

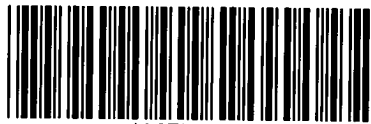
Registration number: 03601645

GE Capital European Treasury Services Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2016

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GE Capital European Treasury Services Limited

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GE Capital European Treasury Services Limited

Directors' Report

The directors present their report and the financial statements for the year ended 31 December 2016.

Principal activity

The company acts as a provider of finance to subsidiary undertakings of General Electric Company, a company incorporated in the United States of America.

Results and dividends

The profit for the year, after taxation, amounted to £12,610,000 (2015: £6,330,000).

The directors do not recommend the payment of a dividend (2015: £nil).

Directors of the company

The directors who held office during the year and up to the date of the directors' report were as follows:

G M Wheeler (resigned 27 June 2017)

R M Green (resigned 7 November 2016)

R M Blackburn (resigned 15 January 2016)

P D Hurd (appointed 12 January 2016 and resigned 10 March 2017)

T Lane (appointed 4 November 2016)

A P Mathur (appointed 30 March 2017)

Directors' liabilities

One or more of the directors have benefited from qualifying third party indemnity provisions in place during the financial year and subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third party indemnity provisions remain in force as at the date of approving the directors' report.

Disclosure of information to the auditor

Each directors have taken steps that they they ought to have taken as directors in order to make themselves themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. The directors confirm that there is no relevant information they know of which they know the auditor is unaware.

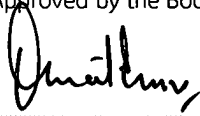
GE Capital European Treasury Services Limited

Directors' Report (continued)

Reappointment of auditors

The auditors KPMG LLP are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Approved by the Board on 30 August 2017 and signed on its behalf by:



.....
A P Mathur
Director

GE Capital European Treasury Services Limited

Strategic Report

The strategic report is presented for the year ended 31 December 2016.

Business review

The company operates as a financial services entity, providing cash pooling facilities to European GE affiliates. The company is funded mainly by deposits from the participants and when required it has access to cash from GE Capital European Treasury Services Ireland Unlimited Company (GECETS Ireland). GECETS Ireland is an Irish cash pool providing cash pooling facilities to GE affiliates.

The result of the company shows a pre-tax profit of £12,610,000 (2015: £6,330,000).

Principal risks and uncertainties

The main risks that the company is exposed to are fluctuations in interest rates, liquidity risk, currency risk and the credit risk of its borrowers. The company is connected to GECETS Ireland and in the event of a shortfall, would have access to funds thus reducing liquidity risk. By carrying out due diligence on an on-going basis, on each borrower the company is able to reduce its exposure to credit risk. The company enters into currency forwards to match foreign currency receivables against foreign currency payables thus reducing the currency risk exposure. As both receivable and payable interest rates are on a floating basis, increases or decreases in interest base rates would not have a material impact on the net asset position or profit / loss of the company.

Further details of how the main risks are addressed are set out in note 15.

Key performance indicators

The directors have determined profit before tax to be a key performance indicator. The results of the company show a pre-tax profit of £12,610,000 (2015: £6,330,000). The increase in profit in 2016 is largely as a result of an improvement in spreads between 2016 and 2015.

The net assets of the company are £88,132,000 (2015: £75,522,000).

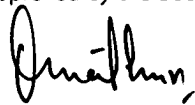
Future outlook

It is the intention of the directors to continue the activities of the company for the foreseeable future.

Post balance sheet event

In January, 2017, GE Capital International Holdings Limited connected to the GECETS cashpool in USD currency. As this participant is a large USD depositor, in the region of USD 36 Billion, this represented a significant change in currency in which receipts are denominated and therefore triggered a change in functional currency in GECETS Limited from GBP to USD, effective January 2017.

Approved by the Board on 30 August 2017 and signed on its behalf by:



.....
A P Mathur
Director

GE Capital European Treasury Services Limited

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards and applicable law (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework' ('FRS 101'). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and then them to ensure that the financial statements comply with the Companies Act 2006. They have They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and prevent and detect fraud and other irregularities.

