GE Capital Services Limited

Directors' report and consolidated financial statements

31 December 2004

Registered number 3343181

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COMPANIES HOUSE 04/10/05

Directors' report and consolidated financial statements

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Directors' report

The directors present their report and the audited financial statements of GE Capital Services Limited (the "Company"), together with the consolidated financial statements of the Company and its subsidiaries (the "Group"), for the year ended 31 December 2004.

Principal Activity

The principal activity of the Company during the year continued to be the provision of consumer credit finance to customers in the UK under the trading name of GE Consumer Finance ("GECF") and this is expected to continue for the foreseeable future.

Business Review

GECF, which primarily provides store cards and store branded credit cards, point-of-sale finance and auto finance, has a share of approximately 2% of the unsecured consumer credit market.

The UK economic environment remains stable with low unemployment and interest rates, despite a modest rise in the UK base rate from the very low position one year ago. It should however be noted that there is a rising trend in delinquency across the industry that will be carefully monitored. The overall level of indebtedness is still a concern for the UK government and GECF remains committed to the principles of Responsible Lending within the industry in ensuring that consumers are able to make informed decisions about product suitability.

We are pleased to say that GECF has been at the forefront in introducing measures to improve transparency within the industry by introducing a summary box which clearly lays out the costs contained within the credit agreement. In addition to this, further measures to protect consumers such as standards for point of sale advertising and the sale of insurance with credit products as required by the Consumer Credit (Advertising) Regulations 2004 and the Insurance Mediation Directive have been fully implemented within the business. Additionally, GECF in partnership with Credit Action (a national education charity) and Consumer Credit Counselling Service has launched a website called MoneyBasics (www.moneybasics.co.uk) which aims to educate consumers in respect of money and finance by providing independent advice.

The Competition Commission is currently conducting a market investigation into store cards and along with other financial institutions and retailers, GECF has been working with the Commission to enable them to conduct their enquiry efficiently and effectively and we will continue to work with them following publication of their report in late 2005.

Further to the development work commenced in 2003 on new products, we have broadened our range in the market in 2004 with the launch of general-purpose credit cards and personal loans. These products offer improved flexibility and are designed to meet a broad range of customer needs. The principle of Responsible Lending remains the key focus for us as we bring these products to market, particularly in respect of transparency and treating customers with respect and we are confident that we can improve our market share as customers make better informed decisions about product suitability.

In summary, the directors are confident about the future growth of the Company in a competitive market whilst ensuring Responsible Lending is the prime objective.

On 1 January 2004 GE Capital Bank Limited, a Group company, purchased at fair market value the entire share capital of First National Tricity Finance Limited from a fellow subsidiary undertaking of the General Electric Company for total consideration payable of £99.0 million.

Directors' report *(continued)*

Business Review *(continued)*

On 2 August 2004 GE Capital Bank Limited, a Group company, sold the trade and assets in igroup mortgages limited and its subsidiaries, a mortgage business with assets of £6.6 billion, to GE Money Homelending Investments Limited, a fellow subsidiary undertaking of the General Electric Company, at fair market value. This gave rise to a profit on sale of £531.5 million and is disclosed in the statutory accounts as an exceptional item. The trading results for igroup mortgages limited and its subsidiaries up to the point of sale are reported as discontinued operations. It should be noted that this transaction had no profit impact within the total General Electric Company financial results.

Economic and Monetary Union

Whilst realising that the United Kingdom government has currently opted out of the Euro it is the Company's policy to plan for the UK's eventual membership and preparatory work relating to this is being undertaken where such work can be done effectively in the current environment. A detailed assessment of the total cost to the Company has not been performed. Management continue to closely monitor this area.

Proposed dividend and transfer to reserves

The retained profit for the financial year is £769.3 million (2003: £228.7 million), which the directors propose to transfer to reserves.

The directors do not recommend a dividend for the year ended 31 December 2004 (2003: Nil).

Directors and directors' interests

The directors who held office during the year under review are listed below, together with names of those directors who held office at the date of this report:

BJ Cooper (Chairman)
SW Sinclair
GSC Morrison
BAF Burn
JA Lusher
B Gilligan
N Clyne (resigned 26 March 2004)
CG Sanders (resigned 30 June 2004)
I Story (resigned 3 August 2004)
M Bailey (resigned 3 August 2004)
R Gaskin (appointed 27 July 2004, resigned 19 July 2005)
I MacDonald (appointed 2 August 2004, resigned 20 April 2005)
L Perry (appointed 27 July 2004)
LO Lopez (appointed 3 August 2004)
JS MacPhail (appointed 4 August 2004)

Since the Company meets the definition in S736(2)(3) of the Companies Act 1985 of a wholly owned subsidiary of a body corporate incorporated outside Great Britain, the Company has taken advantage of regulation 3 (1) (a) of Statutory Instrument 1985/802 exempting the Company from the requirement to disclose directors' share interests and options in Group undertakings.

Directors' report *(continued)*

Employees

The Group pays close attention to the health and safety of its employees, having particular regard to the provisions of the Health and Safety at Work Act 1974.

The Group gives sympathetic consideration to applications for employment vacancies from disabled persons. Successful applicants are given appropriate assistance and training and have the same career prospects as other employees. Should employees become disabled during their employment, every assistance will be given to enable them to continue their career.

The Group operates a system of open communication. This is achieved in a variety of ways including regular staff team briefing meetings between management and employees and the regular publication of newsletters covering a wide range of employee issues. Employees also have the opportunity to participate in a range of training programmes.

Political and charitable contributions

The Group made no political contributions during the period. Donations to UK charities amounted to £91,826 (2003: £225,700).

Payment to creditors

The Group's policy with regard to the payment of its suppliers is to agree payment terms at the start of the relationship with the supplier. The Group will make every effort to conform to the agreed payment terms.

Financial instruments

The Group's financial instruments comprise loans and advances to customers, loans and advances to banks, intercompany borrowings, cash, debt securities in issue and other debtors and other creditors that arise directly from its operations.

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken. A cross currency interest rate swap is undertaken within one of the Company's quasi-subsidiaries Originated Mortgage Loan 4 Plc to hedge interest payments due in Euros. Further disclosure is made in Note 29. No other derivative transaction has been entered into.

The main risks arising from the Group's financial instruments are credit risk, interest rate risk and liquidity risk. The directors review and agree policies for managing each of these risks and these are summarised below.

The Group manages its credit risk through the operations of its in-house risk management and collection departments, involving credit scoring of customers or manual underwriting against specific criteria depending on the particular product offered, credit limit monitoring and a sophisticated arrears collection strategy. Regular formal reviews by senior management of the policies applied by the operational departments and of the credit performance of customer portfolios are performed by credit committees set up for that purpose.

