 31 December 2011 £7,080 million *(2010: £8,459 million)* of debt securities issued are expected to be settled more than twelve months after the reporting date.

The carrying amount of financial liabilities designated at fair value through profit or loss at 31 December 2011 was £1,112 million higher than the contractual amount at maturity *(2010: £488 million).*

| | **2011** | 2010 |
|---|---|---|
| | **£'000** | £'000 |
| **Debt securities at amortised cost** | | |
| Floating rate debt securities | 1,056,433 | 270,770 |
| Medium term notes | 1,104,281 | 2,749,216 |
| | 2,160,714 | 3,019,986 |

Included in the floating rate debt securities is commercial paper amounting to £829 million *(2010: £867 million)* with an average maturity of 51.53 days *(2010: 63.66 days)* and a range of interest rates from 0.52% to 1.17% *(2010: 0.52% to 0.98%.).*

The debt securities issued by the MTN program held at amortised cost have a range of maturities from 2 months to 27 years *(2010: 1 month to 28 years)*, an average maturity of 2.65 years *(2010: 3 years)* and a range of interest rates from 3 month GBP LIBOR plus 0.08% to 3 month GBP LIBOR plus 1.3% *(2010: 3 month GBP LIBOR plus 0.08% to 3 month GBP LIBOR plus1.3%).*

The debt securities issued by the MTN program held at fair value have a range of maturities from 2 months to 28 years *(2010: 1 month to 29 years)*, an average maturity of 12.30 years *(2010: 11.56 years)* and a range of interest rates from 4.125 % to 8% *(2010 4.125% to 8%).*

## 21 Debt securities issued *(continued)*

The Company and Group had unutilised loan commitments, all to other GE affiliates, of £7,000 million at 31 December 2011 *(2010: £5,697 million)*. An unutilised commitment is the amount of any given credit facility that has not been drawn by the borrower. The longest of these commitments terminates in 2022. The table below analyses nominal movements in medium term notes and commercial paper:

| | **2011 Medium Term Notes £'000** | **2010 Medium Term Notes £'000** |
|---|---|---|
| Opening Balance | 9,010,000 | 11,185,000 |
| Issued | 300,000 | 400,000 |
| Redeemed | (1,855,000) | (2,575,000) |
| **Closing Balance** | **7,455,000** | 9,010,000 |

| | **2011 Commercial Paper £'000** | **2010 Commercial paper £'000** |
|---|---|---|
| Opening Balance | 869,200 | 1,061,800 |
| Issued | 9,174,800 | 8,788,800 |
| Redeemed | (9,214,200) | (8,981,400) |
| **Closing Balance** | **829,800** | **869,200** |

The Company and Group have not had any defaults of principal, interest or other breaches with respect to its debt securities during 2011 or 2010.

## 22 Operating Segments

The Company's and Group have earned all its revenues in the Republic of Ireland. All of the Company's and Group's revenues arise from the provision of loans to affiliated companies.

| **Company** | **2011 Ireland £'000** | 2010 Ireland £'000 |
|---|---|---|
| Revenue from loans and advances to affiliates | 377,474 | 416,607 |
| Revenue from commitment fees from affiliates | 1,995 | 1,793 |
| Revenue from loans and advances to non GE affiliates | - | - |
| **Total Segment Revenue** | 379,469 | 418,400 |

## 22 Operating Segments *(continued)*

**Company** *(continued)*

| | | |
|---|---|---|
| Reportable segment loss before tax | (24,913) | (7,408) |
| Reportable segment assets | 10,682,151 | 11,592,615 |
| Reportable segment liabilities | 10,564,956 | 11,453,050 |

| **Group** | **2011 Ireland £'000** | 2010 Ireland £'000 |
|---|---|---|
| Revenue from loans and advances to affiliates | 393,888 | 435,196 |
| Revenue from commitment fees from affiliates | 2,970 | 1,793 |
| Revenue from loans and advances to non GE affiliates | - | - |
| **Total Segment Revenue** | 396,858 | 436,989 |
| Reportable segment loss before tax | (24,913) | (7,408) |
| Reportable segment assets | 10,682,151 | 11,592,615 |
| Reportable segment liabilities | 10,564,956 | 11,453,050 |

## 23 Related Party disclosures

***(a) Transactions with subsidiary undertakings and other affiliate GE Group companies***

The Group enters into Banking transactions with our subsidiaries and other affiliate companies in the normal course of business. These include loans, derivative instruments and foreign currency transactions on an "arms length" basis. In addition, the Company and Group enter into transactions with GECC and derivative transactions with GE Financial Markets. Transactions and balances between the Company, its subsidiaries and other Group companies are detailed below and in notes 1, 2, 3, 4, 5, 6, 14, 15, 16, 17 and 19.

The following are the related parties with whom the Company and Group has balances and transactions during the financial year;
General Electric Capital Corporation, GE Capital International Holding Corporation, GE Capital European Treasury Services Ireland, GE Capital European Funding, GE Equipment Services Finance B.V., GE Leveraged Loans Ltd., IGroup 8 Ltd., GE Real Estate Developments Ltd., GE Real Estate Partners Ltd., Winterdome Ltd., GE Real Estate European Finance Ltd., GE Global Financial Ireland, UK Property Holdings Ltd.

***(b) Compensation of Key Management Personnel***

Disclosures are made in Note 7 in accordance with the provisions of IAS 24 - Related Party Disclosures and Company law in respect of the compensation of key management personnel. Under IAS 24, "Key Management Personnel" are defined as comprising Board of Directors (executive and

**23 Related party disclosures** *(continued)*

***(b) Compensation of Key Management Personnel*** *(continued)*

non-executive) together with senior executive officers. The employee of the Company is not a senior executive officer or a member of the Board.

***(c) Transactions with Key Management Personnel***

There were no loans, quasi-loans or credit transactions outstanding by the Company or Group to its Board of Directors at any time during the current or preceding year.

***(d) Off balance sheet arrangements***

As part of the wider GE Group the Company and Group avail of services provided by other related GE companies. These include cash operations, treasury, human resources and technical accounting services. These services are not charged to the Company or Group.

**24 Holding Company**

The Company is a wholly owned subsidiary of GE Capital Shannon, an unlimited Company incorporated in the Republic of Ireland, which is a wholly owned subsidiary of General Electric Company, a Company incorporated in the United States of America.

The smallest group in which the Company results are included within is that held by General Electric Capital Corporation, a company in the United States of America, copies of whose consolidated financial statements may be obtained from General Electric Capital Corporation, Norwalk, CT 06851, USA.

The largest group in which the Company results are included within is that held by General Electric Company, a company incorporated in the United States of America, copies of whose consolidated financial statements may be obtained from General Electric Company, Fairfield, Connecticut 06828, CT, USA.

**25 Subsequent events**

No significant events affecting the Company or Group occurred since the reporting date, which require adjustment or disclosure in the consolidated Financial Statements.

**26 Commitments and contingencies**

The Company and Group had commitments to lend of £7,000 million at 31 December 2011 *(2010: £5,697 million).* In the opinion of the directors, the Company and Group had no contingent liabilities at 31 December 2011 *(2010: Nil).*

**27 Approval of Financial Statements**

The Board of Directors approved the Financial Statements on 30 March 2012.

**GE CAPITAL UK FUNDING**

**AUDITED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS OF GE CAPITAL UK FUNDING FOR THE FINANCIAL PERIOD ENDED DECEMBER 31, 2010, TOGETHER WITH THE AUDIT REPORT THEREON**

# GE Capital UK Funding

## Directors' Report

The Board of Directors present their annual report and audited Financial Statements for the year ended 31 December 2010.

**Principal activities, business review and future developments**

GE Capital UK Funding (the "Company") is incorporated and tax resident in Ireland and operates as a financial services Company in Shannon, Ireland. The Company and GE Capital UK Funding & Co. (the "Partnership") (see Note 14) are consolidated in GE Capital UK Funding (the "Group").

The Company has established a GBP Commercial Paper ("Commercial Paper"or "CP") Programme and a Medium Term Note ("MTN") Programme. The MTN programme is listed on the London Stock Exchange. The purpose of these programmes is to obtain financing in the capital markets, primarily to fund the operations of affiliated companies.

The Board of Directors are satisfied with the results of the Company and Group. The results for the year are set out in the Statements of Comprehensive Income on pages 23 and 24 and the related notes.

The Board of Directors will continue to develop and seek opportunities to grow the Company and Group. During 2010 changes in the loan portfolio reflected the activity of the wider General Electric ("GE") Group in Sterling and the cash required to fund this activity. The future growth of the Company is dependant on the cash needs of the GE Group.

The following table sets out the year on year (decrease) / increase in CP and MTNs issued, and lending to affiliated companies. The Board of Directors defines affiliated companies to be subsidiaries, associates and joint ventures of the wider GE Group. The table has been calculated using the average balances over the year.

| Type of debt / loan | Year on year (decrease) / increase | |
|---|---|---|
| | **2010** | 2009 |
| Commercial Paper | (41.0)% | (7.2)% |
| Medium Term Notes | (16.4)% | 2.1% |
| Loans to affiliated companies | (18.9)% | (6.1)% |

**Risk and uncertainties**

The main financial risks that the Company and Group are exposed to are credit risk, liquidity risk, market risk, and operational risk. The Board has set policies to manage these exposures, as set out in Note 15 to the Financial Statements 'Financial risk management'.

Interest rates remained at historic lows during the year due to an impaired credit system and overhanging of debt on the private sector as the Bank of England attempted to increase the rate of recovery and stimulate lending. However as interest rates remained unchanged, credit spreads saw some improvements however borrowing remained more expensive and as a funding company, GE Capital UK Funding has been exposed to this volatility. The current market dislocation is expected to continue throughout 2011, although interest rates are expected to increase during the period. However through the use of derivatives the Company is generally able to match the maturity of its assets and liabilities and in so doing reduce its interest rate risk. The Board of Directors monitors interest rate exposure regularly. See Note 15(c) for an analysis of interest rate exposure at the year end.

As the credit markets tightened in 2008/2009 many corporates faced serious liquidity problems. The Company is reliant on the capital markets to support the current MTN programme and any future issues. The Company's parent, General Electric Capital Corporation (GECC), which is itself a AA+ (2009: AA+) rated borrower has guaranteed the commercial paper and MTN programmes of the Company thus reducing the risk to any potential investor and supporting the MTN programme. However the Company expects the markets to remain challenging in the near-term. The Group also has access to the cash pool of the wider GE Group to fill any short-term liquidity requirements. See further analysis of liquidity risk at the year end at Note 15(b).

