Registration number: 00745917

GE Aviation Systems Limited

Annual Report and Financial Statements

for the Year Ended 30 December 2018

GE Aviation Systems Limited

Contents

GE Aviation Systems Limited

Strategic Report

The directors present their strategic report for the year ended 30 December 2018.

Fair review of the business
The company recorded a profit before taxation of $28.2 million (2017: $368.2 million loss before taxation).

The company's underlying businesses continue to generate strong revenues and profits, which were however diluted by impairment charge of $45.2 million. Part of the business is presented as a disposal group held for sale following the decision and management's commitment on 8 December 2017 to a plan to sell several contracts and related assets and liabilities that are considered a separate major line of business and comprise one of the sites of the business. The disposal group is presented as discontinued operations for both periods in the Profit and Loss Account. An additional impairment loss of $30,483,000 has been charged to 'Administrative expenses' in the Profit and Loss Account based on the remeasurement of the disposal group to its fair value less costs to sell. The current year's impairment was allocated to amounts recoverable on long term contracts. The allocation of the impairment is based on the company's accounting policies and assessment of where the value for a potential buyer lies. The order of the allocation based on this assessment was goodwill, intangible assets, buildings, property, plant and equipment belonging to the disposal group and the remainder of the impairment charge based on expected sales proceeds was allocated to amounts recoverable on long term contracts. The assets and liabilities forming the disposal group are separately presented on the face of the balance sheet as 'Assets held for sale' and 'Liabilities held for sale'. As at the approval date of these financial statements a conditional offer has been agreed in relation to the disposal group classified as held for sale. The directors confirm there is no additional change required to the carrying value of the assets or liabilities held for sale as a result of this agreement. The directors of the company have undertaken a review of the company's investment in group undertakings as at 30 December 2018. This has resulted in an impairment of $14,667,000, the investment having been valued at its current value in use by reference to its future discounted identifiable cash flows where relevant.

Operating revenues reflected strong growth across all product lines mainly driven by aftermarket services and ramp up in production units.

PBT was significantly higher than in prior fiscal year due to the impairment loss in 2017 amounting to $431.9 million (2018: $45.2 million). The net assets position of the company's balance sheet increased by $12 million in 2018 to $477.6 million (2017: $465.6 million) which fundamentally showed progress. The company has strong future prospects based on the profitability expectation of underlying businesses which is reflected also by the strong order book from both civil and military customers that will provide valuable business many years into the future. Furthermore, significant investment in product design and development ensures that the company is involved in most new and emerging programmes in its chosen fields of expertise.

Principal risks and uncertainties
The key risks faced by the company include:

General economic environment
The general economic environment influences civil air traffic volumes and, in turn the demand for both original equipment and spares/repairs sales.

Political risk
As a leading company in the aerospace sector in the UK, GE has been in regular contact with the UK Government and the EU Commission throughout the Brexit negotiations. Like most businesses, it has consistently advocated for certainty, and clarity, for its employees, customers and suppliers. At the time of signing the Directors Report no agreement has been reached as to the terms of exit from the EU, and hence there are still risks that at this stage are difficult to quantify reliably. There are still a number of possible outcomes for Brexit, all of which have the potential to change the risk profile of the Company. Although the UK Government continue to state that the risk of 'no deal' is unlikely, prudence requires GE to consider this risk and plans for appropriate mitigation. Every business in the UK will face similar risks and the main ones are as follows:

1) With regard to disruption to supply chains, the risk in particular is that goods imported from the EU may now be subject to additional Customs formalities. If, for example, goods are delayed in clearing customs this could have a knock on effect on production if the necessary inventory is not readily available. This in turn could have a knock on effect when shipping finished goods to end customers. In response to that risk, GE Aviation sites have extensive experience in handling international supply chains and the associated customs clearance responsibilities and has mitigation plans to add any additional resources necessary to meet its commitments. All the sites in the UK are fully approved under the Authorised Economic Operator (AEO) scheme and all sites operate extensive duty management relief programs that look to minimise the impact of import taxes upon GE Aviation.

2) With regard to ongoing European Aviation Safety Authority (EASA) approvals, GE continues to receive reassurances that that the UK will continue to be a member of EASA during the transition period and are looking to retain associate membership once the transition period ends. In a 'no deal' scenario, GE has been working to mitigate the risk that if GE did not hold the necessary EASA approvals it will not be possible to certify any products as air worthy To mitigate this risk GE Aviation has already received Third Country Approval for all Production Organisation Approval ("POA") and Maintenance Organisation Approval ("MOA") which means that there will be minimal impact in this situation. In relation to Design Organisation Approval ("DOA"), GE has been working closely with its customers and is working on a number of strategies to mitigate this risk.

3) With regard to people, GE Aviation employs relatively few EU nationals in the UK and do not anticipate any disruption to the operations in the event that restrictions are introduced limiting the ability of EU Nationals to work in the UK.

Actions of competitors
The company operates in highly competitive markets. Product innovations or technical advances by competitors could adversely affect the company. The diversity of operations reduces the possible effect of action by any single competitor. The company invests in research and development in order to sustain competitive advantage, and works continually to ensure that the cost base is competitive.

GE Aviation Systems Limited

Strategic Report

Foreign currency exchange
Similar to most companies working in the aviation sector, the company has sales and costs denominated in currencies other than US Dollars (primarily Sterling and Euros). It is, therefore, affected by changes in exchange rates.

Effect of legislation or other regulatory action
The company is subject to a broad range of laws, regulations and standards in each of the jurisdictions in which it operates. Unexpected changes in these laws or regulations could significantly impair performance; equally, a failure to comply with these laws, regulations or standards could damage the reputation of the company. Certain legal liability risks, such as product liability and employer's liability, are transferred to insurers, subject to policy limits and conditions.

Raw material prices
The company's products contain various raw materials or purchased components including electronic components, metals and plastics. Any increases or volatility in prices and shortages in supply can affect the company's performance. The diversity of operations reduces the dependence on any single item or supplier. Purchasing policies take into account and seek to mitigate such risks where practicable.

Credit
Cash, extension of credit and liquidity of the company are managed by the ultimate parent company.

Possible terrorist action
The demand faced by the company in the commercial aerospace sector is a function of airline profitability, primarily driven by economic prosperity, which tends to be affected by terrorism or international tension. The diverse nature of the company's products, services and customers helps mitigate the effects of adverse changes in political and economic risk on the demand that the company experiences.