The Group finances its operations through a mixture of equity and borrowings from fellow subsidiary undertakings of the General Electric Company. The Group borrows at both fixed and floating rates of interest, fixing borrowings to match the expected maturity of its fixed rate receivables and goodwill in order to manage its interest rate risk. The proportion fixed is determined taking into account the overall debt to equity ratio of the Group. The Financial Reporting Standard 13 "Derivatives and other financial instruments" ("FRS 13") numerical disclosure in Note 30a of the notes to the financial statements does not illustrate the true anticipated matching of interest rate risk, as FRS 13 requires that this disclosure shows the earlier of repricing or contractual maturity, rather than the earlier of repricing or expected maturity.

Directors' report *(continued)*

Financial Instruments *(continued)*

In respect of liquidity risk, the Group's policy is for all borrowing lines to have a maturity of five years or more. The Group's borrowings follow this policy, except for the subordinated debt which had an original maturity of five years and will be repaid in 2005.

The Group is not exposed to significant foreign currency risk. Foreign currency assets are primarily financed by borrowings in the relevant currency.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the reappointment of KPMG Audit Plc as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

L Perry
Director

23/9/ 2005

6 Agar Street
London
WC2N 4HR

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and the Group at the end of the financial period and of the results of the Group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility 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.

Report of the independent auditors, KPMG Audit Plc, to the members of GE Capital Services Limited.

We have audited the financial statements on pages 9 to 39.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an 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 auditors

The directors are responsible for preparing the directors' report and, as described on page 7, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Group is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group'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 financial statements give a true and fair view of the state of the affairs of the Company and the Group as at 31 December 2004 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
23 Sep 2005

1 The Embankment
Neville Street
Leeds
LS1 4DW

Consolidated profit and loss account
for the year ended 31 December 2004

		2004				2003		
		Continuing		Discontinued	Total	Continuing	Discontinued	Total
		Acquisition	Underlying					
	Note	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Interest receivable	2	69.2	609.5	288.4	**967.1**	650.7	355.7	1,006.4
Interest payable	4	(25.1)	(145.5)	(182.5)	**(353.1)**	(169.9)	(216.4)	(386.3)
Net interest income		44.1	464.0	105.9	**614.0**	480.8	139.3	620.1
Fees and commissions receivable	5	6.4	131.3	25.6	**163.3**	125.1	62.4	187.5
Fees and commissions payable		(10.1)	(112.4)	(34.1)	**(156.6)**	(141.7)	(67.8)	(209.5)
Other operating income	3	17.0	89.5	-	**106.5**	75.4	1.8	77.2
Administrative expenses	8	(16.6)	(257.3)	(39.0)	**(312.9)**	(233.3)	(61.2)	(294.5)
Depreciation and amortisation	14/15	(0.1)	(55.4)	(6.5)	**(62.0)**	(43.0)	(11.5)	(54.5)
Provisions for bad and doubtful debts	11	(9.5)	(134.6)	(8.7)	**(152.8)**	(87.2)	(23.9)	(111.1)
Operating profit		31.2	125.1	43.2	**199.5**	176.1	39.1	215.2
Share of operating profit of joint ventures		-	2.9	-	**2.9**	2.1	-	2.1
Profit on disposal of group undertakings	7	-	-	531.5	**531.5**	-	-	-
Profit on ordinary activities before taxation	6	31.2	128.0	574.7	**733.9**	178.2	39.1	217.3
Tax on profit on ordinary activities								
Ongoing	10				**(14.9)**			(80.0)
Group relief	10				**50.3**			91.4
					35.4			11.4
Profit for the financial year	26				**769.3**			228.7
Retained profit for the year	26				**769.3**			228.7

The historical cost profit is as stated in the consolidated profit and loss account above.

The company has no recognised gains or losses in either year other than the profit for the financial year shown above.

Reconciliation of Movements in Shareholders' Funds
for the year ended 31 December 2004

	Group	Company
	2004	2004
	£'m	£'m
Equity Interests		
Opening shareholders' funds	**1,579.8**	843.3
Profit / (loss) for the year	**769.3**	(1.7)
Net increase / (decrease) in equity shareholders' funds	**769.3**	(1.7)
Closing equity shareholders' funds	**2,349.1**	841.6

Consolidated Balance Sheet
at 31 December 2004

	Note	2004 £'m	2004 £'m	2003 £'m	2003 £'m
Assets					
Cash and balances at central banks			**1.9**		2.2
Loans and advances to banks, repayable on demand			**57.9**		80.5
Loans and advances to customers:	11				
Non securitised loans and advance to customers		**4,406.2**		9,122.6	
Securitised loans and advances to customers subject to non recourse funding		**50.8**		288.7	
Less non-recourse funding		**(38.9)**		(222.7)	
			4,418.1		9,188.6
Interests in joint ventures – Share of Gross Assets		**65.3**		16.3	
Interests in joint ventures – Share of Gross Liabilities		**(63.2)**		(16.5)	
	13		**2.1**		(0.2)
Intangible fixed assets	14		**151.5**		360.7
Tangible fixed assets	15		**19.4**		21.8
Amounts owed by Group undertakings	16		**5.2**		20.6
Other assets	18		**221.2**		262.2
Prepayments and accrued income	19		**172.3**		269.9
Total assets			**5,049.6**		10,206.3
Liabilities					
Amounts owed to Group undertakings	16		**2,211.8**		8,084.7
Debt securities in issue	20		**10.8**		88.2
Other liabilities	21		**32.0**		21.1
Accruals and deferred income	22		**245.9**		232.5
Subordinated liabilities	17		**200.0**		200.0
			2,700.5		8,626.5
Equity shareholders' funds					
Called up share capital	24		**342.3**		342.3
Share premium account	25		**502.9**		502.9
Profit and loss account	26		**1,503.9**		734.6
Shareholders' funds			**2,349.1**		1,579.8
Total Liabilities			**5,049.6**		10,206.3

These financial statements were approved by the Board of Directors on 23/9/ 2005.

Signed on behalf of the Board of Directors by

L Perry
Director

Company Balance Sheet
at 31 December 2004

	Note	2004 £'m	2003 £'m
Assets			
Shares in Group undertakings	12	**875.7**	875.7
Total assets		**875.7**	875.7
Liabilities			
Amounts owed to Group undertakings	16	**34.1**	32.4
		34.1	32.4
Equity shareholders' funds			
Called up share capital	24	**342.3**	342.3
Share premium account	25	**502.9**	502.9
Profit and loss account		**(3.6)**	(1.9)
Equity shareholders' funds	26	**841.6**	843.3
Total Liabilities		**875.7**	875.7

These financial statements were approved by the Board of Directors on 23/9/ 2005.

Signed on behalf of the Board of Directors by

L Perry
Director

Notes
(forming part of the financial statements)

1 Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules. These financial statements have also been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to banking groups.