As credit spreads remained wide over the last year, fair values of financial assets and liabilities became increasingly volatile. In an effort to ensure appropriate valuations were obtained, the Company relied on independent pricing providers such as Bloomberg and models used by the wider GE Group, which primarily use observable market data as inputs. Such valuations necessarily involve judgments and uncertainties. Critical judgments and uncertainties surrounding valuations are discussed further in Note 16.

By carrying out comprehensive due diligence on each borrower the Company has been able to manage its exposure to credit risk and the Company experienced no defaults during the year. Additionally the Board of Directors considers no loans to be past due or impaired. The Board of Directors will continue to regularly monitor the financial strength of its borrowers to ensure the Company's exposure to the risk of default is minimized.

As all of the Company's and Group's lending is to other GE companies and affiliates, the directors consider all loans as good credit risk.

The Company's functional currency is the Pounds Sterling (£). The Company has no material exposure to currency risk as it borrows and lends in the same currency.

**Dividends**

The Board of Directors do not propose a dividend for the current year *(*2009*: £Nil)*.

**Board of Directors, secretary and their interests**

The Board of Directors is listed on page 1. In accordance with the Articles of Association, the Directors are not required to retire by rotation.

The Board of Directors and Secretary as at 31 December 2010, together with their families had the following interests in the common stock of General Electric Company and its Group undertakings.

**Board of Directors, secretary and their interests** *(continued)*

| General Electric Company | No of Shares At 31 Dec 2010 | No of Shares At 1 January 2010 (or date of appointment if later) |
|---|---|---|
| M. Barber | 59,246 | 56,375 |
| F. Cantillon | 10,046 | 8,701 |
| B. Gilligan | 4,174 | 3,495 |
| P. Gilmartin | 3,879 | 3,879 |
| C. Glavin | 2,764 | 2,186 |
| J. Lawlor (secretary) | 729 | 513 |

All Directors listed on page 1 served throughout the year.

**Accounting records**

The Board of Directors believes that it has complied with the requirements of Section 202 of the Companies Act, 1990 with regard to books of account by employing accounting personnel with appropriate expertise and by providing adequate resources to the financial function. The books of account of the Company are maintained at WIL House, Shannon Business Park, Shannon, Co. Clare.

**Corporate Governance**

The European Communities (2006/46 EC) Regulations 2009 were signed into law on 19 November 2009, introducing a requirement for the directors of all companies with securities admitted for trading on a regulated market to make an annual statement on corporate governance. The statement is required to include commentary on compliance with applicable codes of governance, systems of risk management and internal controls together with other details, including the operation of Board and arrangements for shareholder meetings.

Relevant information on the Company's governance arrangements for the year ended 31 December 2010 are set out below.

*Internal control and risk management systems relating to the financial reporting process:*

The Board of Directors is responsible for establishing and maintaining adequate control and risk management systems of the Company and Group in relation to the financial reporting process. Such systems are designed to manage rather than eliminate the risk of failure to achieve the Company's and Group's financial reporting objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board has established processes regarding internal control and risk management systems to ensure its effective oversight of the financial reporting process. The Board evaluates and discusses significant accounting and reporting issues as the need arises. From time to time, the Board also examines and evaluates the external auditors' performance, qualifications and independence. The Board is responsible for assessing the risk of irregularities whether caused by fraud or error in financial reporting and ensuring the processes are in place for the timely identification of internal and external matters with a potential effect on financial reporting.

# GE Capital UK Funding

## Statement of Board of Directors' responsibilities

The Company has procedures to ensure all relevant accounting records are properly maintained and are readily available, including production of annual financial statements. The annual financial statements of the Company are required to be approved by the board of directors of the Company and filed with the London Stock Exchange.

The Company has appointed appropriately qualified finance personnel to maintain the accounting records. The Board receives and considers reports from the finance personnel on a regular basis. It also considers and evaluates reports by the independent auditor concerning the operation of controls over its financial accounting and reporting process.

*Composition and operation of the Board of Directors*

The business of the Company is managed by the directors, who exercise all such powers of the Company as are not by the Companies Acts or by the Articles of Association of the Company required to be exercised by the Company in general meeting.

Unless otherwise determined by an ordinary resolution of the Company in general meeting, the number of Directors may not be less than two. Currently the board of directors of the Company is composed of five directors, being those listed in the directory in these financial statements.

A director may, and the company secretary of the Company on the requisition of a director will, at any time summon a meeting of the directors. Questions arising at any meeting of the directors are determined by a majority of votes. The quorum necessary for the transaction of business at a meeting of the directors is two.

The Board of Directors is responsible for monitoring compliance with the Company's and Group's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Company and Group. The Board of Directors is assisted in these functions by GE Corporate Audit Staff "Internal Audit". Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures.

The Board of Directors has formulated credit policies for the management of credit risk and has delegated responsibility for the implementation of these policies to its Credit Committee, which is responsible for oversight of the Company's and Group's credit risk.

**Auditor**

KPMG, Chartered Accountants, have expressed their willingness to continue in office in accordance with Section 160 (2) of the Companies Act, 1963.

On behalf of the board.

Columba Glavin
*Director*

Frank Cantillon
*Director*

18 April 2011

# GE Capital UK Funding

## Statement of directors' responsibilities in respect of the Financial Statements

The directors are responsible for preparing the Group and Company Financial Statements, in accordance with applicable law and regulations**.**

Company law requires the directors to prepare Group and Company Financial Statements for each financial year. Under that law the directors are required to prepare the Group Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and have elected to prepare the Company Financial Statements in accordance with IFRSs as adopted by the EU and as applied in accordance with the Companies Acts 1963 to 2009.

The Group and Company Financial Statements are required by law and IFRSs as adopted by the EU to present fairly the financial position and performance of the Group and Company. The Companies Acts 1963 to 2009 provide in relation to such Financial Statements that references in the relevant part of that Act to Financial Statements giving a true and fair view are references to their achieving a fair presentation.

In preparing each of the Group and Company 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 that the Financial Statements comply with IFRSs as adopted by the EU as applied in accordance with the Companies Acts 1963 to 2009; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

In accordance with the Transparency (Directive 2004/109/EC) Regulations 2007 (the Transparency Regulations), the Directors are required to include in their report a fair review of the business and a description of the principal risks and uncertainties facing the Group and the Company and a responsibility statement relating to these and other matters, included below.

The Directors are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the Financial Statements comply with the Companies Acts 1963 to 2009 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation. They are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

# GE Capital UK Funding

## Statement of Board of Directors' responsibilities (continued)

**Responsibility Statement, in accordance with the Transparency Regulations**

Each of the directors, whose names and functions are listed on page 1 of these Financial Statements confirm that, to the best of each person's knowledge and belief:

- the Group Financial Statements, prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities and financial position of the Group at 31 December 2010 and its loss for the year then ended;
- the Company Financial Statements, prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the Companies Acts 1963 to 2009, give a true and fair view of the assets, liabilities and financial position of the Company at 31 December 2010; and
- the directors' report contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that they face.

On behalf of the board

Columba Glavin
*Director*

Frank Cantillon
*Director*

18 April 2011

KPMG

KPMG
**Chartered Accountants**
1 Harbourmaster Place
IFSC
Dublin 1
Ireland

# Independent auditor's report to the members of GE Capital UK Funding

We have audited the Group and Company Financial Statements ("the Financial Statements") of GE Capital UK Funding for the year to 31 December 2010 which comprise the Consolidated and Company Statement of Comprehensive Income, Consolidated and Company Statement of Financial Position, Consolidated and Company Statement of Changes in Equity, Consolidated and Company Cash Flow Statement and the related notes. These Financial Statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 193 of the Companies Act 1990. 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 auditor's 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 auditor**

The Directors' responsibilities for preparing the Directors' Report and the Financial Statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU are set out in the Statement of Board of Directors' Responsibilities on pages 6-7.

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 in accordance with IFRSs as adopted by the EU and, have been properly prepared in accordance with the Companies Acts, 1963 to 2009. We also report to you whether, in our opinion: proper books of account have been kept by the Company; whether at the reporting date, there exists a financial situation requiring the convening of an extraordinary general meeting of the Company; and whether the information given in the Board of Directors' Report is consistent with the Financial Statements. In addition, we state whether we have obtained all the information and explanations necessary for the purposes of our audit, and whether the Company Statement of Financial Position is in agreement with the books of account.

We also report to you if, in our opinion, any information specified by law regarding Directors' remuneration and Directors' transactions is not disclosed and, where practicable, include such information in our report.

We are required by law to report to you our opinion as to whether the description of the main features of the internal control and risk management systems in relation to the process for preparing the group consolidated financial statements, set out in the Corporate Governance Statement is consistent with the consolidated financial statements.

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

KPMG

## Independent auditor's report to the members of GE Capital UK Funding *(continued)*

**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 Group's and 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.

**Opinion**

In our opinion:

- the Group Financial Statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Group's affairs as at 31 December 2010 and of its loss for the year then ended;
- the Company Financial Statements give a true and fair view, in accordance with IFRSs as adopted by the EU as applied in accordance with the provisions of the Companies Acts 1963 to 2009, of the state of the Company's affairs as at 31 December 2010 and of its loss for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with the Companies Acts 1963 to 2009 and Article 4 of the IAS Regulation; and
- the Company Financial Statements have been properly prepared in accordance with the Companies Acts 1963 to 2009.

**Other matters**

We have obtained all the information and explanations which we considered necessary for the purposes of our audit. In our opinion proper books of account have been kept by the Company. The Company's Statement of Financial Position is in agreement with the books of account.

In our opinion the information given in the Directors' Report and the description in the annual corporate governance statement of the main features of the internal controls and risk management systems in relation to the process for preparing the consolidated group financial statements is consistent with the Financial Statements.

KPMG

Independent auditor's report to the members of GE Capital UK Funding *(continued)*

**Other matters** *(continued)*

The net assets of the Company, as stated in the Company Statement of Financial Position, are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 December 2010 a financial situation which under Section 40 (1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the Company.

KPMG

**KPMG** **18 April 2011**

*Chartered Accountants*
*Registered Auditor*
*1/2 Harbourmaster Place*
*IFSC*
*Dublin 1*

# GE Capital UK Funding

## Basis of preparation

**Statement of compliance**

The Financial Statements of the Company and Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, and interpretations adopted by the International Accounting Standards Board ("IASB"). The Financial Statements also comply with the requirements of the relevant Irish legislation including the Companies Act 1963 to 2009.

**Basis of measurement**

The consolidated Financial Statements have been prepared on the historical cost basis except for the following:

- derivative financial instruments are measured at fair value;
- financial instruments at fair value through profit or loss are measured at fair value; and
- certain debt securities issued are measured at fair value. De-designated fixed rate debt securities are measured at historical value or open market value.

