Registration number: 04267931

General Electric Energy UK Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2018

General Electric Energy UK Limited

Contents

General Electric Energy UK Limited

Strategic Report

The directors present their strategic report for the year ended 31 December 2018.

Business review
The results for the company show a pre-tax loss of £34,205,000 (9 month period ended 31 December 2017: as restated £116,019,000) and turnover of £637,228,000 (9 month period ended 31 December 2017: as restated £484,291,000).

Outlook
The external commercial environment has been challenging, with flat demand for energy. The outlook for the remainder of 2019 and 2020 continues to be challenging.

As a result of those challenges the business has undergone restructuring in 2018. This has resulted in a significant reduction in headcount and the closure of some operational capacity following the restructuring. The directors believe that the business is better placed for the future.

Principal risks and uncertainties
The management of the business and the execution of the company's strategy are subject to several risks. The principal risks and uncertainties are:

General economic risk:

The company is subject to general economic risk including: (i) changes in the economic outlook; (ii) government changes and/or changes in industrial, fiscal, monetary or regulatory policies; and (iii) changes in interest rates, exchange rates or rates of inflation. Short-term evolution of the company's markets is also driven by financing constraints.

Competition risk:

The company faces the evolution of customers' demand due to the specificity of their markets, as well as strong competition, both from large historical international competitors and new ones.

Contract execution:

The company's business includes major long-term contracts, often executed in consortia. The revenue, cash flow and profitability of a long-term project can vary significantly with the progress of the project and depend on a variety of factors, which may not always be within the company's control. Because of this variability, the profitability of certain contracts may significantly impact income and cash flows in any given period.

The company has established strict risk control procedures which are applied from tendering to contract execution and the reported results take into account the expected outcomes from this risk assessment process.

Pension plans:

The company participates in a defined benefit pension scheme. The company is committed to providing cash to cover differences between the market value of the plan's assets and the liabilities of the scheme over a defined period. The projected benefit obligations are based on certain actuarial assumptions including: discount rates, rates of increase in compensation levels and rates of mortality. If actual results, particularly the actual performance of plan assets, were to differ materially from these assumptions the funded status of the scheme may be significantly higher or lower.

Regulatory risk:

The company is subject to extensive legal and regulatory controls and failure by the company to comply with these could have material adverse effects. The company attempts to mitigate regulatory risk through its contract negotiations with customers.

Brexit:

At the time of signing the Directors report, no agreement had been reached as to the terms of the UK's exit from the EU. There are still several possible outcomes for Brexit, including a "no deal" scenario. This has a potential to change the risk profile of the company. GE regularly reviews the levels of associated risks and plans for appropriate mitigations. The main identified risks would broadly fall into the following categories:

Employees and headcount:

Management looked at risks associated with possible adverse impact on EU nationals in the UK, restrictions on free movement of people and workforce availability, as well as a possible need to employ more personnel to deal with additional administration for importing/exporting goods and HR/immigration issues. The level of risk in this category is considered relatively low and measures are being put in place where considered necessary.

Supply chain impact:

Management considered possible impacts of currently unknown import and export arrangements in a scenario of a "no deal" Brexit, along with a possible increase in custom clearance workload, as well as possible increases in tariffs and duties. Management also considered a possible need for increased inventory levels, as well as for regular dialogs with its customers and suppliers. Following detailed risk assessment, management are putting measures in place, where necessary, to mitigate or minimise the risks.

Management acknowledges, however, that there may be other risks associated with Brexit, which either cannot be quantified or foreseen at the time of signing the Directors' report. Any new risks will be addressed and reviewed as they arise in order to minimise any avoidable disruptions to GE operations.

General Electric Energy UK Limited

Strategic Report

Key Performance Indicators
The principal key performance indicators used in assessing the company's activities are:

	Sales £ m	Gross margin
Year ended 31 December 2018	637	18.8%
9 months to 31 December 2017 (as restated)	484	22%

Approved by the Board on 28 October 2019 and signed on its behalf by:

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I K Rutherford
Director

General Electric Energy UK Limited

Directors' Report

The directors present their report and the financial statements for the year ended 31 December 2018.

Principal activity
The principal activity of the company during the period was electrical and mechanical engineering for the electricity power market.