The financial statements have been prepared in accordance with the Statements of Recommended Practice issued by both the British Bankers Association and the Finance and Leasing Association.

The Group is considered to have only one segment, being the provision of consumer credit finance in the UK.

The results of the subsidiary undertakings are included in the financial statements under acquisition accounting principles from the date control passes.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings.

In the Company's financial statements, investments in subsidiary undertakings are stated at cost less any provision for impairment and amounts written off. Dividends received and receivable are credited to the Company's profit and loss account to the extent that they represent a realised profit for the Company.

In accordance with Section 230(4) of the Companies Act 1985 the Company is exempt from the requirement to present its own profit and loss account. The amount of the profit for the financial period dealt with in the financial statements of the Company is disclosed in note 26 to these financial statements.

Accounting for joint ventures

Joint ventures comprise investments in undertakings where the Group holds an interest on a long-term basis and jointly controls the commercial and financial policies of these undertakings under a contractual arrangement.

The Group's share of the operating profit for its joint ventures is included in the consolidated profit and loss account, with the Group's investment in the joint ventures disclosed using the gross equity method. This method records the Group's share of the gross assets and the gross liabilities of the joint ventures underlying the net investment.

Goodwill and amortisation

Goodwill arising on the acquisition of businesses, being the excess of the fair value of the consideration given over the fair value of the net assets acquired, is capitalised and amortised to the profit and loss account over its expected useful life depending on the nature of the business or assets acquired. Goodwill capitalised on acquisition of businesses is written off on a straight line basis over a period of between five and twenty years. On the subsequent disposal or termination of a business, the profit or loss on disposal or termination is calculated after charging the unamortised amount of any related goodwill.

Notes *(continued)*

1 Accounting Policies *(continued)*

Fixed assets and depreciation

Depreciation is provided by the Group to write off the cost less the estimated residual value of tangible fixed assets over their estimated useful economic lives as follows:

Motor vehicles	-	Four years straight line basis or over life of lease
Fixtures and fittings	-	Ten years straight line basis
Computer hardware and office machinery	-	Three to five years straight line basis, dependant on type

Significant purchased software costs are capitalised and depreciated on a straight line basis over their estimated useful life up to a maximum of five years.

Building improvements to short term leasehold property are depreciated on a straight line basis over the remaining estimated useful life of the improvement or the term of the lease, whichever is shorter.

Bad and doubtful debts

A specific provision is established by calculation of expected losses based upon impairment that has been identified before the balance sheet date in relation to each loan portfolio primarily through the application of provisioning models, or by specific identification of individual cases where practical. A general provision is established by calculation of expected losses from impairment which is known, through experience, to have occurred but which has not yet been identified. This is calculated primarily through application of provisioning models.

The provisioning models applied use historical information on the arrears performance of each portfolio to predict the amount of the debt at the balance sheet date that will be irrecoverable.

Interest on doubtful debts ceases to be recognised when there is a reasonable doubt over the collectability of principal and/or interest in accordance with the loan agreement.

All bad debts are written off against the provision in the period in which they are classified as irrecoverable. The amount necessary to bring the provisions to their assessed levels net of write offs and recoveries is charged to the profit and loss account.

Leases where the Group is a lessee

Where the Group enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within other liabilities. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

Finance lease and hire purchase receivables

Assets leased to customers which transfer substantially all the risks and rewards associated with ownership other than legal title are classified as finance leases. Amounts receivable under finance leases and hire purchase contracts which are in the nature of finance leases, are included under 'Loans and advances to customers'. Leasing balances are stated in the balance sheet after deduction of unearned income allocated to future periods and provisions for bad and doubtful rentals.

Income from such leasing contracts is credited to the profit and loss account so as to give a constant rate of return on the net cash invested over each period.

Notes *(continued)*

1 Accounting Policies *(continued)*

Pensions and other post retirement benefits

The Group operates pension schemes providing either benefits based on final pensionable pay or benefits based on the amounts contributed. The assets of the schemes are held separately from those of the Group. Contributions to the schemes are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Group.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date with any gains or losses included in the profit and loss account.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for all timing differences between accounting and taxable profit. Where the recovery of a deferred tax asset is doubtful, the asset is written down to its recoverable amount.

Income and cost recognition

Interest receivable and payable is recognised on an accruals basis.

Unearned income on fixed loan instalment credit is deducted from loans and advances to customers on the balance sheet.

Costs relating to opening of new accounts, being principally commissions, volume bonuses payable to intermediaries, retailers, or brokers, and other directly attributable account opening costs, are deferred. These costs are amortised to the profit and loss account in line with the recognition of income on the underlying products.

Commissions receivable from retailers on the opening of an account are recognised in the profit and loss account so as to give a constant yield over the life of the account. A proportion of commissions receivable on sale of related insurance products is recognised on sale of the product with the remainder deferred and released over the life of the policy to provide for clawback of commissions on early termination of policies.

Linked Presentation

The Group has securitised certain mortgage assets on a non-recourse basis. In accordance with the requirements of Financial Reporting Standard 5, "Reporting the Substance of Transactions", these assets are disclosed on the face of the balance sheet, with the non-recourse finance raised deducted from them.

Financial Instruments

As noted in the directors' report the Group has one derivative financial instrument to hedge its exposures to fluctuations in foreign exchange rates. Instruments accounted for as hedges are designated as a hedge at the inception of contracts. The cost of the hedge is amortised over the life of the transaction to which it relates. Assets and liabilities denominated in foreign currency are translated at the rates ruling in the hedge agreements. Changes in the valuation of the swap arrangements in place at the balance sheet date are not recognised through the financial statements.

Notes *(continued)*

2 Interest Receivable

	2004 Continuing	2004 Discontinued	2004 Total	2003 Continuing	2003 Discontinued	2003 Total
	£'m	**£'m**	**£'m**	£'m	£'m	£'m
Interest from customers	**659.7**	**288.3**	**948.0**	638.8	355.7	994.5
Other interest	**19.0**	**0.1**	**19.1**	11.9	-	11.9
	678.7	**288.4**	**967.1**	650.7	355.7	1,006.4

Included in other interest is bank interest received and commission received from retailers in respect of interest free loans to customers.

3 Other Operating Income

Other operating income comprises principally cross sell income, fees for arrears letters, consultancy services and other ancillary income.