**Functional and presentation currency**

These consolidated Financial Statements are presented in GBP, which is the Company's and Group's functional currency. Except as indicated, financial information presented in GBP has been rounded to the nearest thousand.

**Use of estimates and judgements**

The preparation of Financial Statements requires the Board of Directors to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the consolidated Financial Statements are described in Note 16.

**Going Concern**

The Financial Statements have been prepared on a going concern basis. Risk factors including: credit, liquidity, market and operational risk impact on the Group's and Company's activities as described in Note 15. The Board of Directors has reviewed these risk factors and all relevant information to assess the Group's and Company's ability to continue as a going concern and are satisfied that the Group's and Company's Financial Statements continue to be prepared on a going concern basis as the Group and Company will have access to sufficient funding and resources for the foreseeable future.

# GE Capital UK Funding

## Statement of accounting policies

**Significant accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in these consolidated Financial Statements, and have been applied consistently by the Company and Group.

**(a) Basis of consolidation**

The consolidated Financial Statements of GE Capital UK Funding as at and for the year ended 31 December 2010 and 31 December 2009 include the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). The Company invests in a partnership and as a result income earned in the partnership is recognised as other operating income in the Company. The partnership is consolidated on a line by line basis in the consolidated accounts.

**Subsidiaries**

Subsidiaries and partnerships are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The Financial Statements of subsidiaries and partnerships are included in the consolidated Financial Statements from the date that control commences until the date that control ceases. The consolidated Financial Statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances.

**Transactions eliminated on consolidation**

Intra-Group balances, and any unrealised income and expenses arising from intra-Group transactions, are eliminated in preparing the consolidated Financial Statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

**(b) Foreign currency transactions**

Transactions in foreign currencies are translated to the functional currencies at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rates at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rates at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rates at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the Statement of Comprehensive Income.

## Statement of accounting policies *(continued)*

**(c) Interest**

Interest income and expense are recognised in the Statement of Comprehensive Income using the effective interest rate method. The effective interest rate is the rate that discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset or liability and is not revised subsequently.

The calculation of the effective interest rate includes all fees paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Interest income and expense presented in the Statement of Comprehensive Income includes interest on financial assets and liabilities at amortised cost on an effective interest rate basis together with interest on financial assets and liabilities at fair value through profit or loss.

**(d) Fees and commission**

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

**(e) Net trading income**

Net trading income comprises gains less losses related to trading assets and liabilities, and includes all realised and unrealised fair value changes, interest, dividends and foreign exchange differences.

**(f) Net income from other financial instruments at fair value**

Net income from other financial instruments at fair value relates to non-qualifying derivatives held for risk management purposes and financial assets and liabilities designated at fair value through profit or loss, and includes all realised and unrealised fair value changes, interest, dividends and foreign exchange differences.

**(g) Income tax expense**

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the Statement of Comprehensive Income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

### (g) Income tax expense *(continued)*

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### (h) Financial assets and liabilities

***Recognition***

All financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the Company and Group become a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus (for an item not subsequently measured at fair value through profit or loss) transaction costs that are directly attributable to its acquisition or issue.

***Classification***

See accounting policies (h), (i), (j), (k) and (l);

## Statement of accounting policies *(continued)*

**(h) Financial assets and liabilities** *(continued)*

***Derecognition***

The Company and Group derecognise a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that are created or retained by the Company and Group is recognised as a separate asset or liability.

The Company and Group derecognise a financial liability when its contractual obligations are discharged or cancelled or expire.

***Offsetting***

Financial assets and liabilities are set off and the net amount presented in the Statement of Financial Position when, and only when, the Company and Group have a legal right to set off the amounts and intend either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards.

***Amortised cost measurement***

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

***Fair value measurement***

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction on the measurement date.

When available, the Company and Group measure the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm’s length basis.

If a market for a financial instrument is not active, the Company and Group establish fair value using valuation techniques. Valuation techniques include using recent arm’s length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes use of market inputs, relies as little as possible on estimates specific to the Company and Group, incorporates factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments.

### (h) Financial assets and liabilities *(continued)*

***Fair value measurement*** *(continued)*

Inputs to valuation techniques reasonably represent market expectations and measures of the risk return factors inherent in the financial instrument. The Company and Group calibrate valuation techniques and test them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e., the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in the Statement of Comprehensive Income depending on the individual facts and circumstances of the transaction but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Assets and long positions are measured at a bid price; liabilities and short positions are measured at an asking price. Where the Company and Group have positions with offsetting risks, mid-market prices are used to measure the offsetting risk positions and a bid or asking price adjustment is applied only to the net open position as appropriate.

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty where appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that the Company and Group believe a third-party market participant would take them into account in pricing a transaction.

***Identification and measurement of impairment***

At each reporting date the Company and Group assess whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Company and Group on terms that the Company and Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the Company and Group, or economic conditions that correlate with defaults in the Company and Group.

### (h) Financial assets and liabilities *(continued)*

***Identification and measurement of impairment*** *(continued)*

The Company and Group consider evidence of impairment for loans and advances to affiliates at both a specific asset and collective level. All individually significant loans and advances are assessed for specific impairment. All individually significant loans and advances found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances that are not individually significant are collectively assessed for impairment by grouping together loans and advances securities with similar risk characteristics.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rate. Losses are recognised in the Statement of Comprehensive Income and reflected in an allowance account against loans and advances. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through the Statement of Comprehensive Income.

The Company and Group write off loans and advances when they are determined to be uncollectable (See Note 19).

***Designation at fair value through profit or loss***

The Company and Group have designated financial assets and liabilities at fair value through profit or loss when:

- the assets or liabilities are managed, evaluated and reported internally on a fair value basis;
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise.

Note 17 sets out the amount of each class of financial asset or liability that has been designated at fair value through profit or loss. A description of the basis for each designation is set out in the note for the relevant asset or liability class.

### (i) Cash and cash equivalents

Cash and cash equivalents include cash at bank and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Company and Group in the management of their short-term commitments.

Cash and cash equivalents are carried at amortised cost in the Statement of Financial Position.

## Statement of accounting policies *(continued)*

**(j) Derivatives held for risk management purposes**

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value in the Statement of Financial Position.

The Company and Group designate certain derivatives held for risk management as hedged instruments in qualifying hedging relationships. On initial designation of the hedge, the Company and Group formally document the relationship between the hedging instrument(s) and hedged item(s), including the risk management objective and strategy in undertaking the hedge transaction, together with the method that will be used to assess the effectiveness of the hedging relationship. The Company and Group make an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instrument(s) is(are) expected to be 'highly effective' in offsetting the changes in the fair value or cash flows of the respective hedged item(s) during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent.

***Fair value hedges***

When a derivative is designated as a hedge of the change in fair value of a recognised asset or liability or a firm commitment, changes in the fair value of the derivative are recognised immediately in the Statement of Comprehensive Income together with changes in the fair value of the hedged item that are attributable to the hedged risk (in the same Statement of Comprehensive Income line item as the hedged item).

If the derivative expires or is sold, terminated or exercised, no longer meets the criteria for fair value hedge accounting, or the designation is revoked, hedge accounting is discontinued. Any adjustment up to that point, to a hedged item for which the effective interest method is used, is amortised to the Statement of Comprehensive Income as part of the recalculated effective interest rate of the item over its remaining life.

***Other non-trading derivatives***

When a derivative is not designated in a qualifying hedge relationship, all changes in its fair value are recognised immediately in the Statement of Comprehensive Income as a component of net income from other financial instruments carried at fair value.

**(k) Loans and advances**

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Company and Group do not intend to sell immediately or in the near term.

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method, except when the Company and Group choose to carry the loans and advances at fair value through the Statement of Comprehensive Income as described in the accounting policy (h).

**(l) Debt securities issued**

Debt securities issued are the Company's and Group's source of debt funding.

The Company and Group classify capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument.

Debt securities issued are initially measured at fair value plus directly attributable transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the Company and Group choose to carry the liabilities at fair value through profit or loss as described in the accounting policy (h).

The Company and Group carry certain debt securities at fair value, with fair value changes recognised immediately in the Statement of Comprehensive Income.

**(m) Employee benefits**

All pension entitlements of employees of GE Capital UK Funding are met by payments to an externally funded defined contribution superannuation scheme, maintained by GE Capital Woodchester Limited, the funds of which scheme are invested in independent trustees, nominated by that company for the sole benefit of the employees and dependants of GE Capital Woodchester Investments, its subsidiary undertakings, and certain affiliated related undertakings.

Obligations for contributions to the pension plan are recognised as an expense in the Statement of Comprehensive Income when they are due.

**(n) Segment reporting**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the Board of Directors (being the chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance.

The Company's and Group's business is organized as one segment and all income is earned in Ireland.

## Statement of accounting policies *(continued)*

**(o) Prospective accounting changes**

The following legislative changes and new accounting standards or amendments to standards approved by the IASB in 2010 (but not early adopted by the Group) will impact the Group's financial reporting in future periods. If applicable they will be adopted in 2011. The IASB issued 'Improvements to IFRSs in May 2010, which comprise a collection of necessary but not urgent amendments to IFRSs. The amendments have not been adopted as they become effective for annual periods on or after either 1 July 2010 or 1 January 2011.

The following are applicable in 2011:

***Amendment to IAS 24 – Related Party Disclosures***
This amendment simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition. It also provides a partial exemption from the disclosure requirements for government-related entities which, as permitted by the amendment, has been early adopted by the Group in 2010.The remainder of the amendment will impact upon the disclosure of certain related party relationships, transactions and outstanding balances, including commitments in the financial statements of the Group.

***Amendment to IFRIC 14 - Prepayments of a Minimum Funding Requirement***
The amendment which is effective for annual periods beginning on or after 1 January 2011 corrects an unintended consequence of IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. Without the amendment, in some circumstances entities would not be permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendment corrects the problem. The revision will allow such prepayments to be recorded as assets in the statement of financial position. This IFRIC is not expected to have a material impact on the Group.

***IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments***
This IFRIC which is effective for annual periods beginning on or after 1 July 2010, clarifies the requirements of International Financial Reporting Standards ("IFRSs") when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. The impact on the Group will be dependent on the nature of any future liability management actions, undertaken by the Group.

***Amendment to IFRS 7 - Financial Instruments: Disclosures***
The amendment to IFRS 7 clarifies the required level of disclosure about credit risk and collateral held and provides relief from disclosures previously required regarding renegotiated loans.