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

I G R MacDonald

I K Rutherford

F Tuffy (resigned 30 March 2018)

S R Miller (appointed 28 March 2018)

Results and dividends
The loss for the year, after taxation, amounted to £36,400,000 (9 month period ended 31 December 2017: as restated £132,720,000).

The directors do not recommend the payment of a dividend (9 month period ended 31 December 2017: £nil).

Employee involvement
The company recognises the benefits of keeping employees informed of current business performance. During the year employees attended review meetings at which the financial results of the business were disclosed.

The employees' involvement in the company's performance is encouraged though the employee share saving scheme.

The company conforms to the current employment laws on the employment of people with disabilities.

Post balance sheet event
As a part of a GE restructuring plan and further integration of the legacy Alstom business into wider GE operations, the directors approved the transfer a part of its business to General Electric Global Services GmbH, UK branch on 29 March 2019. The transferred business comprised the gas power service contracts which provided certain engineering, maintenance, installation, commission and repair services to third party power generating plants in the United Kingdom. These contracts have transferred at different points during 2019.

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.

General Electric Energy UK Limited

Directors' Report

Reappointment of auditor
The auditor, KPMG LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006 and will therefore continue in office.

Approved by the Board on 28 October 2019 and signed on its behalf by:

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I K Rutherford
Director

General Electric Energy UK 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 General Electric Energy UK Limited

Opinion
We have audited the financial statements of General Electric Energy UK Limited ("the company") for the year ended 31 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 31 December 2018 and of its loss 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 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 General Electric Energy UK 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 General Electric Energy UK Limited

Directors' responsibilities
As explained more fully in their statement set out on page 6, 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.

Anna Barrell

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Anna Barrell (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

One Snow Hill
Snowhill Queensway
Birmingham
B4 6GH
United Kingdom
Date: 29.10.2019

General Electric Energy UK Limited

Profit and Loss Account
for the Year Ended 31 December 2018

	Note	Year ended 31 December 2018 £ 000	As restated 1 April 2017 to 31 December 2017 £ 000
Turnover	4	637,228	484,291
Cost of sales		(517,664)	(377,849)
Gross profit		119,564	106,442
Administrative expenses		(154,373)	(131,264)
Exceptional impairment of goodwill	14	-	(77,710)
Total administrative expenses		(154,373)	(208,974)
Other operating income	5	13,908	5,579
Operating loss	6	(20,901)	(96,953)
Interest receivable and similar income	7	7,401	1,573
Interest payable and similar expenses	8	(20,705)	(20,639)
Loss before tax		(34,205)	(116,019)
Tax on loss	12	(2,562)	(16,701)
Loss for the year/period		(36,767)	(132,720)

The above results were derived from continuing operations.

General Electric Energy UK Limited

Statement of Comprehensive Income for the Year Ended 31 December 2018

	Note	Year ended 31 December 2018 £ 000	As restated 1 April 2017 to 31 December 2017 £ 000
Loss for the year/period		(36,767)	(132,720)
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit (liabilities)/assets	23	(50,204)	171,404
Related tax	12	(111,598)	(31,743)
		(161,802)	139,661
Total comprehensive (loss)/income for the year/period		(198,569)	6,941

The notes on pages 14 to 49 form an integral part of these financial statements.

General Electric Energy UK Limited

Registration number: 04267931

Balance Sheet as at 31 December 2018

	Note	31 December 2018 £ 000	As restated 31 December 2017 £ 000
Fixed assets			
Tangible assets	13	62,325	64,336
Intangible assets	14	46	68
Investments	15	-	-
		62,371	64,404
Current assets			
Stocks	16	61,647	76,092
Debtors: amounts falling due after more than one year	17	9,479	111,880
Debtors: amounts falling due within one year	17	1,606,734	1,460,731
Cash at bank		41,155	21,539
		1,719,015	1,670,242
Creditors: Amounts falling due within one year	18	(1,290,184)	(1,084,419)
Net current assets		428,831	585,823
Total assets less current liabilities		491,202	650,227
Creditors: Amounts falling due after more than one year	19	(17,267)	(6,260)
Provisions for liabilities	20	(63,299)	(61,065)
Net assets excluding pension liability		410,636	582,902
Net pension liability	23	(682,304)	(656,461)
Net liabilities		(271,668)	(73,559)
Capital and reserves			
Called up share capital	21	100,000	100,000
Other reserves		587	127
Profit and loss account		(372,255)	(173,686)
Shareholders' deficit		(271,668)	(73,559)

Approved by the Board on 28 October 2019 and signed on its behalf by:

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I K Rutherford
Director

The notes on pages 14 to 49 form an integral part of these financial statements.