4 Interest Payable

	2004 Continuing	2004 Discontinued	2004 Total	2003 Continuing	2003 Discontinued	2003 Total
	£'m	**£'m**	**£'m**	£'m	£'m	£'m
Interest payable on loans from fellow subsidiary undertakings	**161.9**	**182.5**	**344.4**	152.9	216.4	369.3
Interest payable on non recourse finance	**6.3**	**-**	**6.3**	11.1	-	11.1
Finance charges payable in respect of finance lease and hire purchase contracts	**0.1**	**-**	**0.1**	0.1	-	0.1
Interest payable on debt securities in issue	**2.3**	**-**	**2.3**	4.7	-	4.7
Other interest	**-**	**-**	**-**	1.1	-	1.1
	170.6	**182.5**	**353.1**	169.9	216.4	386.3

Notes *(continued)*

5 Fees and Commissions Receivable

	2004			2003		
	Continuing	**Discontinued**	**Total**	Continuing	Discontinued	Total
	£'m	**£'m**	**£'m**	£'m	£'m	£'m
Commission income receivable on loans to customers (see below)	**29.5**	**14.5**	**44.0**	40.6	30.5	71.1
Insurance commission	**108.2**	**11.1**	**119.3**	84.5	31.9	116.4
	137.7	**25.6**	**163.3**	125.1	62.4	187.5

Commission income is received from certain retailers in respect of loans to customers and the provision of marketing services.

6 Profit on Ordinary Activities Before Taxation

		2004	2003
		£'m	£'m
Profit on ordinary activities before taxation is stated after charging/ (crediting)			
Remuneration of the auditor and its associates:			
Audit		**0.5**	0.4
Non audit services for the Group		-	0.1
Goodwill amortised		**54.2**	47.0
Depreciation		**7.8**	7.5
Rentals payable on operating leases	- Buildings	**7.8**	6.9
	- Plant and machinery	**0.1**	0.3
Loss on sale of fixed assets		**0.3**	0.1

The Company audit fee for the year was £10,000 (2003: £10,000).

Notes *(continued)*

7 Disposal of group undertakings

On 2 August 2004 the Group sold igroup mortgages limited and its subsidiaries to GE Money Home Lending Investments Limited, a fellow subsidiary undertaking of the General Electric Company. The net proceeds received were £760.2 million resulting in a gain on disposal amounting to £531.5 million. The disposal does not create a UK tax charge as the transaction is between UK GE Group entities.

The result of igroup mortgages limited and its subsidiaries for the period to the date of disposal have been shown under discontinued operations on the face of the consolidated profit and loss account. The cash effects of the disposal are shown below:

Assets	**£'m**
Loans and advances	6,510.6
Other assets	125.5
Total assets	6,636.1
Liabilities	
Amounts owed to group undertakings	(6,377.3)
Other liabilities	(194.5)
Total Liabilities	(6,571.8)
Net assets	64.3
Goodwill remaining written off (note 14)	164.4
Gain on disposal	531.5
Satisfied by:	
Cash	760.2

Notes *(continued)*

8 Administrative Expenses

An analysis of administrative expenses in the year is as follows:

	2004			2003		
	***Continuing* £'m**	***Discontinued* £'m**	***Total* £'m**	*Continuing* £'m	*Discontinued* £'m	*Total* £'m
Staff costs:						
Wages and salaries	**65.1**	**11.8**	**76.9**	55.5	19.9	75.4
Social security costs	**6.5**	**1.1**	**7.6**	5.2	1.9	7.1
Other pension costs (see note 28)	**6.7**	**0.6**	**7.3**	3.0	1.9	4.9
	78.3	**13.5**	**91.8**	63.7	23.7	87.4
Other administrative costs	**195.6**	**25.5**	**221.1**	169.6	37.5	207.1
	273.9	**39.0**	**312.9**	233.3	61.2	294.5

The average number of persons employed by the Group (including directors) during the year, analysed by category, was as follows:

	Number of employees					
	2004			2003		
	Continuing	**Discontinued**	**Total**	Continuing	Discontinued	Total
Sales and administration	**2,116**	**395**	**2,511**	1,843	765	2,608

The 2004 figure for discontinued operations reflects an average of 677 employees for the 7 months to the disposal date of 2 August 2004, which is then annualised. The continuing figure solely represents employees of GECF.

Notes *(continued)*

9 Remuneration of Directors

	2004	2003
	£'m	£'m
Directors' remuneration for the year was as follows:		
Directors' emoluments	**2.0**	1.7
Contributions to pension schemes	**0.1**	0.1
Compensation for loss of office	**0.2**	-
Total remuneration	**2.3**	1.8

The number of directors to whom retirement benefits are accruing under defined benefit schemes within the General Electric Company are as follows:

	2004	2003
	Number	Number
Defined benefit schemes	**10**	8

The directors' emoluments exclude the emoluments in respect of B Gilligan and GSC Morrison and some of the emoluments in respect of SW Sinclair as these are borne by other subsidiaries of the General Electric Company.

The emoluments of the highest paid director including compensation for loss of office were £525,750 (2003: £400,000). The highest paid director is a member of a defined benefit scheme under which his accrued pension benefit is £26,997 at 31 December 2004 (2003: £12,004).

Notes *(continued)*

10 Taxation

	2004	2003
	£'m	£'m
a) Analysis of charge/ (credit) in year at 30% (2003: 30%)		
Current tax at 30% (2003: 30%)	**14.4**	66.4
Adjustment in respect of prior years	**(3.5)**	40.9
Group relief	**(50.3)**	(91.4)
Total Current Tax	**(39.4)**	15.9
Deferred Tax (note 23)		
Origination and reversal of timing differences	**57.4**	12.7
Adjustment in respect of prior years	**(53.4)**	(40.0)
Total Deferred Tax	**4.0**	(27.3)
Tax on Profit on Ordinary Activities	**(35.4)**	(11.4)
b) Factors affecting the current tax charge for the year		
Profit on ordinary activities before tax	**733.9**	217.3
Non taxable profit on sale of group undertakings (see below)	**(531.5)**	-
	202.4	217.3
Current tax at 30% (2003: 30%)	**60.7**	65.2
Effects of:		
Depreciation in excess of capital allowances	**(1.7)**	(2.2)
Other timing differences	**(55.7)**	(10.5)
Expenses not deductible for tax purposes	**11.1**	13.9
Adjustment in respect of prior years	**(3.5)**	40.9
Group relief	**(50.3)**	(91.4)
Current tax charge for year	**(39.4)**	15.9

In 2004 and 2003 there were credits for Group relief surrendered to GE Capital Services Limited Group companies for no consideration by fellow subsidiary undertakings of the General Electric Company. Credits in 2004 for other timing differences principally reflects settlement of deferred payments of interest brought forward from prior periods.

The current year tax charge includes £0.9 million (2003: £nil) in relation to the joint ventures.

The sale of group undertakings noted above does not create a UK tax charge as the transaction is between UK GE Group entities.