***Amendments to IAS 34 - Interim Financial Reporting***
These amendments, which are effective for annual periods beginning on or after 1 January 2011, emphasise the principle in IAS 34 that disclosures about significant events and transactions in interim periods should update the relevant information presented in the most recent annual financial report. Additional disclosure requirements included in the amendment will require the Group to disclose:
- transfers between levels of the 'fair value hierarchy' used in measuring the fair value of financial instruments;

## Statement of accounting policies *(continued)*

**(o) Prospective accounting changes** *(continued)*

-changes in the classification of financial assets as a result of a change in the purpose or use of those assets;
- changes in the business or economic circumstances that affect the fair value of the entity's financial assets and financial liabilities;
- whether those assets or liabilities are recognised at fair value or amortised cost; and
- changes in contingent liabilities or contingent assets.

The following are applicable in 2012:

***Amendments to IAS 12 - Deferred Tax: Recovery of Underlying Assets***
These amendments provide a practical approach for measuring deferred tax assets and deferred tax liabilities when investment property is measured using the fair value model in IAS 40 Investment Property. The amendments introduce a presumption that an investment property is recovered entirely through sale. However, this presumption may be rebutted. As a result of the amendments, SIC-21 Income Taxes-Recovery of Revalued Non-Depreciable Assets would no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC-21 which is accordingly withdrawn. The Group will apply these amendments for annual periods beginning on or after 1 January 2012.

The following are applicable in 2013:

***IFRS 9 - Financial instruments***
*Phase 1: Classification and measurement*
In November 2009, the IASB issued IFRS 9 'Financial Instruments', effective for accounting periods beginning on or after 1 January 2013, to address the classification and measurement of financial assets. This is the first phase of its project to replace IAS 39 and simplify the accounting for financial instruments. The new standard endeavours to enhance the ability of investors and other users of financial information to understand the accounting for financial assets and to reduce complexity. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets.

On 28 October 2010, the IASB reissued IFRS 9, incorporating new requirements on accounting for financial liabilities, and carrying over from IAS 39 the requirements for derecognition of financial assets and financial liabilities.
- IFRS 9 does not change the basic accounting model for financial liabilities under IAS 39.Two measurement categories continue to exist: fair value through profit or loss ("FVTPL") and amortised cost. Financial liabilities held for trading are measured at FVTPL, and all other financial liabilities are measured at amortised cost unless the fair value option is applied.
- The basic premise for the derecognition model in IFRS 9 (carried over from IAS 39) is to determine whether the asset under consideration for derecognition is:
- an asset in its entirety or
- specifically identified cash flows from an asset (or a group of similar financial assets) or

## Statement of accounting policies *(continued)*

**(o) Prospective accounting changes (continued)**

- a fully proportionate (pro rata) share of the cash flows from an asset (or a group of similar financial assets) or
- a fully proportionate (pro rata) share of specifically identified cash flows from a financial asset (or a group of similar financial assets).
- A financial liability should be removed from the statement of financial position when, and only when, it is extinguished, that is, when the obligation specified in the contract is either discharged or cancelled or expires.
- All derivatives, including those linked to unquoted equity investments, are measured at fair value.

Value changes are recognised in profit or loss unless the entity has elected to treat the derivative as a hedging instrument in accordance with IAS 39, in which case the requirements of IAS 39 apply. IFRS 9 requires gains and losses on financial liabilities designated as at fair value through profit or loss to be split into the amount of change in the fair value that is attributable to changes in the credit risk of the liability, which should be presented in other comprehensive income, and the remaining amount of change in the fair value of the liability which should be presented in profit or loss.

***Phase 2: Impairment of financial assets***
Subsequent to the issue of IFRS 9 in November 2009, the IASB issued an exposure draft of its proposals for changes to the impairment rules for financial assets measured at amortised cost. The proposals are intended to result in the earlier recognition of impairment losses. The model proposed in the exposure draft is an ‘expected loss model’. Under that model, expected losses are recognised throughout the life of a loan or other financial asset measured at amortised cost, not just after a loss event has been identified.

This exposure draft is expected to be incorporated into IFRS 9 with the effective date currently set at January 2013 with comparative information required.

***Phase 3: Hedge accounting***
In December 2010 the IASB issued an exposure draft on hedge accounting which will ultimately be incorporated into IFRS 9.The exposure draft proposes a model for hedge accounting that aims to align accounting with risk management activities. It is proposed that the financial statements will reflect the effect of an entity’s risk management activities that uses financial instruments to manage exposures arising from particular risks that could affect profit or loss. This aims to convey the context of hedge instruments to allow insight into their purpose and effect.

It is expected that by the end of June 2011, IFRS 9 will be a complete replacement for IAS 39.

The Company and Group is currently in the process of evaluating the potential effect of this standard. Given the nature of the Group’s operations, this standard is expected to have a pervasive impact on the Company’s and Group’s financial statements.

# GE Capital UK Funding

## Statement of Comprehensive Income
*for the year ended 31 December*

| | Note | **2010 £'000** | 2009 £'000 |
|---|---|---|---|
| Interest income | *1* | 414,607 | 300,263 |
| Interest expense | *2* | (192,752) | (343,394) |
| Net interest income / (expense) | | 221,855 | (43,131) |
| Fee and commission income | *3* | 1,793 | 684 |
| Fee and commission expense | *4* | (224,343) | (87,948) |
| Net fee and commission expense | | (222,550) | (87,264) |
| **Net trading expense** | *5* | **(695)** | **(130,395)** |
| Net (expense)/income from financial instruments carried at fair value | *6* | (27,251) | (11,216) |
| Other operating income | *14* | 20,589 | 119,748 |
| | | (6,662) | 108,532 |
| **Operating expense** | | **(7,357)** | **(21,863)** |
| Personnel expenses | *9* | (60) | (55) |
| Other income / (expenses) | | 9 | (170) |
| **Loss before taxation** | *7* | **(7,408)** | **(22,088)** |
| Tax on loss on ordinary activities | *8* | 926 | 2,761 |
| Loss for the year | | (6,482) | (19,327) |
| **Total comprehensive expense for the year** | | **(6,482)** | **(19,327)** |
| **Attributable to:** | | | |
| Equity holders of the Company | | (6,482) | (19,327) |

The Company has no recognised gains or losses in the financial year or the preceding financial year other than those dealt with in the Statement of Comprehensive Income for the financial year.
The accompanying notes form an integral part of the company Financial Statements.

On behalf of the board.

Columba Glavin
*Director*

Frank Cantillon
*Director*

18 April 2011

# GE Capital UK Funding

## Consolidated Statement of Comprehensive Income
*for the year ended 31 December*

| | Note | **2010 £'000** | 2009 £'000 |
|---|---|---|---|
| Interest income | *1* | 435,196 | 419,115 |
| Interest expense | *2* | (192,752) | (343,403) |
| Net interest income | | 242,444 | 75,712 |
| Fee and commission income | *3* | 1,793 | 1,589 |
| Fee and commission expense | *4* | (224,343) | (87,948) |
| Net fee and commission expense | | (222,550) | (86,359) |
| **Net trading expense** | *5* | **19,894** | **(10,647)** |
| Net expense from financial instruments carried at fair value | *6* | (27,251) | (11,216) |
| | | (27,251) | (11,216) |
| **Operating expense** | | **(7,357)** | **(21,863)** |
| Personnel expenses | *9* | (60) | (55) |
| Other income / (expenses) | | 9 | (170) |
| **Loss before taxation** | *7* | **(7,408)** | **(22,088)** |
| Taxation | *8* | 926 | 2,761 |
| Loss for the year | | (6,482) | (19,327) |
| **Total comprehensive expense for the year** | | **(6,482)** | **(19,327)** |
| **Attributable to:** | | | |
| Equity holders of the Company | | (6,482) | (19,327) |

The Group has no recognised gains or losses in the financial year or the preceding financial year other than those dealt with in the Statement of Comprehensive Income for the financial year.

The accompanying notes form an integral part of the consolidated Financial Statements.

On behalf of the board.

Columba Glavin
*Director*

Frank Cantillon
*Director*

18 April 2011

# GE Capital UK Funding

## Company Statement of Financial Position
*at 31 December*

| | *Note* | **2010** **£'000** | 2009 £'000 |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | *10* | 4,604 | 9 |
| Derivative assets held for risk management | *18* | 758,532 | 704,606 |
| Loans and advances to affiliates | *19* | 10,827,126 | 12,932,234 |
| Current tax assets | | 2,353 | 7,295 |
| **Total assets** | | 11,592,615 | 13,644,144 |
| **Liabilities** | | | |
| Derivative liabilities held for risk management | *18* | 69,468 | 126,438 |
| Loans and advances from affiliates | *19* | 810,809 | 581,605 |
| Debt securities issued | *20* | 10,571,500 | 12,787,505 |
| Deferred tax liabilities | *11* | 1,273 | 2,549 |
| **Total liabilities** | | 11,453,050 | 13,498,097 |
| **Equity** | | | |
| Share capital and share premium | *12* | 50,000 | 50,000 |
| Retained earnings | | 89,565 | 96,047 |
| **Total equity attributable to equity holders of the Company** | | 139,565 | 146,047 |
| **Total liabilities and equity** | | 11,592,615 | 13,644,144 |

The accompanying notes form an integral part of the company Financial Statements.

On behalf of the board.

Columba Glavin
*Director*

Frank Cantillon
*Director*

18 April 2011

# GE Capital UK Funding

## Consolidated Statement of Financial Position
*at 31 December*

| | Note | 2010 | 2009 |
|---|---|---|---|
| **Assets** | | **£'000** | £'000 |
| Cash and cash equivalents | *10* | 4,604 | 9 |
| Derivative assets held for risk management | *18* | 758,532 | 704,606 |
| Loans and advances to affiliates | *19* | 10,827,126 | 12,932,234 |
| Current tax assets | | 2,353 | 7,295 |
| **Total assets** | | 11,592,615 | 13,644,144 |
| **Liabilities** | | | |
| Derivative liabilities held for risk management | *18* | 69,468 | 126,438 |
| Loans and advances from affiliates | *19* | 810,809 | 581,605 |
| Debt securities issued | *20* | 10,571,500 | 12,787,505 |
| Deferred tax liabilities | *11* | 1,273 | 2,549 |
| **Total liabilities** | | 11,453,050 | 13,498,097 |
| **Equity** | | | |
| Share capital and share premium | *12* | 50,000 | 50,000 |
| Retained earnings | | 89,565 | 96,047 |
| **Total equity attributable to equity holders of the Company** | | 139,565 | 146,047 |
| **Total liabilities and equity** | | 11,592,615 | 13,644,144 |

The accompanying notes form an integral part of the consolidated Financial Statements.

On behalf of the board.