General Electric Energy UK Limited

Statement of Changes in Equity for the Year Ended 31 December 2018

	Called up share capital £ 000	Other reserves £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2018 (as restated)	100,000	127	(173,686)	(73,559)
Comprehensive income for the year				
Loss for the year	-	-	(36,767)	(36,767)
Other comprehensive income	-	-	(161,802)	(161,802)
Total comprehensive income for the year	-	-	(198,569)	(198,569)
Equity settled share based payment	-	460	-	460
At 31 December 2018	100,000	587	(372,255)	(271,668)

	Called up share capital £ 000	Other reserves £ 000	Profit and loss account £ 000	Total £ 000
At 1 April 2017 (As originally stated)	100,000	-	(185,966)	(85,966)
Adjustment on initial application of IFRS 15	-	-	5,339	5,339
At 1 April 2017 (As restated)	100,000	-	(180,627)	(80,627)
Comprehensive income for the period				
Loss for the period (As restated)	-	-	(132,720)	(132,720)
Other comprehensive income	-	-	139,661	139,661
Total comprehensive income for the period (As restated)	-	-	6,941	6,941
Equity settled share based payment	-	127	-	127
At 31 December 2017 (As restated)	100,000	127	(173,686)	(73,559)

The notes on pages 14 to 49 form an integral part of these 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:
St Leonards Building
Harry Kerr Drive
Stafford
England
ST16 1WT

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 judgement 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.

2 Accounting policies (continued)

Basis of measurement
The financial statements have been prepared on the historical cost basis except derivative assets, derivative liabilities, pension assets, defined benefit pension obligations and share based payments which are measured at their fair value.

Changes in accounting policy
In the current year the company has 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 28.

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 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, and
• paragraph 118(e) of IAS 38 Intangible Assets;
- 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; and
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

2 Accounting policies (continued)

Going concern

Notwithstanding net liabilities of £271,668,000 as at 31 December 2018 and a loss for the year then ended of £36,767,000 the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have considered the funding requirements for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, through group cash pool facilities and in downside cases funding from its intermediate parent company, GE Brazil Holding Limited, to meet its liabilities as they fall due for that period.

Those requirements are dependent on the continued availability of group cash pool facilities and GE Brazil Holding Limited providing additional financial support if needed during that period. GE Brazil Holding Limited has indicated its intention to continue to make available such funds as are needed by the company for a period of 12 months from the approval of these financial statements. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Revenue recognition

Recognition

The company earns revenue from the manufacture and sale of equipment, as well as from sale of engineering and other services for the power and grid electricity market sectors. Revenue for sale of equipment 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. Services revenue is recognised in the accounting period when the services are rendered at an amount that reflects the consideration to which the entity expects to be entitled in exchange for fulfilling its performance obligations to customers.

The principles in IFRS 15 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

2 Accounting policies (continued)

Revenue recognition (continued)

Performance obligations in sales contracts are engaged by either Grid Solutions UK Limited or Alstom Power Limited agents of the company. Since the company controls the specified goods and services before these goods or services are transferred to the customers and satisfies the performance obligations in the contracts then revenue is recognised in the gross amount of the consideration to which it expects to be entitled.

The main performance obligations in contracts consist of delivery of products for equipment sales, and engineering services. For all contracts the stage of completion and delivery of performance obligations are measured at the balance sheet date.

Revenue is recognised when each of the identified performance obligations are satisfied. Depending on how each performance obligation is satisfied, revenue is recognised either over time or at a point in time basis. A contract may include performance obligations that are satisfied at a point in time and over time.

For performance obligations accounted for at a point in time basis, the main performance obligation to customers are satisfied when the supply of goods or services have transferred to the customer and the customer has control of these.

For contracts accounted for over time, revenue is allocated based on costs incurred to date, in proportion to total projected costs for the contract.

Warranties balances and the nature of those warranties are disclosed in Note 20.