Investment in new products, projects and technology
The company develops new technologies and introduces new products, in some cases contracting to supply the products to the customer before the design is established or proven. All new technologies and products involve business risk both in terms of possible abortive expenditure, reputational risk, and potential customer claims or onerous contracts. Such risks may have a material impact on the company.

Financial Key Performance Indicators
Performance during the year is set out in the table below (including discontinued operations and assets and liabilities held for sale:)

Due to the nature of the business, the directors have assessed that there will be little or no impact on the future activities of the company as a result of Brexit.

	2018	2017	% change	Comment
	$000	$000	Increase/ (decrease)	
Turnover	825,520	806,994	2.3%	Operating revenues reflected strong growth across all product lines mainly driven by aftermarket services and ramp up in production units.
Stock	96,619	94,792	2%	In line with expectation, the increase is mainly driven by timing of purchases.
Trade debtors	15,311	17,008	-10%	In line with expectation, the decrease is mainly driven by impairment loss realized on customers in accordance with IFRS 9.
Trade creditors	(60,221)	(56,601)	6.4%	Due to timing of purchases.
Order book	876,412	1,140,905	-23.2%	The decrease is mainly driven by the change in accounting policy on the A350 contract to IFRS 15, where the orders figure did not include the expected receipts from the customer associated with non-recurring engineering costs.

Significant focus is put on working capital, in particular, debtors, creditors and inventory to ultimately drive a better cash conversion.

The order book position is also considered to be a key indicator of the health of the business.

Other Key Performance Indicators

Other key performance indicators are on time delivery, quality escapes, productivity, health & safety accidents at work, employee development and overtime levels. These are monitored at divisional level on a variety of systems and different bases, often reported in % terms, which means that aggregation of this data at company level is not meaningful. Below are indicators where the aggregated company information is available:

	2018	2017	% change Increase/(decrease)	Comment
Recordable EHS (Environmental, Health and Safety) instances	8	8	-	Focus on continuous improvement of health and safety initiatives.
Quality escapes	6	8	-25%	Focus on improvement of processes and quality control.
Costs out	$6.5m	$16.7m	-61%	Increase in labour, consumables and refurbishment costs combined with a falling efficiency rate as new and existing staff are redeployed to growing Power programs. One off cost out in 2017 due to learning curve productivity on A350.

Approved by the Board on 2 October 2019 and signed on its behalf by:

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B Seemayer
Director

GE Aviation Systems Limited

Directors' Report

The directors present their report and the financial statements for the year ended 30 December 2018.

Principal activity
The principal activity of the company is the development and manufacture of aerospace systems.

Results and dividends
The profit for the year, after taxation, amounted to $28,165,000 (2017: loss $365,136,000).

The directors do not recommend the payment of dividend (2017: $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:

O Towers

L Slate

P Laity

B Seemayer (appointed 13 June 2018)

Future developments
The external commercial environment is expected to remain competitive in 2019. However, with our additional product offerings and value for money service, we remain confident that we will maintain our current level of performance in the future.

Research and development
The company carries out research and development programmes on both a funded and an unfunded basis to suit its particular market and product needs.

The total expensed through the profit and loss account during the year in respect of research and development was $23.4m (2017: $15.9m).

Employment of disabled persons
Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of employees becoming disabled, every effort is made to ensure that their employment with the company continues and that any appropriate training is arranged. It is policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be the same as that of a person who is fortunate enough not to suffer from a disability

Employee involvement
Employees are regularly provided with a wide range of information concerning the performance and prospects of the business in which they are involved by means of employee councils, information and consultation forums and other consultative bodies that allow the views of personnel to be taken into account.

The company continues to be actively involved in all aspects of the training and development of young persons, including initiatives designed to ease the transition from school to work.

GE Aviation Systems Limited

Directors' Report

Post balance sheet events

As at the approval date of these financial statements a conditional offer has been agreed in relation to sale of the assets and liabilities classified as held for sale. The provisional consideration is not materially different to the fair value that was calculated at the balance sheet date (see note 19).

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 director has taken steps that they ought to have taken as a director in order to make 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 that they know of and of which they know the auditor is unaware.

Reappointment of auditor

The auditor, KPMG LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Approved by the Board on 2 October 2019 and signed on its behalf by:

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B Seemayer
Director

GE Aviation Systems 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 UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent Auditor's Report to the Members of GE Aviation Systems Limited

Opinion

We have audited the financial statements of GE Aviation Systems Limited ("the company") for the year ended 30 December 2018, which comprise the Profit and Loss Account and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as revenue recognition on long term contracts, valuation of assets held for sale and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Independent Auditor's Report to the Members of GE Aviation Systems Limited

Going concern
The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic Report and Directors' Report
The directors are responsible for the Strategic Report and the Directors' Report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the Strategic Report and the Directors' Report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the Strategic Report and the Directors' Report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Independent Auditor's Report to the Members of GE Aviation Systems Limited

Directors' responsibilities
As explained more fully in their statement set out on page 8, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities
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.

....
Richard Lomax (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

3 Assembly Square
Britannia Quay
Cardiff
CF10 4AX

Date: 2 October 2019

GE Aviation Systems Limited

Profit and Loss Account and Other Comprehensive Income for the year Ended 30 December 2018

	Note	Continuing operations 2018 $ 000	Discontinued operations 2018 $ 000	Total $ 000	Continuing operations 2017 $ 000	Discontinued operations 2017 $ 000	Total $ 000
Turnover	4	601,482	224,038	825,520	514,412	292,582	806,994
Cost of sales		(407,347)	(214,981)	(622,328)	(353,751)	(288,524)	(642,275)
Gross profit		194,135	9,057	203,192	160,661	4,058	164,719
Administrative expenses		(133,506)	(55,689)	(189,195)	(79,172)	(445,005)	(524,177)
Other operating income	5	14,742	-	14,742	121	-	121
Operating profit/(loss)	7	75,371	(46,632)	28,739	81,610	(440,947)	(359,337)
Loss on sale of business trade	6	-	-	-	-	(1,982)	(1,982)
Profit/(loss) before interest		75,371	(46,632)	28,739	81,610	(442,929)	(361,319)
Interest receivable and similar income	11	24,532	12,700	37,232	12,546	-	12,546
Interest payable and similar expenses	12	(37,800)	-	(37,800)	(19,430)	-	(19,430)
Profit/(loss) before taxation		62,103	(33,932)	28,171	74,726	(442,929)	(368,203)
Tax on profit/(loss)	13	(6)	-	(6)	3,067	-	3,067
Profit/(loss) for the period		62,097	(33,932)	28,165	77,793	(442,929)	(365,136)
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income/(loss) for the period		62,097	(33,932)	28,165	77,793	(442,929)	(365,136)