Columba Glavin
*Director*

Frank Cantillon
*Director*

18 April 2011

# GE Capital UK Funding

## Company and Consolidated Statement of Changes in Equity
*at 31 December 2010*

| | Share capital £'000 | Share premium £'000 | Retained earnings £'000 | Total £'000 |
|---|---|---|---|---|
| **Balance at 1 January 2009** | 11,750 | 38,250 | 115,374 | 165,374 |
| Total comprehensive income for the year | - | - | (19,327) | (19,327) |
| **Balance at 31 December 2009** | 11,750 | 38,250 | 96,047 | 146,047 |
| **Balance at 1 January 2010** | **11,750** | **38,250** | **96,047** | **146,047** |
| Total comprehensive income for the year | - | - | (6,482) | (6,482) |
| Balance at 31 December 2010 | 11,750 | 38,250 | 89,565 | 139,565 |

The accompanying notes form an integral part of the company and consolidated Financial Statements.

# GE Capital UK Funding

## Company Cashflow Statement
*for the year ended 31 December*

| | *Notes* | **2010** **£'000** | 2009 £'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Loss for the year | | (6,482) | (19,327) |
| Adjustments for: | | | |
| Net income – operating income | | (221,855) | 43,131 |
| Income tax expense | *8* | (926) | (2,761) |
| | | (229,263) | 21,043 |
| Change in derivative assets held for risk management | | (53,926) | 217,159 |
| Change in loans and advances to affiliates | | 2,512,379 | 1,219,268 |
| Change in derivative liabilities held for risk management | | (56,970) | (18,762) |
| Change in loans from affiliates | | 224,552 | 88,203 |
| Change in tax | | 4,595 | - |
| | | 2,630,630 | 1,505,868 |
| Interest received | | 7,335 | 116,289 |
| Interest paid | | (583,486) | (430,326) |
| Income tax paid | | - | 9,390 |
| **Net cash used in operating activities** | | **1,825,216** | **1,222,264** |
| **Cash flows from financing activities** | | | |
| Debt securities issued | | 9,962,767 | 26,000,848 |
| Debt securities redeemed | | (11,783,388) | (27,223,103) |
| **Net cash from financing activities** | | **(1,820,621)** | **(1,222,255)** |
| **Net increase/(decrease) in cash and cash equivalents** | | **4,595** | **-** |
| Cash and cash equivalents at 1 January | *10* | 9 | 9 |
| Effect of exchange rate fluctuations on cash held | | - | - |
| **Cash and cash equivalents at 31 December** | *10* | **4,604** | **9** |

# GE Capital UK Funding

## Consolidated Cashflow Statement

*for the year ended 31 December*

| | Notes | 2010 £'000 | 2009 £'000 |
|---|---|---|---|
| Loss for the year | | (6,482) | (19,327) |
| Adjustments for: | | | |
| Net interest income – operating income | | (242,444) | (75,712) |
| Income tax expense | 8 | (926) | (2,761) |
| | | (249,852) | (97,800) |
| Change in derivative assets held for risk management | | (53,926) | 217,159 |
| Change in loans and advances to affiliates | | 2,527,427 | 1,135,338 |
| Change in derivative liabilities held for risk management | | (56,970) | (18,762) |
| Change in loans from affiliates | | 224,552 | 88,194 |
| Change in tax | | 4,595 | - |
| | | 2,645,678 | 1,421,929 |
| Interest received | | 13,187 | 324,581 |
| Interest paid | | (583,797) | (435,836) |
| Income tax paid | | - | 9,390 |
| **Net cash used in operating activities** | | **1,825,216** | **1,222,264** |
| **Cash flows from financing activities** | | | |
| Debt securities issued | | 9,962,767 | 26,000,848 |
| Debt securities redeemed | | (11,783,388) | (27,223,103) |
| **Net cash from financing activities** | | **(1,820,621)** | **(1,222,255)** |
| **Net increase/(decrease) in cash and cash equivalents** | | **4,595** | **-** |
| Cash and cash equivalents at 1 January | 10 | 9 | 9 |
| Effect of exchange rate fluctuations on cash held | | - | - |
| **Cash and cash equivalents at 31 December** | 10 | **4,604** | **9** |

## 1 Interest income

The following tables detail the interest income earned by the Company and Group during the year.

**Company**

| | **2010** **£'000** | 2009 £'000 |
|---|---|---|
| Interest income for financial assets that are not at fair value through profit or loss: | | |
| Loan and advances to affiliates *(Note 21)* | 414,607 | 300,263 |
| | 414,607 | 300,263 |

**Group**

| | **2010** **£'000** | 2009 £'000 |
|---|---|---|
| Interest income for financial assets at fair value through profit or loss | | |
| Loans and advances to affiliates (*Note 21)* | 2,974 | 3,008 |
| Interest income for financial assets that are not at fair value through profit or loss: | | |
| Loan and advances to affiliates *(Note 21)* | 432,222 | 416,107 |
| | 435,196 | 419,115 |

Interest income in the UK, Europe and the USA is income earned on loans made by the Company and Group directly to other GE companies.

## 2 Interest expense

The following tables detail the interest expense incurred by the Company and Group during the year.

**Company and Group**

| | **2010 £'000** | 2009 £'000 |
|---|---|---|
| Net interest expense for financial liabilities at fair value through profit or loss: | | |
| Debt securities issued | 186,720 | 246,427 |
| Interest expense for financial liabilities that are not at fair value through profit or loss: | | |
| Debt securities issued | 1,381 | 90,141 |
| Loans and advances from affiliates *(Note 21)* | 4,651 | 6,826 |
| | 192,752 | 343,394 |

## 3 Fee and commission income

| **Company and Group** | **2010 £'000** | 2009 £'000 |
|---|---|---|
| Commitment Fee Income from affiliates *(Note 21)* | 1,793 | 684 |
| **Total fee and commission income** | 1,793 | 684 |

## 4 Fee and commission expense

| **Company and Group** | **2010 £'000** | 2009 £'000 |
|---|---|---|
| Commitment Fee Expense to affiliates *(Note 21)* | 88 | 94 |
| Guarantee Fee Expense to affiliates *(Note 21)* | 224,255 | 87,854 |
| **Total fee and commission expense** | 224,343 | 87,948 |

## 5 Net trading expense

The note below sets out the income / (expense) for the Company and Group by principal source.

| **Company** | **2010** **£'000** | 2009 £'000 |
|---|---|---|
| Derivatives held for risk management | 314,578 | 247,324 |
| Loans and advances to affiliates | 416,388 | 300,947 |
| Loans and advances from affiliates | (4,739) | (6,920) |
| Management and other fees | (224,255) | (87,854) |
| Debt securities issued | (502,667) | (583,892) |
| **Net trading expense** | (695) | (130,395) |

| **Group** | **2010** **£'000** | 2009 £'000 |
|---|---|---|
| Derivatives held for risk management | 314,578 | 247,324 |
| Loans and advances to affiliates | 436,977 | 420,704 |
| Loans and advances from affiliates | (4,739) | (6,929) |
| Management and other fees | (224,255) | (87,854) |
| Debt securities issued | (502,667) | (583,892) |
| **Net trading (expense)/income** | 19,894 | (10,647) |

## 6 Net income / (expense) from financial instruments carried at fair value

| **Company and Group** | **2010** **£'000** | 2009 £'000 |
|---|---|---|
| Net (expense)/income from derivatives held for risk management purposes: | | |
| Interest rate swaps | 138,857 | (464,210) |
| Debt securities issued *(Note 20)* | (164,886) | 452,919 |
| Loans and advances | (1,222) | 75 |
| | (27,251) | (11,216) |

The portion of net income from other financial instruments carried at fair value relating to the ineffective portion of fair value hedges was £27,038,514 *(2009: £57,075,333)*.

## 7 Loss on ordinary activities before taxation

| **Company and Group** | **2010** **£'000** | 2009 £'000 |
|---|---|---|
| Loss on ordinary activities before taxation has been arrived at after charging: | | |
| Auditor's remuneration | | |
| - Audit | 9 | 9 |
| - Other assurance | 6 | 6 |
| - Tax advisory services | - | - |
| - Other non-audit services | - | - |

Amounts to be disclosed exclude VAT and out-of-pocket expenses.
Compensation of key management personnel (Note 21b) is bourne by other group companies and not separately recharged to this company.

## 8 Tax on loss on ordinary activities

| **Company and Group** | **2010** **£'000** | 2009 £'000 |
|---|---|---|
| Analysis of charge in year | | |
| *Current tax:* | | |
| Irish corporation tax on loss for the year | 350 | (2,109) |
| Total current tax | 350 | (2,109) |
| *Deferred tax:* | | |
| Profits carried forward on conversion to IFRS | (1,276) | (1,276) |
| Losses carried forward on adoption of FRS 26 | | 624 |
| Total deferred tax *(Note 11)* | (1,276) | (652) |
| Tax on loss on ordinary activities | (926) | (2,761) |

## 8 Tax on loss on ordinary activities *(continued)*

*Factors effecting tax charge for year*
The tax assessed for the year is higher than the standard rate of corporation tax in Ireland (12.5%). The differences are explained below.

| | **2010** | 2009 |
|---|---|---|
| | **£'000** | £'000 |
| Loss on ordinary activities before taxation | (7,408) | (22,088) |
| Loss on ordinary activities multiplied by the standard rate of corporation tax of 12.5% (*2009: 12.5%*) – total tax charge | (926) | (2,761) |
| *Effects of:* | | |
| Deferred tax on profits carried forward | 1,276 | 1,276 |
| Deferred tax on losses carried forward | - | (624) |
| Current tax charge for year | 350 | (2,109) |

## 9 Staff number and costs

The average weekly number of Company and Group staff (including Executive Board of Directors) during the year was 1 *(2009: 1)*. The aggregate payroll costs for these employees was as follows:

| | **2010** | 2009 |
|---|---|---|
| | **£'000** | £'000 |
| Wages and salaries | 52 | 47 |
| Social welfare costs | 5 | 5 |
| Other pension costs | 3 | 3 |
| | 60 | 55 |

## 10 Cash and cash equivalents

| **Company and Group** | **2010** | 2009 |
|---|---|---|
| | **£'000** | £'000 |
| Cash and balances with banks | 4,604 | 9 |
| | 4,604 | 9 |

There were no restricted cash balances at the year end *(2009: £Nil)*.
Cash balances are held at Barclays Bank plc, rated AA- *(2009: AA-)*, and National Irish Bank, a subsidiary of Danske Bank, rated A *(2009: A)*. All 2010 ratings are S&P long-term counterparty credit ratings as at 31 December 2010. At the year end, all of the cash balance was held with National Irish Bank.