Notes *(continued)*

11 Loans and Advances to Customers

	Group	
	2004	2003
	£'m	£'m
Repayable:		
On demand or at short notice	**180.6**	147.0
Within three months	**533.1**	432.5
After three months but within one year	**1,146.4**	1,087.6
In the second to fifth years	**2,136.3**	2,621.7
Over five years	**460.6**	5,122.5
Total	**4,457.0**	9,411.3
Less Non recourse finance	**(38.9)**	(222.7)
Net Total	**4,418.1**	9,188.6

The balance of non performing assets is £67.0 million before provision (2003: £420.8 million) and £42.7 million after provision (2003: £391.1 million).

The reason for the reduction in loans and advances to customers from the prior year level is a result of the disposal of igroup mortgages limited and its subsidiaries which had loans and advances of £5,401.8 million in 2003.

Loans and advances to customers are stated after provision for bad and doubtful debts. An analysis of the movement in this provision is as follows:

Group

	Specific	General	Total
	£'m	**£'m**	**£'m**
At 1 January 2004	**(134.6)**	**(85.0)**	**(219.6)**
Acquired	**(21.7)**	**(9.3)**	**(31.0)**
(Charge)/credit in the year	**(161.6)**	**8.8**	**(152.8)**
Write off net of recoveries	**183.4**	**-**	**183.4**
Disposed in the year	**38.5**	**27.8**	**66.3**
At 31 December 2004	**(96.0)**	**(57.7)**	**(153.7)**

The company held no loans and advances to customers at 31 December 2004 (2003: £nil).

Notes *(continued)*

11 Loans and Advances to Customers *(continued)*

Mortgage Loans – Securitised Balances

Prior to the acquisition of Malvern House Acquisition Limited (MHAL) by the Company, subsidiaries of MHAL raised finance through the securitisation of mortgage portfolios.

The Group is not obliged to support losses of the securitisation companies beyond the amount of the finance it has provided, nor does it intend to do so. The purchasers of the notes have agreed, through acceptance of the terms and conditions of the notes and the relevant Offering Circular, that they will seek repayment of the finance, both interest and principal, only from proceeds of the underlying securitised assets and will not seek recourse against the Group in any other form.

The Group has no interest in the share capital of any of the special purpose companies. All of their issued share capital is held by Originated Mortgage Holdings Limited, the entire share capital of which is held by SPV Management Limited as trustee for certain charitable purposes.

When the securitisation companies have met all their operational expenses and fulfilled their periodic obligations to redeem notes, the Group is entitled to receive any surplus funds generated from the mortgages.

The terms of each of the transactions entered into meet the conditions for disclosure using a linked presentation as specified in Financial Reporting Standard 5 "Reporting the Substance of Transactions".

The trading results of the securitisation companies are disclosed in Note 12b.

Notes *(continued)*

12 Shares In Group Undertakings

	Shares in subsidiary undertakings
Company	**£'m**
Cost	
At 1 January 2004 and 31 December 2004	875.7

In the opinion of the directors, the value of the investment in subsidiaries is not less than the amount at which this item is shown in the balance sheet.

The names of the Company's subsidiaries (all of which are registered in England and Wales, have co-terminous year ends, and are included within the consolidation), together with their principal activities are set out below. All companies are wholly owned, except where otherwise stated.

Subsidiary undertakings as at 31 December 2004	Principal activity
GE Capital Bank Limited	Provision of consumer credit finance
GE Capital Global Consumer Finance Limited*	Management and administration services
GCF UK Auto Lending Limited*	Provision of commercial lending
Malvern House Acquisition Limited*	Holding Company
B G Holdings Limited*	Holding Company
Nationwide Credit Corporation Limited*	Holding Company
Burton Financial Services Limited*	Non trading
GE Consumer Credit Services Limited*	Provision of retail credit facilities
igroup Limited*	Management Company
igroup BDA Limited*	Investment holding
Time Retail Finance Limited*	Provision of retail credit facilities
Time Finance Limited*	Provision of retail credit facilities
GE UK Loans Limited (Formerly First Personal Insurance Agen Limited)*	Investor in Joint Venture
First National Tricity Finance Limited*	Provision of retail credit facilities

The following companies were all dormant in the year under review.

GE Capital Pension Trustees Limited*	Viking Collection Services Limited*
igroup Holdings Limited*	Tuttle & Sons Limited*
Instantsilver Limited*	Fleetwood Collections Limited*

The issued share capital of all the Company's subsidiaries and quasi-subsidiaries consists of ordinary share capital and all companies are registered in England and Wales and operate in Great Britain.

* Held by a subsidiary undertaking. None of the subsidiaries are banks or listed on a stock exchange.

Notes *(continued)*

12a. Acquisition of First National Tricity Finance Limited

On 1 January 2004 the Group acquired the entire share capital of First National Tricity Finance Limited.

	Book value at date of acquisition	Adjustments	Fair value at date of acquisition
	£'m	£'m	£'m
Tangible assets	0.3	-	0.3
Loans and advances to customers	703.2	-	703.2
Amounts owed by Group undertakings	103.9	-	103.9
Cash and balances at central banks	1.2	-	1.2
Other assets	53.7	10.0	63.7
Total assets	862.3	10.0	872.3
Amounts owed to Group undertakings	(732.5)	-	(732.5)
Other liabilities	(40.8)	-	(40.8)
Total liabilities	(773.3)	-	(773.3)
Total net assets			99.0
Goodwill			-
Total consideration			99.0
Consisting of:			
Cash			85.4
Consideration payable			13.6
			99.0

First National Tricity Finance Limited was acquired from a fellow subsidiary undertaking of the General Electric Company for a consideration equal to the fair value of its net assets at the date of acquisition and no goodwill resulted. The book value of net assets at the date of acquisition based on the company's statutory accounts for the period ended 31 December 2003 was £89 million. An adjustment of £10 million was made to reflect the fair value of the deferred tax assets of First National Tricity Finance Ltd recognised upon consolidation. In its previous financial year the acquired undertaking made a loss of £94.3 million.

Notes *(continued)*

12b. Quasi-subsidiaries

The directors consider that the following single purpose companies which have been consolidated in the financial statements, are "quasi-subsidiaries", as defined in Financial Reporting Standard 5 "Reporting the Substance of Transactions":

Company	**Principal activity**
Originated Mortgage Loans 1 plc	Securitisation vehicle (non-trading)
Originated Mortgage Loans 2 plc	Securitisation vehicle (non-trading)
Originated Mortgage Loans 3 plc	Securitisation vehicle (non-trading)
Originated Mortgage Loans 4 plc	Securitisation vehicle
Originated Mortgage Loans 5 plc	Securitisation vehicle
Originated Mortgage Loans 6 plc	Securitisation vehicle (non-trading)
Originated Mortgage Loans 7 plc	Securitisation vehicle (non-trading)
Originated Mortgage Loans 8 plc	Securitisation vehicle (non-trading)

The aggregated summarised results of the quasi-subsidiaries (as consolidated) for the period under review are as follows:

Income Statement

	2004	2003
	£'m	£'m
Interest receivable	**20.7**	42.7
Interest payable	**(10.9)**	(21.5)
Net interest income	**9.8**	21.2
Operating costs	**0.3**	(5.2)
Profit before taxation	**10.1**	16.0

The quasi-subsidiaries, under the terms of their Articles of Association and of each of the Securitisations, are obliged to distribute substantially all excess realised profits back to the originators within the Group. In the period to 31 December 2004, £9.9 million (2003: £15.9 million) has been realised and distributed back to the Group. As the current assets of the quasi-subsidiaries are realised into cash, the amounts surplus to meeting current liabilities will be distributed back to the Group.