GE Aviation Systems Limited

Registration number: 00745917
Balance Sheet as at 30 December 2018

	Note	30 December 2018 $ 000	30 December 2017 $ 000
Fixed assets			
Intangible assets	14	551,109	434,693
Tangible assets	15	125,257	131,494
Investments	16	-	14,667
		676,366	580,854
Current assets			
Stocks	17	96,619	94,792
Debtors: amounts falling due after more than one year	18	-	4,983
Debtors: amounts falling due within one year	18	124,746	88,318
Assets held for sale	19	156,830	202,090
Cash at bank and in hand		-	15,412
		378,195	405,595
Creditors: Amounts falling due within one year	20	(442,853)	(390,535)
Liabilities held for sale	19	(48,102)	(62,878)
Net current liabilities		(112,760)	(47,818)
Total assets less current liabilities		563,606	533,036
Creditors: Amounts falling due after more than one year	21	(74,573)	(55,127)
Provisions for liabilities	22	(11,481)	(12,340)
Net assets		477,552	465,569
Capital and reserves			
Called up share capital	23	98,574	98,574
Share premium account		170,225	170,225
Other reserves		2,568	1,991
Profit and loss account		206,185	194,779
Shareholders' funds		477,552	465,569

Approved by the Board on 2 October 2019 and signed on its behalf by:

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B Seemayer
Director

The notes on pages 16 to 46 form an integral part of these financial statements.

GE Aviation Systems Limited

Statement of Changes in Equity for the Year Ended 30 December 2018

	Called up share capital $ 000	Share premium account $ 000	Other reserves $ 000	Profit and loss account $ 000	Total $ 000
At 31 December 2017 (as previously stated)	98,574	170,225	1,991	194,779	465,569
IFRS 15 adjustment (note 30)	-	-	-	(16,759)	(16,759)
At 31 December 2017 (as restated)	98,574	170,225	1,991	178,020	448,810
Comprehensive income for the year					
Profit for the year	-	-	-	28,165	28,165
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	28,165	28,165
Equity share based payment expense	-	-	661	-	661
Recharges made by GE company in respect of share options exercised during the year	-	-	(84)	-	(84)
At 30 December 2018	98,574	170,225	2,568	206,185	477,552

The notes on pages 16 to 46 form an integral part of these financial statements.

GE Aviation Systems Limited

Statement of Changes in Equity for the Year Ended 30 December 2018

	Called up share capital $ 000	Share premium account $ 000	Other reserves $ 000	Profit and loss account $ 000	Total $ 000
At 1 January 2017	98,574	170,225	2,050	559,915	830,764
Comprehensive loss for the period					
Loss for the period	-	-	-	(365,136)	(365,136)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(365,136)	(365,136)
Equity share based payment expense	-	-	240	-	240
Recharges made by GE company in respect of share options exercised during the year	-	-	(299)	-	(299)
At 30 December 2017	98,574	170,225	1,991	194,779	465,569

GE Aviation Systems Limited

Notes to the Financial Statements

1 General information

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

The address of its registered office is:
Cheltenham Road
Bishops Cleeve
Gloucestershire
GL52 8SF

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 in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ('FRS 101') and the Companies Act 2006. The amendments to FRS 101, issued in March 2018, have been applied except for the triennial review 2017 amendments issued in December 2017 as these are applicable with effect from 1 January 2019 and have not been early adopted.

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).

Exemption from preparing group accounts
The company is itself a subsidiary company and is exempt from the requirement to prepare group accounts by virtue of section 401 of the Companies Act 2006. These financial statements therefore present information about the company as an individual undertaking and not about its group.

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.

Basis of measurement
The financial statements have been prepared on the historical cost basis except derivative financial instruments which are stated at fair value.

2 Accounting policies (continued)

Changes in accounting policy
In the current year the company has early adopted new accounting standards IFRS 9: *Financial Instruments* and IFRS 15: *Revenue from Contracts with Customers*. An explanation of the impact of the adoption of these new standards is included in note 30.

Summary of disclosure exemptions
The company has taken advantage of the following disclosure exemptions under FRS 101:
- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based payment;
- the requirements of paragraph 33(c) of IFRS 5 Non Current Assets Held For Sale and Discontinued Operations;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers;
- 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;
• paragraph 73(e) of IAS 16 Property, Plant and Equipment;
• paragraph 118(e) of IAS 38 Intangible Assets, and
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 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;
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

Revenue recognition

Recognition

The company earns revenue from the development, manufacturing and sale of aerospace systems. This revenue is recognised in the accounting period when control of the product has been transferred, at an amount that reflects the consideration to which the entity expects to be entitled in exchange for fulfilling its performance obligations to customers.

2 Accounting policies (continued)

Revenue recognition (continued)

The principles in IFRS are applied to revenue recognition criteria using the following 5 step model:

1. Identify the contracts with the customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when or as the entity satisfies its performance obligations

The main performance obligations to customers are satisfied when the supply of goods and services have transferred to the customer and the customer has control of these.

For performance obligations to develop and manufacture aerospace systems, revenue is recognised over time. This is because the contracts include an enforceable right to payment for performance completed to date, and do not create an asset with alternative use to the entity. In measuring satisfaction of performance obligations over time, the entity applies the cost to cost (percentage-of-completion) method for revenue recognition.

Where the company offers a right of return, it presents an asset for the right to recover products from a customer on settling a refund liability separately from the refund liability itself. The asset recognised is initially measured by reference to the former carrying amount of the product less any expected costs to recover those products (including potential decreases in the value to the company of returned products). At the end of each reporting period, the measurement of the asset is updated to account for changes in expectations about products to be returned.

Contract assets and receivables

Where goods or services are transferred to the customer before the customer pays consideration, or before payment is due, contract assets are recognised. Contract assets are included in the statement of financial position and represent the right to consideration for products delivered.