GE Capital European Treasury Services Limited

Independent Auditor's Report to the members of GE Capital European Treasury Services Limited

We have audited the financial statements of GE Capital European Treasury Services Limited for the year ended 31 December 2016, set out on pages 7 to 33. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic Report and the Directors' Report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

GE Capital European Treasury Services Limited

Independent Auditor's Report to the members of GE Capital European Treasury Services Limited (continued)

Matters on which we are required to report by exception

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

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



David Allen (Senior Statutory Auditor)

For and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

1 Sovereign Square,
Sovereign Street,
Leeds
LS1 4DA

Date: 30/8/17

GE Capital European Treasury Services Limited

Statement of Comprehensive Income for the Year Ended 31 December 2016

	Note	2016 £ 000	2015 £ 000
Interest receivable and similar income	4	31,917	17,830
Interest payable and similar expenses	5	<u>(18,569)</u>	<u>(10,463)</u>
Net interest income		13,348	7,367
Administrative expenses		(287)	(250)
Other operating charges	6	<u>(451)</u>	<u>(787)</u>
Profit before taxation		12,610	6,330
Tax on profit	10	<u>-</u>	<u>-</u>
Profit for the year		12,610	6,330
Other comprehensive income		-	-
Total comprehensive income for the year		<u>12,610</u>	<u>6,330</u>

The above results were derived from continuing operations.

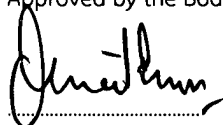
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Registration number: 03601645

Balance Sheet as at 31 December 2016

	Note	2016 £ 000	2015 £ 000
Current assets			
Debtors	11	6,136,495	4,421,026
Cash at bank		<u>1,110</u>	<u>706</u>
		6,137,605	4,421,732
Creditors: Amounts falling due within one year	12	<u>(6,049,473)</u>	<u>(4,346,210)</u>
Net current assets		<u>88,132</u>	<u>75,522</u>
Net assets		<u>88,132</u>	<u>75,522</u>
Capital and reserves			
Called up share capital	14	-	-
Share premium account		60,000	60,000
Profit and loss account		<u>28,132</u>	<u>15,522</u>
Shareholders' funds		<u>88,132</u>	<u>75,522</u>

Approved by the Board on 30 August 2017 and signed on its behalf by:



A P Mathur
Director

GE Capital European Treasury Services Limited

Statement of Changes in Equity for the Year Ended 31 December 2016

	Called up share capital £ 000	Share premium account £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2016	-	60,000	15,522	75,522
Comprehensive income for the year				
Profit for the year	-	-	12,610	12,610
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	12,610	12,610
At 31 December 2016	-	60,000	28,132	88,132
	Called up share capital £ 000	Share premium account £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2015	-	60,000	9,192	69,192
Comprehensive income for the year				
Profit for the year	-	-	6,330	6,330
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	6,330	6,330
At 31 December 2015	-	60,000	15,522	75,522

GE Capital European Treasury Services Limited

Notes to the Financial Statements

1 General information

The company is a private company limited by share capital incorporated and domiciled in the United Kingdom.

The address of its registered office is:

3rd Floor
1 Ashley Road
Altrincham
Cheshire
WA14 2DT

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006. The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 and effective immediately have been applied.

In preparing these financial statements, the company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the company's accounting policies (see note 3).

The results of the company are included in the consolidated financial statements of General Electric Company which are available from 41 Farnsworth Street, Boston, MA 02210, USA or at www.ge.com.

GE Capital European Treasury Services Limited

Notes to the Financial Statements

2 Accounting policies (continued)

Summary of disclosure exemptions

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, and 111 of IAS 1 Presentation of Financial Statements;
 - the requirements of IAS 7 Statement of Cash Flows;
 - the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
 - the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
 - the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

Going concern

On the basis of their assessment of the company's financial position and resources, the directors believe that the company is well placed to manage its business risks. Therefore the company's directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Foreign currency transactions and balances

The accounts are presented in sterling which is the company's functional and presentational currency.

Transactions in foreign currencies are recorded using a monthly average operating exchange rate. Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rate ruling at the balance sheet date. The gains or losses arising are included in the Statement of Comprehensive Income.

Tax

Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company operates and generates income.

GE Capital European Treasury Services Limited

Notes to the Financial Statements

2 Accounting policies (continued)

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

A net deferred tax asset is recognised only if it can be regarded as probable that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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

Deferred tax assets and liabilities are not discounted.

Interest

Interest income and expense are recognised in profit or loss using the EIR 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 company estimates future cash flows considering all contractual terms of the financial instruments but not, in the case of financial assets, 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 financial liability.