Balance Sheet

	2004	2003
	£'m	£'m
Fixed Assets: Mortgage loans	**50.8**	353.1
Current assets	**10.2**	2.2
Total Assets	**61.0**	355.3
Creditors: due within one year	**(60.8)**	(25.9)
Long term creditors	**-**	(329.3)
Net Assets	**0.2**	0.1
Shareholders' funds	**0.2**	0.1

Notes *(continued)*

13 Interest in Joint Ventures

	2004
	£'m
At 1 January 2004	(0.2)
Additions	0.3
Share of profit after tax	2.0
At 31 December 2004	2.1

On 1 February 2000, Time Retail Finance Limited entered into a joint venture with Chartered Trust Limited (now known as Black Horse (TRF) Limited) to provide finance products to customers of Time Retail Finance Limited. Time Retail Finance Limited holds 49% of the £100 nominal value of issued equity shares of Black Horse (TRF) Limited, the joint venture Company, but has effective joint control. These shares were acquired at their nominal value, with no goodwill arising on the transaction.

On 5 March 2004, GE UK Loans Limited entered into a joint venture with HBOS plc to provide unsecured loan products direct to consumers. GE UK Loans Limited holds 49.9% of the £500,000 nominal value of issued equity shares of Retail Financial Services Limited, the joint venture Company. These shares were acquired at their nominal value (£0.3 million), with no goodwill arising on the transaction.

The Group's share of the joint venture's operating profit is split as follows:

	2004	2003
	£'m	£'m
Share of interest receivable	5.1	3.6
Share of fees and commission receivable	0.4	-
Share of other income	4.6	0.6
Total	10.1	4.2
Share of interest payable	(1.7)	(1.3)
Share of other expenses	(5.5)	(0.8)
Share of operating profit	2.9	2.1

Black Horse (TRF) Limited and Retail Financial Services Limited are incorporated in Great Britain and prepare audited financial statements to 31 December 2004.

Notes *(continued)*

14 Intangible Fixed Assets

	Goodwill and other intangibles
Group	**£'m**
Cost	
At 1 January 2004	504.9
Additions	9.4
Disposals (note 7)	(192.6)
At 31 December 2004	321.7
Amortisation	
At 1 January 2004	144.2
Charged in year	54.2
On disposals (note 7)	(28.2)
At 31 December 2004	170.2
Net book value	
At 31 December 2004	151.5
At 31 December 2003	360.7

Goodwill and other intangibles are being amortised evenly over the directors' estimate of their useful economic life, being periods of between five and twenty years. Where the directors consider that the carrying value is impaired, any excess is amortised in the current period.

Following a review of the useful economic life of the goodwill acquired with Time Retail Finance Limited, the directors consider that, in light of the planned migration of the business from products acquired with Time Retail Finance Limited onto those developed internally by the Company, the remaining useful economic life as at 1 January 2004 should be reduced from eight years to four years. The impact on the financial statements was an additional amortisation charge of £10.7 million.

Notes *(continued)*

15 Tangible Fixed Assets

	Leasehold Improvements	Motor Vehicles	Computers, Equipment Fixtures and Fittings	Total
	£'m	£'m	£'m	£'m
Group				
Cost				
At 1 January 2004	0.1	3.0	63.8	66.9
Additions	-	0.5	8.9	9.4
Disposals and write-offs	(0.1)	(0.5)	(14.4)	(15.0)
At 31 December 2004	-	3.0	58.3	61.3
Depreciation				
At 1 January 2004	0.1	1.0	44.0	45.1
Charge for year	-	0.4	7.4	7.8
On disposals and write-offs	(0.1)	(0.3)	(10.6)	(11.0)
At 31 December 2004	-	1.1	40.8	41.9
Net book value				
At 31 December 2004	-	1.9	17.5	19.4
At 31 December 2003	-	2.0	19.8	21.8

The cost and aggregate depreciation of motor vehicles held under finance lease agreements or similar hire purchase contracts, are £2.4 million and £0.9 million respectively at 31 December 2004.

Notes *(continued)*

16 Balances With Group Undertakings

	Group		Company	
	2004	2003	**2004**	2003
	£'m	£'m	**£'m**	£'m
Assets:				
Parent and fellow subsidiary undertakings	**5.2**	20.6	**-**	-
Subsidiary undertakings	**-**	-	**-**	-
	5.2	20.6	**-**	-
Maturity:				
Repayable on demand	**0.2**	4.7	**-**	-
Repayable within one month	**5.0**	15.9	**-**	-
Repayable within one year	**-**	-	**-**	-
Over five years	**-**	-	**-**	-
	5.2	20.6	**-**	-
Liabilities:				
Parent and fellow subsidiary undertakings	**2,177.7**	8,084.7	**34.1**	32.4
Subsidiary undertakings	**-**	-	**-**	-
	2,177.7	8,084.7	**34.1**	32.4
Maturity:				
Repayable on demand	**6.6**	122.6	**-**	-
Repayable within one month	**14.5**	38.1	**-**	-
Repayable within one year	**250.6**	326.4	**3.5**	32.4
Repayable within two - five years	**184.1**	-	**-**	-
Over five years	**1,721.9**	7,597.6	**30.6**	32.4
	2,177.7	8,084.7	**34.1**	32.4

17 Subordinated debt

The Group has an amount of £200 million subordinated debt dated June 2006 due to another GE undertaking. Interest is payable quarterly at a rate of LIBOR plus 110 basis points. FSA approval has been granted for early repayment of this debt in 2005.