Contract receivables (loans and advances) are recognised in the statement of financial position when the company's right to consideration becomes unconditional.

Contract assets & receivables (loans and advances) are classified as current or non-current based on the company's normal operating cycle and are assessed for impairment at each reporting date.

Contract liabilities

Contract liabilities and customer deposits are recognised in the statement of financial position when the company has received consideration but still has an obligation to deliver products and meet performance obligations for that consideration.

2 Accounting policies (continued)

Revenue recognition (continued)

Impairment of contract related balances

At each reporting date, the company determines whether or not such assets are impaired by comparing the carrying amount of the asset to the remaining amount of consideration that the company expects to receive less the costs that relate to providing services under the relevant contract. In determining the estimated amount of consideration, the company uses the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price will be removed for the impairment test.

Where the relevant contracts or specific performance obligations are demonstrating marginal profitability or other indicators of impairment, judgement is required in ascertaining whether or not the future economic benefits from these contracts are sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific KPIs that could trigger variable consideration, or service credits. Where a contract is anticipated to make a loss, these judgements are also relevant in determining whether or not an onerous contract provision is required and how this is to be measured.

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. In 2018 the company recorded a profit before taxation of $28.2 million. Based on the profit and cash-flow forecasts the company is able to meet its liabilities as they fall due and is expected to remain profitable in 2019. Therefore, the company's directors, notwithstanding the net current liability position as at 30 December 2018, 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.

Functional currency

The functional currency of the company is the US dollar. The company is expected to have a significant level of US dollar assets and transactions. The financial statements are therefore presented in US dollars.

Foreign currency transactions and balances

The accounts are presented in US dollar 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 Profit and Loss Account.

2 Accounting policies (continued)

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.

Full provision is made for deferred tax liabilities arising from all temporary 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 temporary differences can be deducted.

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

Deferred tax assets and liabilities are not discounted.

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation and any accumulated impairment.

Depreciation

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful life of each tangible fixed asset as follows:

Asset class	**Estimated useful life**
Freehold property	Over 50 years
Long term leasehold property	over period of lease
Short term leasehold property	over period of lease
Plant and machinery	over 3 to 15 years

Land is not depreciated.

2 Accounting policies (continued)

Intangible assets
Goodwill

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities. Goodwill is stated at cost less any accumulated impairment loss. As per IFRS 3 Business Combination, goodwill is not amortised but is tested annually for impairment. Although this is not in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, which requires that all goodwill be amortised, the directors consider that this would fail to give a true and fair view of the profit for the year and that the economic measure of performance in any period is properly made by reference only to any impairment that may have arisen. It is not practicable to quantify the effect on the financial statements of this departure.

Capitalised development costs

Development costs are capitalised within intangible assets where they can be identified with a specific product or project anticipated to produce future benefits, and are amortised on the straight line basis over the anticipated life of the benefits arising from the completed product or project.

Deferred research and development costs are reviewed annually, and where future benefits are deemed to have ceased or to be in doubt, the balance of any related research and development is written off to the profit and loss account.

Software

Software acquired by the company is measured at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is charged in equal instalments over the life of the software.

Investments
Investment in subsidiaries are shown at cost less provision for impairment.

At each balance sheet date the company reviews the carrying amounts of its investments to determine whether there is any indication that those investments have suffered an impairment loss. If such indication exists, the recoverable amount of the investment is estimated based on its fair value less costs of disposal and value in use. Where the recoverable amount of the investment is less than the carrying value an impairment loss is recognised in profit and loss account in the period.

Stocks
Stocks are stated at the lower of cost and net realisable value. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

2 Accounting policies (continued)

Provisions
A provision is recognised in the balance sheet when the company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability. See note 3 for further details on the significant provisions.

Operating leases
Rentals paid under operating leases are charged to the Profit and Loss Account (net of any incentives received from the lessor) on a straight line basis over the period of the lease.

Finance leases
Assets held under finance leases are recognised as assets of the company at fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets.

Financial instruments

Initial recognition
The company recognises financial assets and financial liabilities in the balance sheet when, and only when, the company becomes party to the contractual provisions of the financial instrument.

A financial asset (unless it is a trade debtor without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade debtor without a significant financing component is initially measured at the transaction price.

Financial liabilities are initially recognised at fair value, representing the proceeds received net of premiums, discounts and transaction costs that are directly attributable to the financial liability.

2 Accounting policies (continued)

Financial instruments (continued)

Classification and subsequent measurement
Subsequent to initial measurement, financial assets and financial liabilities are measured at either amortised cost or fair value.

Financial instruments are classified at inception into one of the following categories, which then determine the subsequent measurement methodology:

Financial assets are classified into one of the following three categories:
· financial assets at amortised cost;
· financial assets at fair value through other comprehensive income (FVTOCI); or
· financial assets at fair value through the profit or loss (FVTPL).

Financial liabilities are classified into one of the following two categories:
· financial liabilities at amortised cost; or
· financial liabilities at fair value through the profit or loss (FVTPL).

The classification and the basis for measurement are subject to the company's business model for managing financial assets and liabilities and the contractual cash flow characteristics of the financial assets.

Impairment of financial assets
The company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost, debt investments measured at FVOCI and contract assets (as defined in IFRS 15).

The company measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition which are measured as 12-month ECL.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL. Trade receivables and contract assets with significant financing component are measured using the general model described above.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the company's historical experience and informed credit assessment and including forward-looking information.

2 Accounting policies (continued)

Financial instruments (continued)

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the company is exposed to credit risk.

Derivative financial instruments

Derivative financial instruments are contracts, the value of which is derived from one or more underlying financial instruments or indices, and include futures, forwards, swaps and options in the interest rate, foreign exchange, equity and credit markets.

Derivative financial instruments are recognised in the balance sheet at fair value. Fair values are derived from prevailing market prices, discounted cash flow models or option pricing models as appropriate.

In balance sheet, derivative financial instruments with positive fair values (unrealised gains) are included as assets and derivative financial instruments with negative fair values (unrealised losses) are included as liabilities. The changes in the fair values of derivative financial instruments entered into for trading purposes are included in trading income.