Interest income and expense presented in the Statement of Comprehensive Income include interest on financial assets and financial liabilities at amortised cost on an effective interest rate basis.

GE Capital European Treasury Services Limited

Notes to the Financial Statements

2 Accounting policies (continued)

Financial Instruments

i) Financial Assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, available for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the company commits to purchase or sell the asset.

The company's financial assets include cash at bank, intercompany loans and derivative financial instruments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classifications as follows:

i. Financial assets at fair value through profit or loss: Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the company that are not designated as hedging instruments in hedge relationships as defined by IAS 39.

Financial assets at fair value through profit and loss are carried in the Balance Sheet at fair value with changes in fair value recognised in operating charges in the statement of comprehensive income.

ii. Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value and subsequently measured at amortised cost using the effective interest ("EIR") method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of EIR and is included in Interest receivable and similar income. Losses arising from impairment are recognised in the Statement of Comprehensive Income.

GE Capital European Treasury Services Limited

Notes to the Financial Statements

2 Accounting policies (continued)

Impairment of assets not at fair value

Financial assets that are stated at cost or amortised cost are reviewed at each reporting date to determine whether there is objective evidence of impairment. If any such indication exists, an impairment loss is recognised in the Statement of Comprehensive Income as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

If in a subsequent period the expected recoverable amount of a previously impaired asset increases, the earlier impairment loss is reversed through the Statement of Comprehensive Income.

The company derecognises 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 in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred. Any interest in such transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss or as other financial liabilities as appropriate. The company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transactions costs.

GE Capital European Treasury Services Limited

Notes to the Financial Statements

2 Accounting policies (continued)

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

i. Financial liabilities at fair value through profit or loss: Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

ii. Other financial liabilities: Obligations for loans and borrowings are recognised when the Company becomes party to the related contracts and are measured initially at the fair value of consideration received less directly attributable transaction cost.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance revenue and finance cost.

Derecognition of financial liabilities

A liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

GE Capital European Treasury Services Limited

Notes to the Financial Statements

2 Accounting policies (continued)

iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Balance Sheet if, and only if, there is currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

iv) Fair values

The fair value of financial instruments that are traded in active markets at the reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long position and ask price for short positions) without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 16.

Forward contracts

Forward contracts are recognised at fair value. Attributable costs are recognised in the statement of comprehensive income when incurred. Subsequent to initial recognition, forward contracts are measured at fair value, and changes therein are accounted for in the Statement of Comprehensive Income.

GE Capital European Treasury Services Limited

Notes to the Financial Statements

3 Critical accounting judgments and key sources of estimation uncertainty

The preparation of the financial statements requires the directors to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Although these estimates are based on the directors' best knowledge of the amount, actual results ultimately may differ from those estimates. The areas involving a higher degree of judgment and complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below:

Impairment of debtors

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the credit rating of the debtor, the ageing profile of the debtors and historical experience.

Determination of Fair Values for Financial Assets and Liabilities

The determination of fair values of financial assets and financial liabilities measured at fair value is based on quoted market prices or dealer price quotations for financial instruments traded in active markets. Where quoted market prices or dealer price quotations are not available, fair value is determined by using valuation techniques. Valuation techniques include net present value techniques, the discounted cash flow method, comparison to similar instruments for which market observable prices exist, and valuation models. The company uses valuation models for determining the fair value of derivative financial instruments. For these derivatives, inputs into the valuation models are generally market observable.

4 Interest receivable and similar income

	2016 £ 000	2015 £ 000
Bank Interest	-	3
Interest receivable from group companies	31,220	17,827
Exchange gains from financing activities	697	-
	<u>31,917</u>	<u>17,830</u>

GE Capital European Treasury Services Limited

Notes to the Financial Statements

5 Interest payable and similar expenses

	2016 £ 000	2015 £ 000
On bank loans and overdrafts	178	141
Exchange losses from financing activities	-	7
On loans from group undertakings	18,391	10,315
	<u>18,569</u>	<u>10,463</u>

6 Other operating charges

The analysis of the company's other operating charges for the year is as follows:

	2016 £ 000	2015 £ 000
Provision for foreign stamp duty	-	280
Net losses on financing assets and liabilities at fair value through the P&L	451	507
	<u>451</u>	<u>787</u>

7 Auditor's remuneration

	2016 £ 000	2015 £ 000
Audit of the financial statements	14	21

8 Staff costs

The company had no employees during the year (2015: nil).