2 Accounting policies (continued)

Revenue recognition (continued)

Contract modifications

The company's contracts can be amended for changes in contract specifications and requirements. Contract modification exists when the amendment either creates new or changes the existing enforceable rights and obligations. The effect of a contract modification on the transaction price and the company's measure of progress for the performance obligation to which it relates, is recognised as an adjustment to revenue in one of the following ways:

a. Prospectively as an additional separate contract:
b. Prospectively as a termination of the existing contract and creation of a new contract;
c. As part of the original contract using a cumulative catch up; or
d. As a combination of b) and c).

The facts and circumstances of any contract modification are considered individually as the types of modifications will vary contract by contract and may result in different accounting outcomes. Judgement is applied in relation to the accounting for such modifications where the final terms or legal contracts have not been agreed prior to the period end as management need to determine if a modification has been approved and if it either creates new or changes existing enforceable rights and obligations of the parties. Depending upon the outcome of such negotiations, the timing and amount of revenue recognised may be different in the relevant accounting periods. Modification and amendments to contracts are undertaken via an agreed formal process. For example, if a change in scope has been approved but the corresponding change in price is still being negotiated, management use their judgement to estimate the change to the total transaction price.

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 balance sheet and represent the right to consideration for products delivered.

Contract receivables are recognised in the balance sheet when the company's right to consideration becomes unconditional. Contract receivables are only recognised when goods have been delivered or services have been rendered and the company has an enforceable right to receive the payment.

Contract assets and receivables 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 balance sheet 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.

Foreign currency transactions and balances

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

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

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.

2 Accounting policies (continued)

Tax (continued)

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 losses.

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
Leasehold improvements (included under land and buildings)	over the period of lease or 50 years for long leases
Plant, machinery and other fixed assets	between 3 and 25 years

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 Combinations, 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. Goodwill is fully impaired for this entity.

Software

Software acquired by the company is measured at cost less accumulated amortisation and any accumulated impairment losses.

Expenditure on internally developed software is recognised as an asset when the company is able to demonstrate its intention and ability to complete the development and use the software to generate future economic benefits and the costs to complete the development can be reliably measured. Internally developed software is stated at capitalised cost less accumulated amortisation and impairment.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expense as incurred.

Amortisation
Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their expected useful economic life as follows:

Asset class	**Amortisation rate**
Software	5 years

Investments
Investment in group undertakings 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.

Impairment losses arising in respect of investments once recognised are not reversed.

2 Accounting policies (continued)

Stocks
Stocks and work in progress are stated at the lower of cost and net realisable value, after making an allowance for obsolete and slow-moving stocks. Costs include all direct costs and an appropriate proportion of fixed and variable overheads based on normal operating capacity.

Provisions for liabilities
Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

Leases
Rentals paid under operating leases are charged to the profit or loss (net of any incentives received from the lessor) on a straight line basis over the period of the lease.

Pension
The company participates in defined benefit plans, which require contributions to be made to separately administered funds.

The operating cost of providing benefits under the defined benefit plans, as calculated periodically by independent actuaries, is charged to the company's income from operations in the year that those benefits are earned by the employees. The financial returns expected on the pension schemes assets, which are calculated on the basis of the discount rate used to value the defined benefit obligation, are recognised in the year in which they arise as finance income. The effect of the unwinding of the discounted value of the pension scheme liabilities is treated as finance costs. Other changes in the value of the pension scheme assets and liabilities are reported as remeasurements of defined benefit liabilities and assets in Other Comprehensive Income as they arise. The pension scheme surpluses, to the extent they are considered recoverable, or deficits are recognised in full and presented in the statement of financial position.

For the defined contribution plans and Group Personal Pension Plan arrangements, the company's contributions are charged against profits for the year to which they relate.

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.

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.

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

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. Accordingly, all financial assets and liabilities are subsequently measured at amortised cost.

2 Accounting policies (continued)

Financial instruments (continued)

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.

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 forwards.

Derivative financial instruments are recognised in the balance sheet at fair value through the profit and loss account. Fair values are derived from prevailing market prices or 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 operating costs.

3 Critical accounting judgments 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:

Defined benefit pension scheme

The company has an obligation to pay defined benefit pensions to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience, current trends and future expectations. See note 23 for the disclosures of the defined benefit pension scheme.