Pensions

The company is a member of a group pension plan providing benefits based on final pensionable pay. The group pension plan, GE Pension Plan, covers a number of United Kingdom subsidiary companies of General Electric Company. There is no contractual agreement or stated policy for charging the net defined benefit cost for the plan as a whole to participating entities, so the net defined benefit cost is recognised fully in the separate financial statements of the group entity that is legally the principal employer for the plan, which is GEH Holdings. The company recognises a cost equal to their contribution payable for the period. The contribution payable by the participating employers in the GE Pension Plan are based on the latest schedule of contributions agreed between the Trustee of the GE Pension Plan and the principal employer.

The company also operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

2 Accounting policies (continued)

Share based payments
Share options and restricted stock units over the shares of General Electric Company, the ultimate parent entity are granted to certain employees and executives of the company. The fair value of options and units granted is recognised as an employee expense with a corresponding increase in equity, the 'other reserve'.

The fair value is measured at grant date using the Black-Scholes option pricing model, and is recognised as an expense over the period the employees become unconditionally entitled to the options/units. The amount recognised as an expense is adjusted to reflect the actual number of options/units expected to vest. Any recharges by the ultimate parent entity are offset against the 'other reserve'.

In addition the company has established an employee share ownership scheme, under which employees are able to acquire a number of shares in the ultimate parent company, General Electric Company, with the company matching the employees' purchases. The company's costs of these purchases are charged to the profit and loss account as incurred.

Assets held for sale, disposal groups
Non-current assets, or disposal groups comprising assets and liabilities, are classified as held for sale if it is highly probable that they will be recovered primarily through sale or distribution rather than through continuing use. Immediately before classification as held for sale, the assets or components of a disposal group, are remeasured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss. Once classified as held for sale, intangible assets and property plant and equipment are no longer amortised or depreciated.

Discontinued operations
A discontinued operation is a component of the company's business that represent a separate major line of business or geographical area of operations that has been disposed of. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as discontinued operation, the comparatives profit and loss account is restated as if the operation has been discontinued from the start of the comparative period.

3 Critical accounting judgements and key sources of estimation uncertainty

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

Warranty provisions
The company offers warranties on certain products and provisions for these warranties are recognised considering factors such as the frequency and extent of future monitoring, maintenance and overhaul events, and historical run rates to meet the obligations of these warranties. Management routinely review estimates under product warranties and regularly revise them to adjust for changes in outlook.

Assets held for sale, disposal group
Non-current assets, or disposal groups comprising assets and liabilities, are classified as held for sale if it is highly probable that they will be recovered primarily through sale or distribution rather than through continuing use. Immediately before classification as held for sale, the assets or components of a disposal group, are remeasured at the lower of their carrying amount and fair value less costs to sell. At the balance sheet date the company reviews whether there are assets or disposal groups that meet the criteria to be classified as held for sale and whether any such assets or disposal groups have suffered an impairment loss. As at 30 December 2017 part of the business is presented as a disposal group held for sale following the decision and management's commitment on 8 December 2017 to a plan to sell several contracts and related assets and liabilities that are considered a separate major line of business and comprise one of the sites of the business. The company assessed the criteria for classification as held for sale was met as the business is available for immediate sale, a programme to locate a buyer was initiated prior to the balance sheet date and at the balance sheet date management expected the sale to be closed within 12 months and that it is unlikely that the plan will be significantly changed or withdrawn. The fair value was determined with reference to estimated market value, given feedback from potential buyers and costs to sell were estimated taking into account actual invoices received by the company in respect of initiating the plan and negotiating with potential buyers while also taking into account historical experience for fees not yet invoiced. Based on management's consideration the sale was expected to be closed within 12 months and that it is unlikely that the plan will be significantly changed or withdrawn.

3 Critical accounting judgements and key sources of estimation uncertainty (continued)

Stock provisioning

The company designs, manufactures and sells advanced technical products and is subject to changing consumer demands and technological advances. As a result it is necessary to consider the recoverability of the cost of stock and the associated provisioning required. When calculating the stock provision, management considers the nature and condition of the stock, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials. See note 17 for the net carrying amount of stock and associated provision.

Fair value measurements of derivatives

The company uses derivatives to manage the risks involved in foreign exchange transactions and the assets and liabilities associated with these derivatives are measured at fair value. A fair value measurement is determined as the price that would be received to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date. In the absence of active markets for the identical assets or liabilities, such measurements involve developing assumptions based on observable market data and, in the absence of such data, internal information that is consistent with what market participants would use in a hypothetical transaction that occurs at the measurement date. The determination of fair value often involves significant judgements about assumptions such as determining an appropriate discount rate that factors in both risk and liquidity premiums, identifying the similarities and differences in market transactions, weighting those differences accordingly and then making the appropriate adjustments to those market transactions to reflect the risks specific to our asset being valued.

Internally generated development costs

IAS 38 requires that internally generated development costs should only be recognised if strict criteria are met, in particular relating to technical feasibility and generation of future economic benefits. Management consider the criteria carefully and only when it is clear that each criterion is met are developments costs recognised.

Revenue recognition on long-term contracts

Revenue recognition attributable to the stage of completion of long-term contracts is recognised when the outcome of a contract can be foreseen with reasonable certainty. Revenue for such contracts is stated at the cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. A provision is made for any losses as soon as they are foreseen.

Certain elements of revenue recognition are subject to a degree of estimation, in particular in relation to the margin on which revenue is recognised across the life of a contract.

Amounts recoverable on contracts relate to contract costs expected to be recovered in the future. Amounts invoiced in excess of revenue are included in creditors and represent deferred income.

3 Critical accounting judgements and key sources of estimation uncertainty (continued)

Environment provisions
Our operations, like operations of other companies engaged in similar businesses, involve the use, disposal and clean-up of substances regulated under environmental protection laws. The company is involved in certain remediation actions to clean up hazardous materials as required by UK laws. Liabilities for remediation costs at each site are based on best estimate of undiscounted future costs, where such costs are probable and can be reasonably estimated. These estimated remediation costs are primarily related to water cleanup and remediation of soil contamination as well as periodic monitoring of the contamination levels.

4 Turnover

The company operates in one business segment.

A geographical analysis of turnover is as follows:

	Year ended 30 December 2018 $ 000	1 January 2017 to 30 December 2017 $ 000
United Kingdom	275,072	324,512
Rest of European Union	82,894	54,105
United States of America	410,381	350,599
Rest of the world	57,173	77,778
	825,520	806,994

Contract assets arise where goods or services are transferred to the customer before the customer pays consideration, or before payment is due. Contract receivables (loans and advances) represent our unconditional right to consideration for the goods or services supplied and performance obligations delivered. Contract liabilities (deposits from customers) relate to consideration received when we still have an obligation to deliver goods or services for that consideration.