## 11 Deferred tax assets and liabilities

**Asset**

| **Company and Group** | **2010** | 2009 |
|---|---|---|
| | **£'000** | £'000 |
| *Deferred taxation* | | |
| Balance at 1 January | - | 624 |
| Decrease recognized in the Statement of Comprehensive Income | - | (624) |
| Balance at 31 December | - | - |

The balance can be analysed as follows:

| | | |
|---|---|---|
| Tax losses carried forward on adoption of FRS 26 | - | - |

**Liability**

| **Company and Group** | **2010** | 2009 |
|---|---|---|
| | **£'000** | £'000 |
| *Deferred taxation* | | |
| Balance at 1 January | 2,549 | 3,825 |
| Decrease recognized in the Statement of Comprehensive Income | (1,276) | (1,276) |
| Balance at 31 December | 1,273 | 2,549 |

The balance can be analysed as follows:

| | | |
|---|---|---|
| Tax profits carried forward on conversion to IFRS | 1,273 | 2,549 |
| | 1,273 | 2,549 |
| Net deferred tax liability | 1,273 | 2,549 |

## 12 Share capital and share premium

| **Company and Group** | **2010** **£'000** | 2009 £'000 |
|---|---|---|
| *Authorised* | | |
| 100,000,000 Ordinary Shares of £1.00 each | 100,000 | 100,000 |
| *Allotted, called up and fully paid equity shares* | | |
| 11,750,000 Ordinary Shares of £1.00 each | 11,750 | 11,750 |
| *Share premium* | 38,250 | 38,250 |
| Total share capital and share premium | 50,000 | 50,000 |

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. The ordinary shares rank pari passu in all respects. The Company did not pay nor declare a dividend on its share capital during the period or prior period. The Company and Group do not have any externally imposed capital requirements.

## 13 Pensions

**Company and Group**

All pension entitlements of employees of GE Capital UK Funding are met by payments to an externally funded defined contribution superannuation scheme, maintained by GE Capital Woodchester Limited, the funds of which scheme are invested in independent trustees, nominated by that company for the sole benefit of the employees and dependants of GE Capital Woodchester Investments, its subsidiary undertakings, and certain affiliated related undertakings. The assets of the scheme are held separately from those of the Company by an independently administered fund.

The total pension charge for the year amounted to £3,093 *(2009: £2,844)* and the accrual at the year end was £Nil *(2009:£Nil)*.

## 14 Partnership name and principal activities

The Company is a limited partner in the following Partnership:

GE Capital UK Funding & Co
WIL House
Shannon Business Park
Shannon
Co Clare
Ireland

Another group company, GE Capital Edinburgh Limited acts as the general partner to the partnership. The Company provides capital to the Partnership, which in turn makes loans to other GE affiliated entities. The total capital provided to the partnership at the year end was £930 million *(2009: £1,334 million)*. This balance is included in loans and advances to affiliates at the year end in the Company Financial Statements.

Under the partnership agreement, the Company is entitled to the profits of the Partnership after the first £1,000 has been allocated to the general partner. For the year ended 31 December 2010, this amounted to £21 million *(2009: £120 million)*.

## 15 Financial risk management

***Introduction and overview***
The Company and Group have exposure to the following risks from its use of financial instruments:

(a) credit risk
(b) liquidity risk
(c) market risks
(d) operational risks

This note presents information about the Company's and Group's exposure to each of the above risks, the Company's and Group's objectives, policies and processes for measuring and managing risk, and the Company's and Group's management of capital.

***Risk management framework***
The Board of Directors has overall responsibility for the establishment and oversight of the Company's and Group's risk management framework.

The Audit Committee has only non-executive members and reports regularly to the Board of Directors on their activities.

The Company's and Group's risk management policies are based on policies of the ultimate parent GECC and are established to identify and analyse the risks faced by the Company and Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Company and Group, through their training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Board of Directors is responsible for monitoring compliance with the Company's and Group's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Company and Group. The Board of Directors is assisted in these functions by GE Corporate Audit Staff "Internal Audit". Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors.

## 15 Financial risk management *(continued)*

***(a) Credit risk***

Credit risk is the risk of financial loss to the Company and Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's and Group's loans and advances to affiliates.

*Management of credit risk*

The Board has established the Credit Committee, which is responsible for developing and monitoring Company and Group credit policies. The Board of Directors has formulated credit policies for the management of credit risk and has delegated responsibility for the implementation of these policies to its Credit Committee which is responsible for oversight of the Company's and Group's credit risk, including:

- Establishing the authorization structure for the approval and renewal of credit facilities.
- Reviewing and assessing credit risk. The Credit committee assesses all credit exposures prior to facilities being committed, and these facilities are subject to periodic review based on the overall risk associated as determined by management.

As all of the Company's and Group's lending is to other GE Group companies and affiliates, the directors considers all loans as low credit risk. The total carrying amount of lending exposed to credit risk in the Company amounted to £10,827 million *(2009: £12,932 million)*, and in the Group amounted to £10,827 million *(2009: £12,932 million)*. The Board of Directors consider none of these loans to be either past due or impaired. The Company and Group have provided £Nil *(2009: £Nil)* in collective and specific provisions during the year. There were no loans written off during the year *(2009: £Nil)*.

The following table shows the breakdown of loans and advances to group companies designated at fair value:

| **Designated at fair value** | *Note* | **Loans and receivables** | |
|---|---|---|---|
| | | **2010** | 2009 |
| | | **£'000** | £'000 |
| **Company and Group** | | | |
| Loans to 100% GE affiliates | | 42,952 | 40,808 |
| Carrying amount | *19* | 42,952 | 40,808 |

In addition to the above, the Company and Group had entered into lending commitments of £5,697 million *(2009: £5,120 million)* with 100% GE affiliates.

## 15 Financial risk management *(continued)*

### ***(a) Credit risk*** *(continued)*

The Company and Group held derivative assets for risk management purposes of £759 million at 31 December 2010 *(2009: £705 million)*. All derivatives were placed with another GE affiliate which is backed by GECC's AA+ *(2009: AA+)* credit rating. The Company has no receivables that are past due at the reporting date.

### ***(b) Liquidity risk***

Liquidity risk is the risk that the Company and Group will encounter difficulty in meeting obligations from its financial liabilities.

***Management of liquidity risk***

The Company's and Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's and Group's reputation.

The Company's parent GECC has guaranteed that it will meet the liabilities of the Commercial Paper and MTN programmes should the Company, or Group, be unable to meet these liabilities.

GECC Treasury receives information from other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. GECC Treasury then maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Company and Group as a whole. The Board of Directors with the assistance of GECC Treasury monitor the on-going liquidity requirements of the Company and Group in detail, and by way of short-term loans from GECC Treasury cover any short-term fluctuations and obtain longer term funding to address any structural liquidity requirements. The overall group daily liquidity position is monitored by GECC Treasury.

## 15 Financial risk management *(continued)*

### *(b) Liquidity risk* *(continued)*

### Residual contractual maturities of financial liabilities

**Company and Group**

| *In millions of £* | *Note* | Carrying amount | Gross nominal inflow / (outflow) | Less than 1 month | 1-3 months | 3 months to 1 year | 1-5 years | More than 5 years |
|---|---|---|---|---|---|---|---|---|
| **31 December 2010** | | | | | | | | |
| *Non-derivative liabilities* | | | | | | | | |
| Loans and advances from affiliates | 19 | 811 | (811) | (811) | - | - | - | - |
| Debt securities issued | 20 | 10,571 | (10,571) | (273) | (605) | (1,234) | (3,615) | (4,844) |
| Deferred tax liabilities | 11 | 1 | (1) | (1) | - | - | - | - |
| | | 11,383 | (11,383) | (1,085) | (605) | (1,234) | (3,615) | (4,844) |
| *Derivative liabilities* | | | | | | | | |
| Risk management: outflow | 18 | 69 | (1,070) | - | - | - | 4 | (1,074) |
| Risk management: inflow | | - | 1,001 | (1) | (1) | (2) | (15) | 1,020 |
| | | 69 | (69) | (1) | (1) | (2) | (11) | (54) |
| Undrawn loan commitments | | - | (5,697) | - | - | - | - | (5,697) |
| | | 11,452 | (17,149) | (1,086) | (606) | (1,236) | (3,626) | (10,595) |

**Company and Group**

| *In millions of £* | *Note* | Carrying amount | Gross nominal inflow / (outflow) | Less than 1 month | 1-3 months | 3 months to 1 year | 1-5 years | More than 5 years |
|---|---|---|---|---|---|---|---|---|
| **31 December 2009** | | | | | | | | |
| *Non-derivative liabilities* | | | | | | | | |
| Loans and advances from affiliates | 17 | 582 | (582) | (582) | - | - | - | - |
| Debt securities issued | 20 | 12,788 | (12,788) | (474) | (1,462) | (2,139) | (4,501) | (4,213) |
| Deferred tax liabilities | 11 | 2 | (2) | - | - | (1) | (1) | - |
| | | 13,372 | (13,372) | (1,056) | (1,462) | (2,140) | (4,502) | (4,213) |
| *Derivative liabilities* | | | | | | | | |
| Risk management: outflow | 17 | 126 | (1,317) | (2) | (3) | (10) | (41) | (1,261) |
| Risk management: inflow | | - | 1,191 | - | - | 1 | 13 | 1,176 |
| | | 126 | (126) | (2) | (3) | (9) | (28) | (85) |
| Undrawn loan commitments | | - | (5,120) | - | - | - | - | (5,120) |
| | | 13,498 | (18,618) | (1,058) | (1,465) | (2,149) | (4,530) | (9,418) |

The above table shows the undiscounted cash flows on the Company's and Group's financial liabilities and unrecognised loan commitments on the basis of their earliest possible contractual maturity. The Company's and Group's expected cash flows on these instruments may vary significantly from this analysis. For example undrawn loan commitments are not all expected to be drawn down immediately, but upon drawdown would have contractual maturity not greater than 15 years.

**15 Financial risk management** *(continued)*

***(b) Liquidity risk*** *(continued)*

**Residual contractual maturities of financial liabilities**

The Gross nominal inflow / (outflow) disclosed in the previous table is the contractual, undiscounted cash flow on the financial liability or commitment. The disclosure for derivatives shows a net amount for derivatives that are net settled, and a gross inflow and outflow amount for derivatives that have simultaneous gross settlement.

To manage the liquidity risk arising from financial liabilities, the Company and Group holds liquid assets comprising cash and cash equivalents and investment grade securities for which there is an active and liquid market. These assets can be readily sold to meet liquidity requirements. Hence, the Company and Group believes that it is not necessary to disclose a maturity analysis in respect of these assets to enable users to evaluate the nature and extent of liquidity risk.

***(c) Market risk***

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's / issuer's credit standing) will affect the Company's and Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

**Management of market risks**

The principal risk faced by the Company and Group relates to interest rates. This is mitigated by entering into interest rate swaps to match the maturity of assets and liabilities held by the Company and Group.