9 Directors' remuneration

No directors received any remuneration in respect of services to the company during the current or preceding financial year.

All of the directors are/were also directors of a group undertaking and do not specifically receive any remuneration in respect of the company. It was not possible to determine an appropriate proportion of their services on behalf of the company.

GE Capital European Treasury Services Limited

Notes to the Financial Statements

10 Taxation

Tax charged in the profit and loss account

	2016 £ 000	2015 £ 000
Current taxation		
UK corporation tax	-	-

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (2015 - lower than the standard rate of corporation tax in the UK) of 20% (2015 - 20.25%).

The differences are reconciled below:

	2016 £ 000	2015 £ 000
Profit before tax	<u>12,610</u>	<u>6,330</u>
Corporation tax at standard rate	2,522	1,282
Group relief for £nil consideration	<u>(2,522)</u>	<u>(1,282)</u>
Total tax charge	<u>-</u>	<u>-</u>

Factors that may affect future tax charges

The UK corporation tax rate will reduce from 20% to 19% on 1 April 2017. A further reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce any current tax charges in future periods accordingly.

There are no other factors that may significantly affect future tax charges.

There were no amounts of provided or unprovided deferred taxation as at 31 December 2016 or 31 December 2015.

GE Capital European Treasury Services Limited

Notes to the Financial Statements

11 Debtors

	2016	2015
	£ 000	£ 000
Amounts owed by group undertakings	6,122,880	4,406,079
Tax recoverable	4,425	4,425
Other debtors	9,190	10,522
	<u>6,136,495</u>	<u>4,421,026</u>

12 Creditors: Amounts falling due within one year

	2016	2015
	£ 000	£ 000
Accruals and deferred income	66,043	193
Amounts owed to group undertakings	5,982,903	4,344,568
Other creditors	326	1,113
Derivative financial instruments - liabilities	201	336
	<u>6,049,473</u>	<u>4,346,210</u>

13 Ongoing litigation case

The company had no commitments under cancellable or non-cancellable operating leases as at 31 December 2016 or 31 December 2015.

On 1 February 2007 the company received an assessment for tax from the Indian tax office for the four tax years ending 31 March 2004 aggregating to INR 770 million (£9.2 million). The assessment is in respect of the company's income for this period. The Indian tax office contends that this income accrues and arises in India and is wholly attributable to an alleged Indian 'permanent establishment' of the company. The company believes that it is not liable to any income tax in India. An appeal has been heard and the company has been successful in having the initial assessment reduced by 50%. An appeal regarding the remaining 50% has been lodged. No amounts have been provided in these accounts as the directors do not believe that it is probable that a liability will arise.

As set out above, the directors do not believe the company has any liability to the Indian tax office. No assessment has been made by the India tax office for the period post 31 March 2004.

GE Capital European Treasury Services Limited

Notes to the Financial Statements

14 Share capital

Allotted, called up and fully paid shares

	No.	2016 £	No.	2015 £
Ordinary Shares of £1 each	<u>300</u>	<u>300</u>	<u>300</u>	<u>300</u>

15 Financial instruments and associated risks

The directors have the overall responsibility for the establishment and oversight of the company's risk management framework in line with the overall GE risk management framework.

The directors are responsible for reviewing the adequacy of the risk management framework in relation to the risks faced by the company. The company maintains positions in a variety of derivative and non-derivative financial instruments. The nature and extent of the financial instruments outstanding at the balance sheet date and the risk management policies employed by the company are discussed below.

(a) 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 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 risks faced by the company are currency risk and interest rate risks.

(i) Currency risk

The company may invest in financial instruments and enter into transactions denominated in currencies other than its functional currency. This risk is managed by entering into forward contracts to economically hedge this currency exposure.

GE Capital European Treasury Services Limited

Notes to the Financial Statements

15 Financial instruments and associated risks (continued)

All amounts stated in GBP '000	Monetary assets	Monetary liabilities	Forwards FX contracts	Net exposure
31st December 2016				
INR	9,190	-	(8,905)	285

All amounts stated in GBP '000	Monetary assets	Monetary liabilities	Forwards FX contracts	Net exposure
31st December 2015				
INR	7,906	-	(7,492)	414

(ii) Interest rate risk

The following table details the company's exposure to interest rate risk. It includes the company's assets and trading liabilities at fair values, categorised by the earlier of contractual re-pricing or maturity date.