Contract assets and liabilities

	30 December 2018 $ 000	30 December 2017 $ 000
Contract assets	17,723	4,983
Contract liabilities	(116,431)	(96,601)

5 Other operating income

	Year ended 30 December 2018 $ 000	1 January 2017 to 30 December 2017 $ 000
Dividend income	14,667	-
Other income	75	121
	14,742	121

6 Loss on sale of business trade

	Year ended 30 December 2018 $ 000	1 January 2017 to 30 December 2017 $ 000
Loss on sale of business trade	-	(1,982)

The loss arising in 2017 is from an adjustment regarding the sale of a number of legacy business contracts made in 2016 to a third party business.

7 Operating profit/(loss)

Operating profit/(loss) is stated after charging/(crediting):

	Year ended 30 December 2018 $ 000	1 January 2017 to 30 December 2017 $ 000
Depreciation expense	14,752	21,456
Amortisation expense	24,328	8,247
Admin - Impairment of investment	14,667	7,435
Research and development expenditure	23,429	15,900
Difference on foreign exchange	26,999	(9,341)
Operating lease rentals - land and building	275	1,189
Operating lease rentals - other	1,185	1,228
Loss on disposal of tangible fixed assets	1,010	2,960

8 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	Year ended 30 December 2018 $ 000	1 January 2017 to 30 December 2017 $ 000
Wages and salaries	168,339	134,982
Social security costs	17,089	17,922
Other pension costs	18,073	22,668
Share-based payment expenses	661	240
	204,162	175,812

8 Staff costs (continued)

The average number of persons employed by the company (including directors) during the period analysed by category was as follows:

	2018 No.	2017 No.
Manufacturing	2,314	2,288
Sales, administration and distribution	566	546
	2,880	2,834

9 Directors' remuneration

The directors' remuneration for the year was as follows:

	Year ended 30 December 2018 $ 000	1 January 2017 to 30 December 2017 $ 000
Remuneration	1,042	808
Employer's contributions to pension scheme	70	32
	1,112	840

During the year the number of directors who were receiving benefits and share incentives was as follows:

	2018 No.	2017 No.
Accruing benefits under defined benefit pension scheme	2	1

In respect of the highest paid director:

	2018 $ 000	2017 $ 000
Remuneration	410	388

10 Auditor's remuneration

	Year ended 30 December 2018 $ 000	1 January 2017 to 30 December 2017 $ 000
Audit of the financial statements	380	395
Other fees to auditors		
The auditing of accounts of any associate of the company	-	326

11 Interest receivable and similar income

	Year ended 30 December 2018 $ 000	1 January 2017 to 30 December 2017 $ 000
Interest receivable from group companies	24,532	12,536
Other interest receivable	12,700	10
	37,232	12,546

The increase is mainly driven by the adoption of IFRS 15, as the significant financing component ($12,700,000) of Hamble site should present interest revenue separately from revenue from the A350 contract.

12 Interest payable and similar expenses

	Year ended 30 December 2018 $ 000	1 January 2017 to 30 December 2017 $ 000
Interest on obligations under finance leases and hire purchase contracts	97	114
On amounts from group undertakings	37,675	19,300
Other interest payable	28	16
	37,800	19,430

13 Taxation

Tax charged/(credited) in the profit and loss account

	Year ended 30 December 2018 $ 000	1 January 2017 to 30 December 2017 $ 000
Current taxation		
UK corporation tax	-	-
Foreign tax	64	58
Foreign tax adjustment to prior periods	(58)	-
Total current tax	6	58
Deferred taxation		
Origination and reversal of temporary differences	(7,498)	(2,640)
Effect of changes to tax rates	789	308
Adjustment in respect of prior year	(17,192)	(793)
Movement on deferred tax not provided	23,901	-
Total deferred taxation	-	(3,125)
Tax expense/(receipt) in the profit and loss account	6	(3,067)

GE Aviation Systems Limited

Notes to the Financial Statements

13 Taxation (continued)

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (2017: higher than the standard rate of corporation tax in the UK) of 19% (2017: 19.25%).

The differences are reconciled below:

	2018 $ 000	2017 $ 000
Profit/(loss) before tax	28,171	(368,203)
Corporation tax at standard rate	5,352	(70,867)
Adjustment to tax charge in respect of prior year	(17,249)	(793)
Effect of change in tax rate	789	308
Non-taxable income	(2,815)	(6,263)
Expenses not deductible for tax purposes	3,007	41,815
Group relief for $nil consideration	(13,043)	32,675
Increase (decrease) arising from overseas tax suffered (expensed)	64	58
Movement in deferred tax not provided	23,901	-
Total tax charge/(credit)	6	(3,067)

Factors that may affect future tax charges

The UK corporation tax rate will reduce from 19% to 17% on 1 April 2020. This will reduce any current tax charges accordingly.

Deferred tax assets and liabilities on all timing differences have been calculated at 17%, including those expected to reverse in the years ending 31 December 2019 to 31 December 2021 (the overall average rate ranging from 19% to 17%). The impact of this on the financial statements is not considered material.

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

The U.K. Tax authorities issued closure notices to disallow interest deductions claimed by other group companies for years from 2007 to 2015. The proposed disallowance does not affect interest deductions claimed by GE Aviation Systems Limited but, if sustained, could impact losses surrendered against the taxable income of GE Aviation Systems Limited in prior years. We comply with all applicable tax laws and judicial doctrines of the United Kingdom. We are contesting the disallowance and believe the full benefit of the deductions will be sustained on their technical merits, but the outcome of pending litigation cannot be fully known until resolution of the matter. Given the uncertainty of how much may be ultimately disallowed and availability of other U.K. group tax attributes, GE Aviation Systems Limited is unable to quantify the amount, if any, of the tax impact of this item.