Revenue recognition on long-term contract service agreements

Revenue recognition on long-term product and contract service agreements requires estimates of profits over the multiple-year terms of such agreements, considering factors such as the frequency and extent of future monitoring, maintenance and overhaul events; the amount of personnel, spare parts and other resources required to perform the services; and future billing rate, cost changes and customers' utilisation of assets. We routinely review estimates under product services agreements and regularly revise them to adjust for changes in outlook.

We also regularly assess customer credit risk inherent in the carrying amounts of receivables and contract costs and estimated earnings, including the risk that contractual penalties may not be sufficient to offset our accumulated investment in the event of customer termination. We gain insight into future utilisation and cost trends, as well as credit risk, through our knowledge of the installed base of equipment and the close interaction with our customers that comes with supplying critical services and parts over extended periods. Revisions may affect a product services agreement's total estimated profitability resulting in an adjustment of earnings.

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

Provisions for liabilities

a. 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.

b. Environment and health & safety provisions

Our operations, like operations of other companies engaged in similar businesses, involve the use, disposal and clean-up of substances, including asbestos, regulated under environmental protection laws. We are involved in a number of remediation actions to clean up hazardous wastes as required by law. Health and safety issues are taken very seriously and a provision is made to ensure that all sites are compliant. Provisions are also made for the health impact on employees arising from exposure to environmental hazards.

c. Dilapidations provisions

The company operates from a number of locations in premises that are rented from landlords. As part of the lease arrangements the company is responsible for the cost of dilapidations. Independent experts have reviewed all properties from which the business operates during the year. At the year end we have based the provisions on the recommended estimates of these experts.

Pension scheme level 3 property valuations

If there is no quoted price in an active market, then the company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation techniques incorporates all of the factors that market participants would take into account.

4 Turnover

The analysis of the company's turnover for the year from continuing operations is as follows:

	Year ended 31 December 2018 £ 000	As restated 1 April 2017 to 31 December 2017 £ 000
Power divisions	208,815	141,888
Grid divisions	428,413	342,403
	637,228	484,291

A geographical analysis of turnover is as follows:

	Year ended 31 December 2018 £ 000	As restated 1 April 2017 to 31 December 2017 £ 000
United Kingdom	323,313	209,171
Rest of European Union	162,936	57,407
USA	3,388	3,304
Other	147,591	214,409
	637,228	484,291

The power division's activities include construction of new and retrofitting of existing power stations, supply of equipment, as well as servicing and maintenance contracts across a number of power market sectors. The grid division's activities include provision of advanced electrical grid solutions and smart grid technologies.

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.

4 Turnover (continued)

Contract assets and liabilities

	31 December 2018 £ 000	31 December 2017 £ 000
Contract assets (see note 17)	82,670	92,419
Contract liabilities (see note 18)	(181,126)	(74,007)

Revenue recognised in the year from:

	31 December 2018 £ 000	31 December 2017 £ 000
Amounts included in contract liability at the beginning of the year	74,007	120,470

There is no revenue recognised from performance obligations that were satisfied or partially satisfied in previous years.

Assets recognised from costs to obtain or to fulfil a contract with customers:

	31 December 2018 £ 000	31 December 2017 £ 000
Setup costs	314	-

5 Other operating income

	Year ended 31 December 2018 £ 000	1 April 2017 to 31 December 2017 £ 000
Service charges receivable	13,908	5,579

6 Operating loss

Operating loss is stated after charging/(crediting):

	Year ended 31 December 2018 £ 000	1 April 2017 to 31 December 2017 £ 000
Depreciation and impairment	7,767	7,200
Amortisation expense	30	24
Research and development cost	9,870	18,793
Difference on foreign exchange (net)	11,713	(3,235)
Operating lease expense	8,352	9,245
Loss on disposal of tangible fixed assets	995	133
Goodwill impairment	-	77,710

7 Interest receivable and similar income

	Year ended 31 December 2018 £ 000	1 April 2017 to 31 December 2017 £ 000
Interest receivable from group companies	3,616	1,403
Other interest receivable	55	170
Unwinding of discount factor on provisions	3,730	-
	7,401	1,573

The unwinding of the discount factor has resulted in income for the year as a result of a significant decrease in discount rates as compared to prior years.