18 Other Assets

	Group	
	2004	2003
	£'m	£'m
Other Debtors	**101.1**	152.0
Corporation tax	**59.6**	-
Deferred taxation (see note 23)	**60.5**	110.2
	221.2	262.2

Notes *(continued)*

19 Prepayments and Accrued Income

Amounts falling due within one year

	Group 2004	Group 2003
	£'m	£'m
Prepayments	**10.2**	11.0
Deferred commission and other deferred costs	**75.5**	98.4
Deferred volume bonus	**15.5**	20.3
	101.2	129.7

Amounts falling due after more than one year

	Group 2004	Group 2003
	£'m	£'m
Prepayments	**32.8**	34.9
Deferred commission and other deferred costs	**30.7**	99.6
Deferred volume bonus	**7.6**	5.7
	71.1	140.2
Total prepayments and accrued income	**172.3**	269.9

20 Debt Securities in Issue

	Group 2004	Group 2003
	£'m	£'m
Other debt securities in issue	**10.8**	88.2
Repayable:		
On demand	**1.5**	3.6
In not more than three months	**-**	-
In more than three months but less than one year	**9.3**	68.7
In more than one year but less than five years	**-**	15.9
	10.8	88.2

The Group's debt securities in issue are dated 2011, but contractually can be redeemed on demand six months following their issue date.

Notes *(continued)*

20 Debt Securities in Issue *(continued)*

Total debt securities for the Group are £49.7 million (2003: £310.9 million), of which £38.9 million (2003: £222.7 million) are classified as non recourse funding in line with the Group accounting policy on linked presentations.

21 Other Liabilities

Amounts falling due within one year

	Group	
	2004	2003
	£'m	£'m
Obligations under finance leases and hire purchase contracts	**0.8**	0.5
Trade creditors	**16.8**	10.1
Other creditors including taxation and social security:		
Corporation tax	**14.4**	10.2
	32.0	20.8

Amounts falling due after more than one year

	2004	2003
Obligations under finance leases and hire purchase contracts	**-**	0.3
Total other liabilities	**32.0**	21.1

22 Accruals and Deferred Income

	Group	
	2004	2003
	£'m	£'m
Deferred income	**21.1**	11.5
Accruals	**224.8**	221.0
	245.9	232.5

In 2003 included within accruals for the Group was an amount of £8.5 million in respect of the contingent consideration which arose on the acquisition of Malvern House Acquisition Limited. This was settled in 2004.

In 2004 included within accruals for the Group is an amount of £13.6 million in respect of consideration payable arising on the acquisition of First National Tricity Finance Limited.

Notes (continued)

23 Deferred Taxation

The amounts recognised as deferred taxation assets are set out below:

	2004	2003
Group	**£'m**	£'m
Difference between accumulated depreciation and amortisation and capital allowances	**(11.2)**	(12.2)
Other timing differences	**(49.3)**	(98.0)
	(60.5)	(110.2)

	Group
	£'m
At 1 January 2004	(110.2)
Credit in year	4.0
Amounts transferred out on sale of subsidiaries	45.7
At 31 December 2004	(60.5)

24 Called Up Share Capital

	2004	2003
	£'m	£'m
Authorised		
400 million Ordinary shares of £1 each	**400**	400

	£'m	£'m
Allotted, called up and fully paid		
342.3 million Ordinary shares of £1 each	**342.3**	342.3

25 Share Premium Account

	2004	2003
	£'m	£'m
At 31 December	**502.9**	502.9

Notes (continued)

26 Profit and Loss Reserve

	Group 2004 £'m	Company 2004 £'m
At 1 January 2004	734.6	(1.9)
Retained profit / (loss) for the year	769.3	(1.7)
At 31 December 2004	1,503.9	(3.6)

27 Commitments

	Group	
	2004	2003
Commitments:	£'m	£'m
Irrevocable commitments to lend:		
Due within less than one year	25.6	24.3

Irrevocable commitments to lend do not include undrawn credit limits of revolving products as these are not considered to be irrevocable.

Neither the Group nor the Company had any capital commitments at the end of the financial year for which no provision has been made (2003: £nil). In addition there were no commitments in respect of finance leases and similar hire purchase contracts, the inception of which occurred after the period end (2003: £nil).

Annual commitments under non-cancellable operating leases are as follows:

	2004		2003	
	Land and buildings	Other	Land and buildings	Other
	£'m	£'m	£'m	£'m
Group:				
Operating leases which expire:				
Within one year	0.2	-	0.7	-
In the second to fifth years inclusive	1.7	0.1	1.5	0.1
Over five years	4.5	-	4.6	-
	6.4	0.1	6.8	0.1

Notes *(continued)*

28 Pension Schemes

The Group operates four defined benefit pension schemes:

i) GE Capital Pension Scheme ("the Scheme").

ii) GE Pension Plan ("the Plan").

iii) The GE Supplementary Pension Scheme ("SPS scheme").

iv) The Greyfriars Pension Scheme, ("Greyfriars Scheme")

In addition, the Group operates a number of defined contribution schemes detailed in (c) below.

a) FRS 17 Retirement Benefits

i) In respect of the Scheme, Plan and SPS scheme, more than one employer contributes to the schemes. The Group's contributions are affected by a surplus or deficit in the scheme but the Group is unable to identify its share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis. As prescribed in FRS 17, these schemes can be treated as multi-employer defined benefit schemes with additional disclosures regarding the surplus or deficit of the scheme and future action to be undertaken, detailed as available in IGE USA Investments.

ii) The Greyfriars Scheme is a single employer defined benefit scheme for providing benefits to eleven employees. Full FRS 17 disclosures are included in the accounts of igroup limited, but are not considered material in the context of these consolidated accounts.

b) Defined Benefit Schemes

Set out below are the main assumptions used in respect of the defined benefit pension schemes.

	The Scheme	*The Plan*	*SPS Scheme*	*Greyfriars Scheme*
Last Valuation Date	April 2003	April 2003	April 2004	April 2002
Valuation method	Projected Unit	Projected Unit	Attained Age	Projected Unit
Investment rate of return	6.0%	6.75%	7.0%	7.0%
Future increases in salaries	4.5%	4.5%	4.75%	4.5%
Increases in pensions	2.5%	2.5%	2.75%	2.5%
Market value of assets	£71.0m	£175.6m	£12.8m	£2.2m
Minimum Funding Requirement	92%	101%	> 120%	> 120%
Level of long term funding (actuarial value of assets as a percentage of accrued service liabilities)	63%	68%	94%	88%

The Group's share of active members and pensioners in The Plan and Scheme at the last valuation date were as follows:

	The Plan		The Scheme	
	Total	GE Capital Bank	Total	GE Capital Bank
Active members	6,183	1,016	427	127
Current pensioners	936	23	179	87
Deferred pensioners	3,883	436	903	358

Notes *(continued)*

28 Pension Schemes *(continued)*

b) Defined Benefit Schemes ***(continued)***

i) The latest valuation of The Scheme was at April 2003 which gave rise to a deficit of £42.0 million. This shortfall is being addressed by increasing employers' contributions at different rates depending on the category of employee.

ii) The latest formal actuarial valuation of The Plan was at April 2003 which gave rise to a deficit of £82.8 million. This shortfall is being addressed by increasing employers' contributions from 10.8% to 13.7% of Pensionable Salary.