13 Taxation (continued)

Deferred tax

Deferred tax movement during the year:

	At 31 December 2017 $ 000	At 30 December 2018 $ 000
Accelerated tax depreciation	-	-
Other items	-	-
Net tax assets/(liabilities)	-	-

Deferred tax movement during the prior period:

	At 1 January 2017 $ 000	Recognised in income $ 000	At 30 December 2017 $ 000
Accelerated tax depreciation	25,770	(25,770)	-
Other items	(28,895)	28,895	-
Net tax assets/(liabilities)	(3,125)	3,125	-

There are $(32,544,000) of deductible temporary differences (2017: $nil) for which no deferred tax asset is recognised in the balance sheet.

14 Intangible fixed assets

	Goodwill $ 000	Other intangible assets $ 000	Total $ 000
Cost			
At 31 December 2017	73,960	471,185	545,145
Additions	-	140,744	140,744
Disposals	-	(542)	(542)
At 30 December 2018	73,960	611,387	685,347
Amortisation and impairment			
At 31 December 2017	73,960	36,492	110,452
Amortisation charge	-	24,328	24,328
On disposals	-	(542)	(542)
At 30 December 2018	73,960	60,278	134,238
Carrying amount			
At 30 December 2018	-	551,109	551,109
At 30 December 2017	-	434,693	434,693

Other intangible assets relate to capitalised development costs with a net book value of $542,847,000 (2017: $425,880,000) and software with a net book value of $8,262,000 (2017: $8,813,000).

15 Tangible fixed assets

	Land and buildings $ 000	Plant and machinery $ 000	Total $ 000
Cost			
At 31 December 2017	99,518	118,655	218,173
Additions	555	8,970	9,525
Disposals	(522)	(9,771)	(10,293)
Transfer between classes	4,934	(4,934)	-
At 30 December 2018	104,485	112,920	217,405
Depreciation			
At 31 December 2017	32,742	53,937	86,679
Charge for the period	7,610	7,142	14,752
On disposals	(39)	(9,244)	(9,283)
At 30 December 2018	40,313	51,835	92,148
Carrying amount			
At 30 December 2018	64,172	61,085	125,257
At 30 December 2017	66,776	64,718	131,494

16 Fixed assets investments

	Investments in subsidiary companies $ 000
Cost	
At 31 December 2017	24,144
At 30 December 2018	24,144
Impairment	
At 31 December 2017	9,477
Impairment	14,667
At 30 December 2018	24,144
Net book value	
At 30 December 2018	-
At 30 December 2017	14,667

On 20 September 2018, the Company's wholly owned subsidiary, GE Aviation Systems Taleris Ltd, together with indirect subsidiaries Taleris Holdings Limited and Taleris Global LLP entered into Members' Voluntary Liquidation. Prior to liquidation the subsidiaries transferred their business and assets to affiliates at market value resulting in GE Aviation Systems Taleris Ltd paying a cash dividend of $14,667,000 to the Company. The difference between the dividend received and the carrying value of the investment was charged as an impairment by the Company in the accounts to 30 December 2017 with a further impairment in the year to 30 December 2018 reflecting the receipt of a dividend from the company.

Details of the company's subsidiary undertakings as at 30 December 2018 are as follows:

Name of subsidiary	Registered office	Class of shares held	Proportion of ownership interest
GE Aviation Systems Taleris Limited	Cheltenham Road, Bishops Cleeve, Cheltenham, Gloucestershire, United Kingdom, GL52 8SF	Ordinary	100%

16 Fixed assets investments (continued)

Name of subsidiary	Registered office	Class of shares held	Proportion of ownership interest
Taleris Holdings Ltd*	Cheltenham Road, Bishops Cleeve, Cheltenham, Gloucestershire, United Kingdom, GL52 8SF	Ordinary	53.04%
Taleris Global LLP*	Cheltenham Road, Bishops Cleeve, Cheltenham, Gloucestershire, United Kingdom, GL52 8SF	Ordinary	65.06%
Taleris America LLC*	400 West 15th Street, Suite 1000, Austin, TX, 78701, United States	Ordinary	48.67%

* Indirect holdings

17 Stocks

	30 December 2018 $ 000	30 December 2017 $ 000
Raw materials	71,057	58,593
Work in progress	17,671	19,993
Finished goods and goods for resale	7,891	16,206
	96,619	94,792

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to $389,462,000 (2017: $404,439,000). The write down of stocks to net realisable value amounted to $134,000 (2017: $8,498,000). The reversal of write-downs amounted to $2,069,000 (2017: $5,847,000). The write down and reversal are included in cost of sales.

18 Debtors

	30 December 2018 $ 000	30 December 2017 $ 000
Due after more than one year		
Amounts recoverable on long term contracts	-	4,983
	-	4,983
Due within one year		
Trade debtors	15,311	17,008
Amounts owed by group undertakings	46,341	14,814
Derivative financial instrument assets	-	5
Amounts recoverable on long term contracts	17,723	-
Other debtors	45,371	56,491
	124,746	88,318

19 Disposal groups held for sale

Assets held for sale

	30 December 2018 $ 000	30 December 2017 $ 000
Tangible fixed assets	11,195	11,182
Amounts recoverable on long term contracts	79,865	123,092
Stocks	53,418	49,496
Trade debtors	4,697	10,997
Derivative financial instrument assets	313	3,337
Prepayments and accrued income	235	1,914
Cash at bank and in hand	1,298	2,072
Other debtors	5,809	-
Total	156,830	202,090

19 Disposal groups held for sale (continued)

Liabilities held for sale

	30 December 2018 $ 000	30 December 2017 $ 000
Trade creditors	30,307	30,921
Accruals and deferred income	9,072	26,298
Social security and other taxes	36	66
Derivative financial instrument liabilities	1,944	188
Obligations under finance leases	2,513	2,966
Provisions for liabilities	-	2,439
Other creditors	4,230	-
Total	48,102	62,878

Part of the business is presented as a disposal group held for sale following the decision and management's commitment on 8 December 2017 to a plan to sell several contracts and related assets and liabilities that are considered a separate major line of business and comprise one of the sites of the business. The disposal group is presented as discontinued operations for both periods in the Profit and Loss Account. An impairment loss of $431,915,000 has been charged to 'Administrative expenses' in the Profit and Loss Account for fiscal year 2017 and additional impairment loss of $30,483,000 has been charged for financial year 2018, based on the remeasurement of the disposal group to its fair value less costs to sell. The current year's impairment was allocated to the amounts recoverable on long term contracts ($30,483,000). The allocation of the impairment is based on the company's accounting policies and assessment of where the value for a potential buyer lies. The order of the allocation based on this assessment was goodwill, intangible assets, buildings, property, plant and equipment belonging to the disposal group and the remainder of the impairment charge based on expected sales proceeds was allocated to amounts recoverable on long term contracts. The assets and liabilities forming the disposal group are separately presented on the face of the balance sheet as 'Assets held for sale' and 'Liabilities held for sale'.