8 Interest payable and similar expenses

	Year ended 31 December 2018 £ 000	1 April 2017 to 31 December 2017 £ 000
Net finance cost on employee benefit obligation (note 23)	16,300	15,400
On loans from group undertakings	4,405	4,507
Unwinding of discount factor on provisions	-	706
Other interest expense	-	26
	20,705	20,639

9 Staff costs

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

	Year ended 31 December 2018 £ 000	1 April 2017 to 31 December 2017 £ 000
Wages and salaries	123,424	98,779
Social security costs	13,646	11,183
Defined benefit scheme - service costs (note 23)	8,700	5,600
Pension costs, defined contribution scheme	7,498	8,603
Share-based payment expenses	460	127
	153,728	124,292

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

	31 December 2018 No.	31 December 2017 No.
Manufacturing and engineering	1,887	2,168
Management and administration	286	300
Sales, marketing and distribution	93	103
Commercial	171	206
	2,437	2,777

10 Directors' remuneration

The directors' remuneration for the year was as follows:

	Year ended 31 December 2018 £ 000	1 April 2017 to 31 December 2017 £ 000
Remuneration	292	380
Pension	58	65
	350	445

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

	Year ended 31 December 2018 No.	1 April 2017 to 31 December 2017 No.
Accruing benefits under defined benefit pension scheme	1	1
Accruing benefits under defined contribution pension scheme	1	1

In respect of the highest paid director:

	Year ended 31 December 2018 £ 000	1 April 2017 to 31 December 2017 £ 000
Remuneration	176	161
Pension	23	22
	199	183

11 Auditor's remuneration

	2018 £ 000	2017 £ 000
Audit of the financial statements	506	425
Audit fee - prior year	171	-
	677	425

12 Taxation

Tax charged/(credited) in the Profit and Loss Account

	Year ended 31 December 2018 £ 000	As restated 1 April 2017 to 31 December 2017 £ 000
Current taxation		
UK corporation tax	-	-
Double taxation relief	2,562	952
Total current tax	2,562	952
Deferred taxation		
Origination and reversal of temporary differences	(9,366)	(9,382)
Effect of changes to tax rates	985	988
Adjustment in respect of prior year	(312)	3,713
Movement on deferred tax not provided	8,693	20,430
Total deferred taxation	-	15,749
Tax expense in the Profit and Loss Account	2,562	16,701

12 Taxation (continued)

The tax assessed for the year is higher than the standard rate of corporation tax in the UK (9 month period ended 31 December 2017- higher than the standard rate of corporation tax in the UK) of 19% (9 month period ended 31 December 2017- 19%).

The differences are reconciled below:

	Year ended 31 December 2018 £ 000	As restated 1 April 2017 to 31 December 2017 £ 000
Loss before tax	(34,205)	(116,019)
Corporation tax at standard rate	(6,499)	(22,044)
Adjustment to tax charge in respect of prior year	(311)	3,713
Effect of change in tax rate	985	988
Non-taxable income	(4,653)	(2,910)
Expenses not deductible for tax purposes	1,550	15,805
Movement in deferred tax not provided	8,693	20,430
Overseas tax differences	2,562	-
Other	235	719
Total tax charge	2,562	16,701

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.

12 Taxation (continued)

Deferred tax

Deferred tax movement during the year:

	At 1 January 2018 £ 000	Recognised in other comprehensive income £ 000	At 31 December 2018 £ 000
Accelerated tax depreciation	-	-	-
Tax losses carry-forwards	-	-	-
Pension benefit obligations	111,598	(111,598)	-
Net tax assets/(liabilities)	111,598	(111,598)	-

Deferred tax movement during the prior period:

	At 1 April 2017 £ 000	Recognised in income £ 000	Recognised in other comprehensive income £ 000	At 31 December 2017
Accelerated tax depreciation	4,368	(4,368)	-	-
Tax losses carry-forwards	11,361	(11,361)	-	-
Pension benefit obligations	143,360	(19)	(31,743)	111,598
Net tax assets/(liabilities)	159,089	(15,748)	(31,743)	111,598

There are £197,802,000 of deductible temporary differences (31 December 2017 - £73,203,000) for which no deferred tax asset is recognised in the balance sheet, as the amounts are not considered recoverable. For the period ended 31 December 2018, no deferred tax assets are provided as there are no suitable taxable profits from which the future reversal of the underlying temporary differences can be deducted.