Interest rate sensitivity

As both receivable and payable interest rates are on a floating basis, increases or decreases in base interest rates would not have a material impact on the net assets or profit/loss.

GE Capital European Treasury Services Limited

Notes to the Financial Statements

15 Financial instruments and associated risks (continued)

All amounts stated in GBP '000'

31-Dec-16

Non derivative liabilities	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
				GBP' 000	GBP' 000	GBP' 000	GBP' 000
Loans and advances from group undertakings	(5,982,903)	(5,982,903)	(5,982,903)	-	-	-	-
Other liabilities	(66,369)	(66,369)	-	-	(66,369)	-	-
	(6,049,272)	(6,049,272)	(5,982,903)	-	(66,369)	-	-
Derivative liabilities							
Outflow*	(201)	(201)	-	(201)	-	-	-
Inflow	-	-	-	-	-	-	-
Derivative liabilities	(201)	(201)	-	(201)	-	-	-
Total	(6,049,473)	(6,049,473)	(5,982,903)	(201)	(66,369)	-	-

*This derivative is a non deliverable forward. The related inflow relates to an INR denominated receivable.

GE Capital European Treasury Services Limited

Notes to the Financial Statements

15 Financial instruments and associated risks (continued)

All amounts stated in GBP
'000'

31-Dec-15

<i>Non derivative liabilities</i>	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
						GBP' 000	GBP' 000
Loans and advances from group undertakings	(4,344,568)	(4,344,568)	(4,344,568)	-	-	-	-
Other liabilities	(1,306)	(1,306)	-	(829)	(477)	-	-
	(4,345,874)	(4,345,874)	(4,344,568)	(829)	(477)		
<i>Derivative liabilities</i>							
Outflow*	(336)	(336)	-	(336)	-	-	-
Inflow	-	-	-	-	-	-	-
Derivative liabilities	(336)	(336)	-	(336)	-	-	-
Total	(4,346,210)	(4,346,210)	(4,344,568)	(1,165)	(477)	-	-

GE Capital European Treasury Services Limited

Notes to the Financial Statements

15 Financial instruments and associated risks (continued)

(b) Liquidity risk

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

The company's principal objective is to ensure that there is sufficient funding available to meet operational needs, at an optimum cost. The company'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 reputation. The company has access to cash from GE Capital European Treasury Services Ireland, thus reducing its liquidity risk.

The liquidity position is monitored on a regular basis.

(c) Credit Risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the company's loans and advances to GEC affiliates. Credit risk is not deemed to be significant for the company owing to the fact that all loans and derivatives are with GEC affiliates.

The directors have formulated policies for monitoring the performance of borrowers assessing the recoverability of loans.

Management of credit risk

The directors have formulated policies for oversight of the company's credit risk, including:

- Formulating credit policies in consultation with businesses.
- Establishing the authorisation structure for the approval and renewal of credit facilities.
- Reviewing and assessing credit risk. The directors assesses all credit exposures prior to facilities being committed to customers. These facilities are subject to periodic review based on the overall associated risk as determined by the management.

For each periodic review, a comprehensive due diligence is carried out on each borrower. The company's accounting policy is to impair loans and other advances 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. For the year ended 31 December 2016, the directors conducted an impairment review of the company's loans and advances. Following this review, a decision was made not to write down the carrying value of loans and advances. The carrying amount of all other loans and advances was reviewed at 31 December 2016 and it was determined that no further impairments were required (2015: £nil).

GE Capital European Treasury Services Limited

Notes to the Financial Statements

15 Financial instruments and associated risks (continued)

(d) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the company's processes, personnel, technology and infrastructure, and from external factors other than market, credit 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 operations and are faced by all business entities.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

(e) Specific instruments

(i) Financial derivative instruments

The company may invest in financial derivative instruments, for portfolio management purposes, subject to the conditions and within the limits from time to time stipulated by management.

(ii) Forward contracts

Forward contracts are commitments to purchase or sell a designated currency at a specified future date for a specified price and may be settled in cash or another financial asset. Forwards are individually traded over-the-counter contracts. Forward contracts result in credit exposure to the counterparty.

Notional amounts are the underlying reference amounts to foreign currencies upon which the fair value of the forward contracts traded by the company are based. While notional amounts do not represent the current fair value and are not necessarily indicative of the future cash flows of the company's forward contracts, the underlying price changes in relation to the variables specified by the notional amounts affect the fair value of these derivative financial instruments.