iii) The latest formal actuarial valuation of the SPS Scheme was at April 2004 which gave rise to a deficit of £0.76 million. This deficit is being addressed by increasing the individual employers' contributions rates of pensionable salary by 0.6%.

iv) The latest valuation of the Greyfriars Scheme was made at April 2002 by the independent consulting actuaries Wolanski & Co and identified a deficit. As a result employer contribution rates increased to 15.8% of earnings. There are no employee contributions. Following the disposal of igroup mortgages limited and its subsidiaries, there are no longer any employer contributions by the Group to the Greyfriars Scheme.

c) Defined contribution schemes

i) Schemes operated by the General Electric Company in respect of its subsidiaries that are based in the UK. These schemes cover employees of the Group who are not members of the above schemes, who elect to join one of these other schemes and who are eligible on the basis of factors which include age and length of service.

ii) Group personal pension schemes in respect of employees of Malvern House Acquisition Limited and its subsidiaries.

d) Total Pension Charge

The total pension charge for the year is analysed below:

	2004	2003
	£'m	£'m
Defined benefit schemes	**7.0**	4.6
Defined contribution schemes	**0.3**	0.3
	7.3	4.9

Notes *(continued)*

29 Assets and Liabilities Denominated in Foreign Currencies

	Group		Company	
	2004	2003	**2004**	2003
	£'m	£'m	**£'m**	£'m
Assets:				
Denominated in Sterling	**5,035.8**	10,193.6	**875.7**	875.7
Denominated in currencies other than Sterling	**13.8**	12.7	**-**	-
Total assets	**5,049.6**	10,206.3	**875.7**	875.7
Liabilities:				
Denominated in Sterling	**2,699.9**	8,582.9	**34.1**	32.4
Denominated in currencies other than Sterling	**1.1**	43.9	**-**	-
Total liabilities (excluding equity shareholders' funds)	**2,701.0**	8,626.8	**34.1**	32.4

Predominantly all activities are carried out within the United Kingdom and all transactions are denominated in Sterling, with the exception of one securitisation (Originated Mortgage Loan 4 plc), which included bonds denominated in Euros. The exposure to currency risk has been entirely hedged by the securitisation company entering into a currency swap arrangement with a major AAA credit rated European financial institution. As at 31 December 2004 the theoretical value of the swap instrument was a gain of £2.0 million (2003: £3.0 million).

Notes *(continued)*

30a Interest Rate Risk

Analysis of consolidated assets and liabilities by the earlier of contractual repricing date or maturity for the Group:

At 31 December 2004	Non Interest Bearing	Not more than three months	More than three months but not more than six months	More than six months but not more than one year	More than one year but not more than five years	More than five years
	£'m	£'m	£'m	£'m	£'m	£'m
Cash and balances at central banks	1.9	-	-	-	-	-
Loans and advances to banks	-	57.9	-	-	-	-
Loans and advances to customers	-	2,139.9	304.2	597.7	1,412.4	2.8
Intangible fixed assets	151.5	-	-	-	-	-
Tangible fixed assets	19.4	-	-	-	-	-
Amounts owed by Group	5.2	-	-	-	-	-
Prepayments and accrued income with a maturity of over one year	71.1	-	-	-	-	-
Amounts owed to Group	(6.6)	(858.4)	(420.4)	(501.8)	(347.8)	(76.8)
Debt Securities in issue	-	(10.8)	-	-	-	-
Non recourse debt	-	(38.9)	-	-	-	-
Other liabilities with a maturity of more than one year	-	-	-	-	-	-
Subordinated debt	-	(200.0)	-	-	-	-
Equity shareholders' funds	(2,378.2)	-	-	-	-	-
Net position	(2,135.7)	1,089.7	(116.2)	95.9	1,064.6	(74.0)

At 31 December 2003	Non Interest Bearing	Not more than three months	More than three months but not more than six months	More than six months but not more than one year	More than one year but not more than five years	More than five years
Cash and balances at central banks	2.2	-	-	-	-	-
Loans and advances to banks	-	80.5	-	-	-	-
Loans and advances to customers	-	7,315.0	321.9	414.7	1,359.7	-
Intangible fixed assets	360.7	-	-	-	-	-
Tangible fixed assets	21.8	-	-	-	-	-
Amounts owed by Group	20.6	-	-	-	-	-
Prepayments and accrued income with a maturity of over one year	140.2	-	-	-	-	-
Amounts owed to Group	(29.1)	(6,088.7)	(266.3)	(473.2)	(1,069.6)	(157.8)
Debt Securities in issue	-	(88.2)	-	-	-	-
Non recourse debt	-	(222.7)	-	-	-	-
Other liabilities with a maturity of more than one year	(0.3)	-	-	-	-	-
Subordinated debt	-	(200.0)	-	-	-	-
Equity shareholders' funds	(1,579.5)	-	-	-	-	-
Net position	(1,063.4)	795.9	55.6	(58.5)	290.1	(157.8)

Notes *(continued)*

30a Interest Rate Risk *(continued)*

A commentary on the risks relating to the Group's financial instruments and its policies to control these risks has been included within the directors' report.

Short term debtors and creditors have been excluded from all FRS 13 disclosures.

30b Fair Value of financial assets and liabilities

Set out below is a comparison of carrying values and fair values of certain of the Group's financial assets and liabilities as at 31 December 2004.

	2004	
	Book Value	**Fair Value**
	£'m	**£'m**
Financial Liabilities		
Debt securities in issue	10.8	10.8
Non-recourse funding	38.9	38.9
	49.7	49.7

As at 31 December 2004, total unrecognised gains on off-balance sheet financial instruments amounted to £2.0 million (2003: £3.0 million) as disclosed in note 29. This gain has arisen in the year and is expected to be recognised after more than one year.

31 Cash flow statement

Under FRS1 (Revised) the Group is exempt from the requirement to prepare a cash flow statement, on the grounds that it is a wholly owned subsidiary undertaking and its cash flows appear in a consolidated cash flow statement in the financial statements of the ultimate parent Company, which are available to the public.

32 Transactions with related parties

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

33 Ultimate parent Company and parent undertaking of larger Group

The largest Group in which the results of the Company are consolidated is that headed by the ultimate parent Company, the General Electric Company, incorporated in the United States of America. The consolidated financial statements of the General Electric Company are available to the public and may be obtained from 3135 Easton Turnpike, Fairfield, Connecticut 6431, USA.

The smallest Group in which the results of the company are consolidated is that of General Electric Capital Corporation ('GECC'), incorporated in the United States of America. The consolidated financial statements of GECC are available to the public and may be obtained from 260 Long Ridge Road, Stamford, Connecticut 06927,USA.