The Company and Group have no material exposure to currency risk as almost all borrowing and lending is in the same currency.

**Exposure to interest rate risk**

The principal risk to which portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for re-pricing loans. The Board of Directors is the monitoring body for compliance with these limits.

The interest rate on floating rate loans reset quarterly. The interest rate on floating rate funding is reset quarterly from the initial date of funding. Therefore movements in the benchmark interest rate during the quarter can give rise to a mismatch between interest expense and income. The effect of a 1% decrease in the benchmark rate for a full quarter could give rise to a profit of approximately £26m *(2009: £32m)*. An increase of 1% would have an equal and opposite effect. A summary of the Company's and Group's interest rate gap position is as set out below:

## 15 Financial risk management *(continued)*

### *(c) Market risks (continued)*

**Company and Group**

*In millions of £*

| 31 December 2010 | *Note* | Carrying amount | Non interest bearing | Less than 3 months | 3-6 months | 6-12 months | 1-5 years | More than 5 years |
|---|---|---|---|---|---|---|---|---|
| Cash and cash equivalents | 10 | 5 | - | 5 | - | - | - | - |
| Derivative assets held for risk management | 18 | 759 | - | 40 | 16 | - | 226 | 477 |
| Loans and advances to affiliates | 19 | 10,827 | 108 | 10,716 | - | - | 3 | - |
| Corporation tax asset | | 2 | 2 | - | - | - | - | - |
| | | 11,593 | 110 | 10,761 | 16 | - | 229 | 477 |
| Derivative liabilities held for risk management | 18 | (69) | - | (2) | 2 | (1,089) | 1,020 | - |
| Loans and advances from affiliates | 19 | (811) | - | (811) | - | - | - | - |
| Debt securities issued | 20 | (10,571) | - | (2,773) | (575) | (154) | (2,815) | (4,254) |
| Deferred tax liability | 11 | (1) | (1) | - | - | - | - | - |
| | | (11,452) | (1) | (3,586) | (573) | (1,243) | (1,795) | (4,254) |
| Effects of derivatives held for risk management | | - | - | (6,963) | 850 | - | 1,775 | 4,338 |
| Sensitivity gap | | - | - | (212) | 293 | (1,243) | 209 | (561) |

**Company and Group**

*In millions of £*

| 31 December 2009 | *Note* | Carrying amount | Non interest bearing | Less than 3 months | 3-6 months | 6-12 months | 1-5 years | More than 5 years |
|---|---|---|---|---|---|---|---|---|
| Derivative assets held for risk management | 18 | 705 | - | 6 | 30 | 39 | 308 | 322 |
| Loans and advances to affiliates | 17 | 12,932 | 72 | 12,819 | - | - | 41 | - |
| Corporation tax asset | | 7 | 7 | | - | - | - | - |
| | | 13,644 | 79 | 12,825 | 30 | 39 | 349 | 322 |
| Derivative liabilities held for risk management | 18 | (126) | - | (4) | (7) | (2) | (28) | (85) |
| Loans and advances from affiliates | 17 | (582) | - | (582) | - | - | - | - |
| Debt securities issued | 20 | (12,788) | (300) | (3,593) | (633) | (1,057) | (3,197) | (4,008) |
| Deferred tax liability | 11 | (2) | (2) | - | - | - | - | - |
| | | (13,498) | (302) | (4,179) | (640) | (1,059) | (3,225) | (4,093) |
| Effects of derivatives held for risk management | | - | - | (8,088) | 450 | 675 | 2,988 | 3,975 |
| Sensitivity gap | | - | - | 558 | (160) | (345) | 112 | 204 |

**15 Financial risk management** *(continued)*

**(d) Operational risks**

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's and Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's and Group's operations and are faced by all business entities.

The Company's and Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's and Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is reviewed by the Board of Directors.

This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- training and professional development
- ethical and business standards

Compliance with Company and Group standards is supported by a programme of periodic reviews to ensure compliance with GE Group risk management policies.

**16 Use of estimates and judgements**

The Board of Directors review the development, selection and disclosure of the Company's and Group's critical accounting policies and estimates, and the application of these policies and estimates.

These disclosures supplement the commentary on financial risk management (see Note 15).

**Key sources of estimation uncertainty**

**Allowances for credit losses**
Assets accounted for at amortised cost are evaluated for impairment on the basis described in accounting policy (h).

The specific counterparty component of the total allowances for impairment applies to financial assets evaluated individually for impairment and is based upon the Board of Directors' best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, the Board of Directors makes judgements about a counterparty's financial situation.

## 16 Use of estimates and judgements *(continued)*

**Key sources of estimation uncertainty** *(continued)*

Collectively assessed impairment allowances cover credit losses inherent in portfolios of loans and advances when there is objective evidence to suggest that they contain impaired loans and advances, but the individual impaired items cannot yet be identified.

There is no specific or collective provision at the year end.

**Determining fair values**
The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in accounting policy (h). For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

**Critical accounting judgements**
Critical accounting judgements made in applying the Company's and Group's accounting policies include:

**Valuation of financial instruments**
The Company and Group measure fair values using the following hierarchy of methods:

- **Level 1 -** Quoted market price in an active market for an identical instrument.
- **Level 2 -** Valuation techniques based on observable inputs. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- **Level 3 -** Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs could have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Company and Group determine fair values using valuation techniques. Valuation techniques include net present value and discounted cash flow models, and comparison to similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond prices, foreign currency exchange rates, expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date, that would have been determined by market participants acting at arm's length.

The Company and Group use widely recognised valuation models for determining the fair value of common and more simple financial instruments, such as interest rate swaps that use only observable market data and require little management judgement and estimation. Observable prices and model inputs are usually available in the market for listed debt securities of the parent GECC, exchange traded derivatives and simple over the counter derivatives such as interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies

## 16 Use of estimates and judgements *(continued)*

### Valuation of financial instruments *(continued)*

depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

*The table below analyses financial instruments carried at fair value, by valuation method:*

**Company and Group**

| *In millions of £* | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| **31 December 2010** | | | | |
| **Assets** | | | | |
| Loans and advances to affiliates | - | 43 | - | 43 |
| Derivative assets held for risk management | - | 759 | - | 759 |
| | - | 802 | - | 802 |
| Liabilities | | | | |
| Debt securities issued | 271 | 7,281 | - | 7,552 |
| Derivative liabilities held for risk management | - | 69 | - | 69 |
| | 271 | 7,350 | - | 7,621 |
| **31 December 2009** | | | | |
| **Assets** | | | | |
| Loans and advances to affiliates | - | 41 | - | 41 |
| Derivative assets held for risk management | - | 705 | - | 705 |
| | - | 746 | - | 746 |
| Liabilities | | | | |
| Debt securities issued | 620 | 8,100 | - | 8,720 |
| Derivative liabilities held for risk management | - | 126 | - | 126 |
| | 620 | 8,226 | - | 8,846 |

Although the Directors consider that the estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value.

During the year there were no movements/purchases/sales/transfers from/between each level.

**16 Use of estimates and judgements** *(continued)*

**Valuation of financial instruments** *(continued)*

As indicated in Note 17 many of the Company's financial instruments are measured at fair value on the Statement of Financial Position and it is usually possible to determine their fair values within a reasonable range of estimates.

Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement (including interest rates, volatility, estimated cash flows) and therefore, cannot be determined with precision. . Our valuation techniques for derivatives and loans at fair value through profit and loss do not currently include an adjustment attributable to counterparty credit risk, as we concluded that such an adjustment was not appropriate given that the counterparty to the derivatives and loans are all GE affiliates.

**Financial asset and liability classification**
The Company's and Group's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances:

- In designating financial assets or liabilities at fair value through profit or loss, the Company and Group have determined that is has met the criteria for this designation set out in accounting policy (h) has been met.

Details of the Company's and Group's classification of financial assets and liabilities are given in Note 17.

**Qualifying hedge relationships**
In designating financial instruments as qualifying hedge relationships, the Company and Group have determined that it expects the hedge to be highly effective over the life of the hedging instrument. For disclosure of the impact of hedge ineffectiveness in the year, see Note 6.

**Segment reporting**
It is the Board of Directors' view that the Company's and Group's business is organised as a single segment. As a result no further segmental disclosures have been presented.

## 17 Accounting classifications and fair values

The table below sets out the carrying amounts and fair values of the Company's and Group's financial assets and liabilities, and their fair values.

| **Company** | **Fair Value Through Profit or Loss** | | **Amortised Cost** | | | |
|---|---|---|---|---|---|---|
| *In millions of £* | **Held for Trading** | **Designated at fair value** | **Loans and receivables** | **Amortised cost** | **Total Carrying amount** | **Fair value** |
| **31 December 2010** | | | | | | |
| Cash and cash equivalents | - | - | - | 5 | 5 | 5 |
| Derivative assets held for risk management | 759 | - | - | - | 759 | 759 |
| Loans and advances to affiliates | - | 43 | 10,784 | - | 10,827 | 10,827 |
| Current tax assets | - | - | - | 2 | 2 | 2 |
| | 759 | 43 | 10,784 | 7 | 11,593 | 11,593 |
| Derivative liabilities held for risk management | 69 | - | - | - | 69 | 69 |
| Loans and advances from affiliates | - | - | 811 | - | 811 | 811 |
| Debt securities issued | - | 7,552 | 3,019 | - | 10,571 | 10,571 |
| Deferred tax liabilities | - | - | - | 1 | 1 | 1 |
| | 69 | 7,552 | 3,830 | 1 | 11,452 | 11,452 |
| **31 December 2009** | | | | | | |
| Derivative assets held for risk management | 705 | - | - | - | 705 | 705 |
| Loans and advances to affiliates | - | 41 | 12,891 | - | 12,932 | 12,932* |
| Current tax assets | - | - | - | 7 | 7 | 7 |
| | 705 | 41 | 12,891 | 7 | 13,644 | 13,644 |
| Derivative liabilities held for risk management | 126 | - | - | - | 126 | 126 |
| Loans and advances from affiliates | - | - | 582 | - | 582 | 582 |
| Debt securities issued | - | 8,720 | - | 4,068 | 12,788 | 12,788 |
| Deferred tax liabilities | - | - | - | 2 | 2 | 2 |
| | 126 | 8,720 | 582 | 4,070 | 13,498 | 13,498 |