The company engages in forward contracts in anticipation or to protect itself against fluctuations in foreign currency exchange rates. The company purchases/sells a foreign currency forward to "lock in" the £ price of deposits/borrowings denominated in or exposed to a currency other than the functional currency.

The following forward foreign exchange contracts were unsettled at 31 December 2016:

Currency sold	Currency amount sold	Currency bought	Currency amount bought	Settlement date	Fair value
INR	770,810,750	GBP	8,905,271	15 March 2017	-200,591

The counterparty to these contracts is GE Financial Markets Unlimited Company.

GE Capital European Treasury Services Limited

Notes to the Financial Statements

16 Fair value of financial instruments

Determining fair values

Measurement

Quoted market prices, current bid price for financial assets and current offer price for financial liabilities, have been used to determine the fair value of financial instruments traded in an active market. For financial instruments not traded in active market for which no quoted market price is available the fair value was determined using valuation techniques. Valuation techniques include net present value techniques, the discounted cash flow method, comparison to similar instruments for which market observable prices exist, and valuation models. The company uses valuation models for determining the fair value of financial instruments like cross currency swaps. For these financial instruments, inputs into models are market observable.

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 hierarchy

The company measures 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.

GE Capital European Treasury Services Limited

Notes to the Financial Statements

16 Fair value of financial instruments (continued)

The valuation techniques and significant inputs used in determining fair values for financial assets and liabilities classified as Level 1, Level 2 and Level 3 are as follows:

Cash at bank - The fair value of cash at bank are considered to be approximately equal to their carrying amount as the components are highly liquid.

Loans and advances from group undertakings - All loans are floating rate loans therefore it is reasonable to assume their carrying amounts approximate their fair values.

Loans and receivables to group undertakings - All loans are floating rate loans therefore it is reasonable to assume their carrying amounts approximate their fair values.

Derivative assets and liabilities - The company uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, such as cross currency swaps that use only observable market data. Observable prices and model inputs are usually available in the market for listed debt securities of the ultimate parent, General Electric Company, exchange traded derivatives and simple over the counter derivatives. 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 are prone to changes based on specific events and general conditions in the financial markets. Derivatives are shown gross on the statement of financial position as they do not qualify for offset in accordance with IFRS 7. In addition, there are no master netting agreements in place.

Other assets and other liabilities - For all other assets and other liabilities, comprising of tax assets and bank overdrafts, the carrying value has been determined to be a good approximation of fair value.

When observability of the inputs change, the fair value hierarchy is re-considered, and the instruments are reclassified within the hierarchy levels as appropriate.

At 31 December 2016, the carrying amounts of derivative financial assets and derivative financial liabilities classified as Level 2 amount to £nil (2015: £nil) and £200,591 (2015: £335,676). There were no movements between the levels in the current year or prior year.

Fair value of financial assets and financial liabilities

The table below sets out a comparison by category of carrying amounts and fair values of all the company's financial instruments.

GE Capital European Treasury Services Limited

Notes to the Financial Statements

16 Fair value of financial instruments (continued)

	At fair value through Profit or Loss		Amortised Cost		Total	Fair value
	Held for trading	Loans and receivables	Amortised cost	Carrying amount		
December 31, 2016	GBP '000	GBP '000	GBP '000	GBP '000	GBP '000	GBP '000
Cash at bank	-	-	1,110	1,110	1,110	1,110
Derivative assets	-	-	-	-	-	-
Loans and receivables to group undertakings	-	6,122,880	-	6,122,880	6,122,880	6,122,880
Taxation	-	-	4,425	4,425	4,425	4,425
Other debtors	-	9,190	-	9,190	9,190	9,190
Total Assets	-	6,132,070	5,535	6,137,605	6,137,605	6,137,605
Loans and advances from group undertakings	-	-	5,982,903	5,982,903	5,982,903	5,982,903
Derivative liabilities	201	-	-	201	201	201
Other liabilities	-	-	66,369	66,369	66,369	66,369
Total Liabilities	201	-	6,049,272	6,049,473	6,049,473	6,049,473

There were no movements between levels during the year.