13 Tangible fixed assets

	Land and buildings £ 000	Other plant and equipment £ 000	Plant & machinery £ 000	Total £ 000
Cost				
At 1 January 2018	39,296	11,968	112,878	164,142
Additions	3,376	-	3,901	7,277
Transfers	193	-	(193)	-
Disposals	(287)	-	(2,653)	(2,940)
At 31 December 2018	42,578	11,968	113,933	168,479
Depreciation and impairment				
At 1 January 2018	20,967	9,601	69,238	99,806
Charge for the year	2,420	(346)	5,692	7,766
On disposals	(46)	-	(1,372)	(1,418)
At 31 December 2018	23,341	9,255	73,558	106,154
Net book value				
At 31 December 2018	19,237	2,713	40,375	62,325
At 31 December 2017	18,329	2,367	43,640	64,336

Included in land and building additions in the year to 31 December 2018 are asset retirement obligations of £1,603,000 (2017: £nil).

Included in the depreciation charge for the year for plant and machinery is £1,528,000 for impairment of assets (2017: £nil).

14 Intangible fixed assets

	Goodwill £ 000	Software £ 000	Total £ 000
Cost			
At 1 January 2018	102,510	2,335	104,845
Additions	-	9	9
Disposals	-	(128)	(128)
At 31 December 2018	102,510	2,216	104,726
Amortisation and impairment			
At 1 January 2018	102,510	2,267	104,777
Amortisation charge for the year	-	30	30
On disposals	-	(127)	(127)
At 31 December 2018	102,510	2,170	104,680
Net book value			
At 31 December 2018	-	46	46
At 31 December 2017	-	68	68

15 Fixed asset investments

Details of the investment in group undertakings as at 31 December 2018 are as follows:

Name	Registered office	Class of shares held	Proportion of ownership interest
Alstom Power Limited	St Leonards Building, Harry Kerr Drive, Stafford, ST16 1WT, United Kingdom	Ordinary	100%
UK Grid Solutions Limited	St Leonards Building, Harry Kerr Drive, Stafford, ST16 1WT, United Kingdom	Ordinary	100%
Alstom Resources Management Limited	St Leonards Building, Harry Kerr Drive, Stafford, ST16 1WT, United Kingdom	Ordinary	100%
ALSTOM UK*	St Leonards Building, Harry Kerr Drive, Stafford, ST16 1WT, United Kingdom	Ordinary	100%

* Indirect holding

16 Stock

	31 December 2018 £ 000	As restated 31 December 2017 £ 000
Raw materials and consumables	5,646	1,427
Work in progress	53,845	38,067
Finished goods and goods for resale	2,156	36,598
	61,647	76,092

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £298,031,000 (31 December 2017: as restated £223,050,000). The write down of stocks to net realisable value amounted to £2,384,000 (31 December 2017: £2,648,000). The reversal of write-downs amounted to £393,000 (31 December 2017: £921,000).

17 Debtors

	31 December 2018 £ 000	As restated 31 December 2017 £ 000
Due after more than one year		
Derivative financial instrument - assets	9,479	282
Deferred tax assets (note 12)	-	111,598
	9,479	111,880
Due within one year		
Trade debtors	53,243	120,217
Amounts owed by group undertakings	1,441,781	1,186,676
Derivatives financial instruments - assets	6,843	11,126
Prepayments	7,044	4,717
Contract assets	82,670	92,419
Other debtors	15,153	45,576
	1,606,734	1,460,731

Amounts owed by group undertakings are unsecured and repayable on demand. Interest is received on intercompany cashpool balances at variable rate of interest linked to 3 month LIBOR. No interest is received on intercompany trading balances.

18 Creditors: Amounts falling due within one year

	31 December 2018 £ 000	As restated 31 December 2017 £ 000
Trade creditors	79,438	40,561
Accruals and deferred income	23,685	83,365
Amounts owed to group undertakings	978,659	815,718
Social security and other taxes	9,305	4,150
Other creditors	5,039	45,102
Corporation tax payable	61	63
Derivative financial instruments - liabilities	12,871	21,453
Contract liabilities	181,126	74,007
	1,290,184	1,084,419

Amounts owed to group undertakings are unsecured and repayable on demand.