Notes *(continued)*
*for the year ended 31 December*

## 17 Accounting classifications and fair values *(continued)*

| **Group** | **Fair Value Through Profit or Loss** | | **Amortised Cost** | | **Total** | |
|---|---|---|---|---|---|---|
| *In millions of £* | **Held for Trading** | **Designated at fair value** | **Loans and receivables** | **Amortised cost** | **Carrying amount** | **Fair value** |
| **31 December 2010** | | | | | | |
| Cash and cash equivalents | - | - | - | 5 | 5 | 5 |
| Derivative assets held for risk management | 759 | - | - | - | 759 | 759 |
| Loans and advances to affiliates | - | 43 | 10,784 | - | 10,827 | 10,827 |
| Current tax assets | - | - | - | 2 | 2 | 2 |
| | 759 | 43 | 10,874 | 7 | 11,593 | 11,593 |
| Derivative liabilities held for risk management | 69 | - | - | - | 69 | 69 |
| Loans and advances from affiliates | - | - | 811 | - | 811 | 811 |
| Debt securities issued | - | 7,552 | 3,019 | - | 10,571 | 10,571 |
| Deferred tax liabilities | - | - | - | 1 | 1 | 1 |
| | 69 | 7,552 | 3,830 | 1 | 11,452 | 11,452 |
| **31 December 2009** | | | | | | |
| Derivative assets held for risk management | 705 | - | - | - | 705 | 705 |
| Loans and advances to affiliates | - | 41 | 12,891 | - | 12,932 | 12,932* |
| Current tax assets | - | - | - | 7 | 7 | 7 |
| | 705 | 41 | 12,891 | 7 | 13,644 | 13,644 |
| Derivative liabilities held for risk management | 126 | - | - | - | 126 | 126 |
| Loans and advances from affiliates | - | - | 582 | - | 582 | 582 |
| Debt securities issued | - | 8,720 | - | 4,068 | 12,788 | 12,788 |
| Deferred tax liabilities | - | - | - | 2 | 2 | 2 |
| | 126 | 8,720 | 582 | 4,070 | 13,498 | 13,498 |

**17 Accounting classifications and fair values** *(continued)*

The term 'financial instruments' includes both financial assets and financial liabilities. The fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The Group's accounting policy for the determination of fair value of financial instruments is set out in accounting policy number (h).

* Readers of these financial statements are advised to use caution when using the data in the table above to evaluate the Group's financial position or to make comparisons with other institutions. All "Loans and advances to affiliates" are with GE counterparties and planned to be held to maturity. The valuation of financial instruments, including "Loans and advances to affiliates", involves the application of judgement and estimation. Market and credit risks are key assumptions in the estimation of the fair value of "Loans and advances to affiliates". The volatility in financial markets and the illiquidity that is evident in these markets has reduced the demand for many financial instruments and this creates a difficulty in estimating the fair value for loans to affiliates. No ready quotable market is available to fair value the loans and advances to affiliates. In the context of the foregoing, the directors are satisfied that amortised cost represents a reasonable approximation of fair value.

**18 Financial assets and liabilities**

**Fair value hedging relationships**
Certain medium term notes shown within debt securities issued are designated in qualifying fair value interest rate hedging relationships (Company and Group - 2010: £7,552 million, *2009: £8,099 million*). These are fair valued with respect to the hedged interest rate.

**Derivatives held for risk management**
All derivative instruments are entered into with an affiliate company, GE Financial Markets.

## 18 Financial assets and liabilities *(continued)*

**Company and Group**

| | **2010** | 2009 |
|---|---|---|
| | **£'000** | £'000 |
| **Derivative assets held for risk management** | | |
| Instrument type: | | |
| Interest rate swaps | 758,532 | 704,606 |
| **Derivative liabilities held for risk management** | | |
| Instrument type: | | |
| Interest rate swaps | (69,468) | (126,438) |
| | 689,064 | 578,168 |
| **Net derivatives held for risk management** | | |
| Fair value hedges of interest rate risk | 626,796 | 561,884 |
| Other derivatives held for risk management | 62,268 | 16,284 |
| | 689,064 | 578,168 |

**Fair value hedges of interest rate risk**

The Company and Group use interest rate swaps to hedge its exposure to changes in the fair value of its fixed rate GBP Medium Term Notes. Interest rate swaps are matched to specific issuances of fixed rate notes. The fair value of derivative assets designated as fair value hedges is £693 million *(2009: £682 million)*. The fair value of derivative liabilities designated as fair value hedges is £66 million *(2009: £120 million)*.

**Other derivatives held for risk management**

The Company and Group use other derivatives, not designated in a qualifying hedge relationship, to manage the exposure to interest rate risk. The instruments used include interest rate swaps. The fair values of those derivatives are shown in the table above.

The notional amounts of all interest rate swaps outstanding at 31 December 2010 were £9,010 million *(2009: £11,055 million)*.

## 19 Loans and advances

**Loans and advances to affiliates**

**Company and Group**

| | **2010** | 2009 |
|---|---|---|
| | **£'000** | £'000 |
| Loans and advances to affiliates at fair value through profit or loss | 42,952 | 40,808 |
| Loans and advances to affiliates at amortised cost | 10,784,174 | 12,891,426 |
| | 10,827,126 | 12,932,234 |

The opening provision for impairment in 2010 was £Nil *(2009: £Nil)*. There were no provisions created or written back in the year *(2009: £Nil)*. The closing balance on the provision for impairment in 2010 was £Nil *(2009: £Nil)*.

All loans are entered into with other GE affiliate companies.

Certain loans and advances to affiliates held by the Company and Group have been designated at fair value through profit or loss as the Company and Group manage these loans and advances on a fair value basis. Internal reporting and performance measurement of these loans and advances are on a fair value basis.

**Loans and advances from affiliates**

**Company and Group**

| | **2010** | 2009 |
|---|---|---|
| | **£'000** | £'000 |
| Loans and advances from affiliates at amortised cost | 810,809 | 581,605 |
| | 810,809 | 581,605 |

## 20 Debt securities issued

**Company and Group**

| | **2010** | 2009 |
|---|---|---|
| | **£'000** | £'000 |
| Debt securities issued at fair value through profit or loss | 7,551,514 | 8,719,614 |
| Debt securities issued at amortised cost | 3,019,986 | 4,067,891 |
| | 10,571,500 | 12,787,505 |

Fixed rate debt securities issued have been designated at fair value through profit or loss when in a hedging relationship.

At 31 December 2010 £8,459 million *(2009: £8,714 million)* of debt securities issued are expected to be settled more than twelve months after the reporting date.

The carrying amount of financial liabilities designated at fair value through profit or loss at 31 December 2010 was £46 million higher than the contractual amount at maturity *(2009: £324 million)*.

| | **2010** | 2009 |
|---|---|---|
| | **£'000** | £'000 |
| **Debt securities at amortised cost** | | |
| Floating rate debt securities | 270,770 | 1,360,958 |
| Medium term notes | 2,749,216 | 2,706,933 |
| | 3,019,986 | 4,067,891 |

Included in the floating rate debt securities is commercial paper amounting to £867 million *(2009: £1,060 million)* with an average maturity of 63.66 days *(2009: 59.66 days)*. The debt securities issued by the MTN program have a range of maturities from 1 month to 28 years *(2009: 1 month to 29 years)* and an average maturity of 9.85 years *(2009: 7.82 years)*.

The Company had unutilised loan commitments, all to other GE affiliates, of £5,697 million at 31 December 2010 *(2009: £5,120 million)*. An unutilised commitment is the amount of any given credit facility that has not been drawn by the borrower. The longest of these commitments terminates in 2022.

The Company and Group have not had any defaults of principal, interest or other breaches with respect to its debt securities during 2010 and 2009.

## 21 Related party disclosures

***(a) Transactions with subsidiary undertakings and other affiliate GE Group companies***
The Group enters into Banking transactions with its subsidiaries and other affiliate companies in the normal course of business. These include loans, derivative instruments and foreign currency transactions on an "arms length" basis. In addition, the Company enters into transactions with GECC and derivative transactions with GE Financial Markets. Transactions and balances between the Company, its subsidiaries and other Group companies are detailed below and in notes 1, 2, 3, 4, 5, 6, 14, 15, 16, 17 and 19.

The following are the related parties with whom the Group and Company has balances and transactions during the financial year;
General Electric Capital Corporation, GE Capital International Holding Corporation, GE Capital European Treasury Services Limited, Ge Capital European Treasury Services Ireland, GE Capital European Funding, GE Equipment Services Finance B.V., GE Leveraged Loans Ltd., GE Real Estate Leveraged Loans Ltd., GE Commercial Distribution Finance Europe Ltd., GECC Investment Properties Ltd., IGroup 8 Ltd., Custom Fleet Ltd., GE Real Estate Developments Ltd., GE Real Estate Trading Ltd., GE Real Estate Partners Ltd., GE Corporate Finance Bank Ltd., Haslemere Estates Ltd., Winterdome Ltd., GE Real Estate Finance Holdings, Heller Netherlands Holdings B.V., IGE USA Investments, Haslemere NV.

***(b) Compensation of Key Management Personnel***
Disclosures are made in Note 7 in accordance with the provisions of IAS 24 - Related Party Disclosures and Company law in respect of the compensation of key management personnel. Under IAS 24,"Key Management Personnel" are defined as comprising Board of Directors (executive and non-executive) together with senior executive officers.

***(c) Transactions with Key Management Personnel***
There were no loans, quasi-loans or credit transactions outstanding by the Company or Group to its Board of Directors at any time during the current or preceding year.

***(d) Off balance sheet arrangements***
As part of the wider GE Group the Company and Group avail of services provided by other related GE companies. These include cash operations, treasury, human resources and technical accounting services. These services are not charged to the Company or Group.

## 22 Holding Company

The Company is a wholly owned subsidiary of GE Capital Shannon, an unlimited Company incorporated in the Republic of Ireland, which is a wholly owned subsidiary of General Electric Company, a Company incorporated in the United States of America.

The smallest group in which the Company results are included within is that held by General Electric Capital Corporation, a company in the United States of America, copies of whose consolidated financial statements may be obtained from General Electric Capital Corporation, Norwalk, CT 06851, USA.

**22 Holding Company *(continued)***

The largest group in which the Company results are included within is that held by General Electric Company, a company incorporated in the United States of America, copies of whose consolidated financial statements may be obtained from General Electric Company, Fairfield, Connecticut 06828, CT, USA.

**23 Subsequent events**

No significant events affecting the Company or Group occurred since the reporting date, which require adjustment or disclosure in the consolidated Financial Statements.

**24 Commitments and contingencies**

The Company and Group had commitments to lend of £5,697 million at 31 December 2010 *(2009: £5,120million)*. In the opinion of the directors, the Company and Group had no contingent liabilities at 31 December 2010 *(2009: Nil)*.

**25 Approval of Financial Statements**

The board of Board of Directors approved the Financial Statements on 18 April 2011.

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