GE Capital European Treasury Services Limited

Notes to the Financial Statements

16 Fair value of financial instruments (continued)

	At fair value through Profit or Loss	Amortised Cost		Total	
	Held for trading	Loans and receivables	Amortised cost	Carrying amount	Fair value
December 31, 2015	GBP '000	GBP '000	GBP '000	GBP '000	GBP '000
Cash at bank	-	-	706	706	706
Derivative assets	-	-	-	-	-
Loans and receivables to group undertakings	-	4,406,079	-	4,406,079	4,406,079
Taxation	-	-	4,425	4,425	4,425
Other debtors	-	10,522	-	10,522	10,522
Total Assets	-	4,416,601	5,131	4,421,732	4,421,732
Loans and advances from group undertakings	-	-	4,344,568	4,344,568	4,344,568
Derivative liabilities	336	-	-	336	336
Other liabilities	-	-	1,306	1,306	1,306
Total Liabilities	336	-	4,345,874	4,346,210	4,346,210

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.

At 31 December 2016, the company held the following financial instruments at fair value and amortised cost:

GE Capital European Treasury Services Limited

Notes to the Financial Statements

16 Fair value of financial instruments (continued)

Fair value of financial instruments

31-Dec-16

All amounts stated in GBP '000	Fair Value			Amortised Cost			Total
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	
Assets							
Cash at bank	-	-	-	-	1,110	-	1,110
Derivative assets	-	-	-	-	-	-	-
Loans and receivables to group undertakings	-	-	-	-	6,122,880	-	6,122,880
Taxation	-	-	-	-	4,425	-	4,425
Other assets	-	-	-	-	9,190	-	9,190
Total Assets	-	-	-	-	6,137,605	-	6,137,605
Liabilities							
Derivative liabilities	-	201	-	-	-	-	201
Loans and advances from group undertakings	-	-	-	-	5,982,903	-	5,982,903
Other liabilities	-	-	-	-	66,369	-	66,369
Total Liabilities	-	201	-	-	6,049,272	-	6,049,473

GE Capital European Treasury Services Limited

Notes to the Financial Statements

16 Fair value of financial instruments (continued)

Fair value of financial instruments

31-Dec-15

All amounts stated in GBP '000	Fair Value			Amortised Cost			Total
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	
Assets							
Cash at bank	-	-	-	-	706	-	706
Derivative assets	-	-	-	-	-	-	-
Loans and receivables to group undertakings	-	-	-	-	4,406,079	-	4,406,079
Taxation	-	-	-	-	4,425	-	4,425
Other assets	-	-	-	-	10,522	-	10,522
Total Assets	-	-	-	-	4,421,732	-	4,421,732
Liabilities							
Derivative liabilities	-	336	-	-	-	-	336
Loans and advances from group undertakings	-	-	-	-	4,344,568	-	4,344,568
Other liabilities	-	-	-	-	1,306	-	1,306
Total Liabilities	-	336	-	-	4,345,874	-	4,346,210

GE Capital European Treasury Services Limited

Notes to the Financial Statements

16 Fair value of financial instruments (continued)

Some of the company's financial instruments are carried at fair value on the Balance sheet. Usually the fair value of the financial instruments can be reliably determined within a reasonable range of estimates. For certain other financial instruments, including cash and bank balances, the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments.

The carrying amounts of all the company's financial assets and financial liabilities at the reporting date approximated their fair values. All loans are floating rate loans therefore it is reasonable to assume their carrying amounts approximate their fair values.

Foreign exchange rates used for determining fair value

The company used the spot rates at the year end to determine fair values of its forwards. At the reporting date the foreign exchange rates used were as follows:

2016 INR 0.0119228

2015 INR 0.010257

The total amount of the change in fair value estimated using a valuation technique, that was recognized in the Statement of Comprehensive Income for the year ended 31 December 2016, amounted to a £450,794 (2015: £507,302 net loss).

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 judgment (e.g., interest rates, volatility, estimated cash flows etc.) and therefore, cannot be determined with precision.

17 Post balance sheet event

In January, 2017, GE Capital International Holdings Limited connected to the GECETS cashpool in USD currency. As this participant is a large USD depositor, in the region of USD 36 Billion, this represented a significant change in currency in which receipts are denominated and therefore triggered a change in functional currency in GECETS Limited from GBP to USD, effective January 2017.

18 Ultimate parent undertaking and controlling party

The company's immediate parent is GE Capital Investments Funding Limited, a company incorporated in England and Wales.

The smallest and largest group in which the results of the company are consolidated is that headed by its ultimate parent undertaking, General Electric Company, a company registered at 41 Farnsworth Street, Boston, Massachusetts, 02210, USA. The consolidated financial statements of this company are available to the public and may be obtained from the registered address or at www.ge.com.