20 Creditors: Amounts falling due within one year

	30 December 2018 $ 000	30 December 2017 $ 000
Trade creditors	60,221	56,601
Accruals and deferred income	60,628	91,722
Amounts owed to group undertakings	240,626	236,835
Social security and other taxes	3,462	-
Derivative financial instruments liabilities	19,280	1,508
Other creditors	56,012	3,811
Corporation tax payable	64	58
Bank borrowings and overdraft	2,560	-
	442,853	390,535

Amounts owed to group undertakings are repayable on demand. Amounts are interest free except cashpool balances where interest is charged at market rate.

21 Creditors: falling due after more than one year

	30 December 2018 $ 000	30 December 2017 $ 000
Accruals and deferred income	74,573	55,127

22 Provision for liabilities

	Service guarantees and product liability $ 000	Site clean up $ 000	Property and dilapidations $ 000	Total $ 000
At 31 December 2017	8,367	1,331	2,642	12,340
Additions during the year	3,105	353	-	3,458
Amounts used	(4,174)	-	(98)	(4,272)
Amounts released	-	-	(45)	(45)
At 30 December 2018	7,298	1,684	2,499	11,481

Service guarantees and product liability
Service guarantees and product liability typically cover periods between one and three years. Provisions are made for the likely cost of after-sales support based on past experience.

Site clean up
The provision was created in 2010 and the adequacy of the provision is revisited annually.

Property and dilapidations
Property provisions cover the cost of reinstatement work on leased properties where there is an obligation under the lease and the costs can be reasonably estimated.

23 Share capital

Allotted, called up and fully paid shares

	No. 000	2018 $ 000	No. 000	2017 $ 000
Ordinary shares of $1 each	97,974	97,974	97,974	97,974
Ordinary shares of £1 each	300	600	300	600
	98,274	98,574	98,274	98,574

24 Operating lease commitments

The total future value of minimum lease payments is as follows:

	30 December 2018 $ 000	30 December 2017 $ 000
Within one year	6,597	1,853
In two to five years	10,341	2,079
In over five years	16,430	-
	33,368	3,932

25 Pension commitments

The company is a member of a group pension plan providing benefits based on final pensionable pay. The group pension plan, GE Pension Plan, covers a number of United Kingdom subsidiary companies of General Electric Company. There is no contractual agreement or stated policy for charging the net defined benefit cost for the plan as a whole to participating entities, so the net defined benefit cost is recognised fully in the separate financial statements of the group entity that is legally the principal employer for the plan, which is GEH Holdings. The company recognises a cost equal to their contribution payable for the period. The contribution payable by the participating employers in the GE Pension Plan are based on the latest schedule of contributions agreed between the Trustee of the GE Pension Plan and the principal employer.

The last full actuarial valuation was carried out as at 31 March 2018 by a qualified independent actuary. At this date there was a funding surplus of £190 million and a funding level of 103.0%.

The company also operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting year.

The pension charge for the year was $18,073,000 (2017: $22,668,000), including $9,273,000 (2017: $13,557,000) in respect of the defined contribution scheme. There were no outstanding or prepaid contributions at either the beginning or the end of the financial year.

26 Share-based payments

Certain employees of the company are selected to participate in share options and restricted stock units of General Electric Company under the terms of the General Electric Company Long Term Incentive Plan. Share options expire 10 years from grant date and vest over service periods ranging from one to five years. The option price is usually set as the closing day share price on grant date. Restricted stock units give the participants the right to receive shares in General Electric Company for no consideration. Restricted stock units vest over various service periods beginning three years from grant date through grantee retirement. All grants of GE options under all plans must be approved by the Management Development and Compensation Committee of General Electric Company, which consist entirely of outside directors. For further details on stock options and restricted stock units please refer to the GE annual report available at www.ge.com.

The weighted average share price at the date of exercise of share options exercised during the year was $15.14 (2017: $30.58).

The options outstanding at the year end have an exercise price in the range of $11.7 to $29.62 and a weighted average contractual life of 4.96 years.

27 Contingent liabilities

At 30 December 2018 the company had contingent liabilities, in respect of bank and performance guarantees of $4,262,000 (2017: $5,015,000). No significant losses are expected to arise.

28 Ultimate parent undertaking and controlling party

The company's immediate parent is GE Infrastructure Aviation, a company registered at Cheltenham Road, Bishops Cleeve, Cheltenham, GL52 8SF, United Kingdom.

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.

29 Post balance sheet events

As at the approval date of these financial statements a conditional offer has been agreed in relation to sale of the assets and liabilities classified as held for sale. The provisional consideration is not materially different to the fair value that was calculated at the balance sheet date (see note 19).

30 Changes resulting from adoption of IFRS 9 and IFRS 15

IFRS 9 Financial Instruments and IFRS 15 Revenue from Contract with Customers are mandatorily effective from 1 January 2018. The company has early adopted both for the first time in this accounting period which has resulted in changes to the accounting policies. The nature and effect of these changes are described below.

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets; and hedge accounting.

The adoption of IFRS 9 has resulted in changes to the accounting policies and adjustments to the amounts recognised in the financial instruments, combining the three aspects; classification and measurement; impairment; and hedge accounting.

The company adopted IFRS 9 Financial Instruments with effect from 31 December 2017. No transition adjustments were required on adoption of IFRS 9 and the transition had no material impact on the financial statements of the company.

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations, introducing a five step approach to revenue recognition and applies to all revenue arising from contracts with its customers. This is explained in more detail in the Revenue Recognition accounting policy.

The adoption of IFRS 15 has resulted in changes in the company's accounting policies for the recognition and measurement of revenue.

The company adopted IFRS 15 Revenue from Contracts with Customers with effect from 31 December 2017. An adjustment to decrease opening reserves by $16,759,000 at 31 December 2017 has been made to reflect the deferral of revenue recognition required by this new standard. This reflects the assessment of the various performance obligations under some of the company's contracts.