19 Creditors: Amounts falling due after more than one year

	31 December 2018 £ 000	31 December 2017 £ 000
Derivative financial instruments - liabilities	17,267	6,260

20 Provisions for liabilities

	Warranties £ 000	Contract risks (incl. penalties and claims) £ 000	Restructuring £ 000	Other provisions £ 000	Total £ 000
At 1 January 2018 (as originally stated)	11,848	27,325	1,290	31,402	71,865
Adjustment on initial impact of IFRS 15	-	(10,801)	-	1	(10,800)
At 1 January 2018 (as restated)	11,848	16,524	1,290	31,403	61,065
Additions during the year	4,667	5,078	16,282	5,428	31,455
Released during the year	(34)	(13,173)	(991)	(844)	(15,042)
Utilised during the year	(1,542)	(2,789)	(3,376)	(2,742)	(10,449)
Unwinding of discount factor	-	-	-	(3,730)	(3,730)
At 31 December 2018	14,939	5,640	13,205	29,515	63,299

Included in other provisions are long term provisions totalling £19,133,000 (2017: £22,578,000) which are not expected to be settled within the next 5 years.

Warranties - These provisions are established to recognise known and expected claims against delivered products or services within the contractual guarantee periods for such sales. The expenditure is expected to be mainly incurred over the next 12 to 30 months, in line with the contractual warranty periods.

Contract risks (incl. penalties and claims) - These provisions relate to risks on contracts including anticipated risks related to non-performance in respect of contractual terms for delivery and performance. The utilisation of these provisions is anticipated to be within 2 years.

Restructuring - These provisions are established to cover the costs of ongoing reorganisation within the company including costs of reducing manpower, relocating premises and onerous property leases. They are expected to be largely utilised within 1 year.

Other provisions - These are provisions which relate to the local needs of the business, including claims against the company which are non-contract related. This category includes environment, health and safety (EHS), dilapidations provisions and asset retirement obligations. The utilisation of these provisions is anticipated to be within 10 years.

21 Share capital

Allotted, called up and fully paid shares

	No. 000	31 December 2018 £ 000	No. 000	31 December 2017 £ 000
Ordinary shares of £1 each	100,000	100,000	100,000	100,000

22 Operating lease commitments

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

	31 December 2018 £ 000	31 December 2017 £ 000
Within one year	8,006	8,674
In two to five years	21,113	31,634
In over five years	44,067	61,924
	73,186	102,232

23 Pensions

Defined benefit pension scheme

The company operated both a final salary defined benefit scheme and a defined contribution scheme.

The company participates in a defined benefit pension scheme, further details of which are disclosed below.

The impact of the defined benefit pension scheme in which the company participates and other post-employment obligations on the balance sheet is as follows:

	31 December 2018 £ 000	31 December 2017 £ 000
Alstom Pension Scheme	(681,742)	(655,838)
Other post-employment obligations	(562)	(623)
Pension liability	(682,304)	(656,461)

23 Pensions (continued)

The impact, before accounting for deferred taxation on Other Comprehensive Income is as follows:

	31 December 2018 £ 000	31 December 2017 £ 000
Alstom Pension Scheme	(50,204)	171,404

Since 1 April 2012, the date of transition to IFRS/FRS 101, the cumulative amount of the remeasurement of the defined benefit liability recognised in Other Comprehensive Income is losses of £348,035,000 (31 December 2017: £297,831,000).

Alstom Pension Scheme

The company participates in the Alstom Pension Scheme ("the Scheme"). This is a defined benefit multi-employer scheme. The Scheme's funds are administered by the Trustee and are independent of company finances. Investment of the Scheme's assets in Alstom Group companies is not permitted by the Trustee.

There are several participating employers in the Scheme, all of whom are companies within the Alstom Group in the UK. As principal employer, the directors believe it is appropriate to include the full impact of the liability in the financial statements of the Company. The other participating employers are unable to identify their share of the net assets and liabilities and account for the Scheme on a defined contribution basis in their financial statements.

The disclosures required under IAS19 have been calculated by a qualified independent actuary and are based on the results of the full actuarial valuation as at 31 March 2018 updated to 31 December 2018.

The amounts recognised in the balance sheet are as follows:

	31 December 2018 £ 000	31 December 2017 £ 000
Present value of funded obligations	(2,440,542)	(2,528,000)
Fair value of planned assets	1,758,800	1,872,162
Deficit in the Scheme	(681,742)	(655,838)

23 Pensions (continued)

The amounts charged in the profit and loss account for the year ended 31 December 2018 were as follows:

	31 December 2018 £ 000	31 December 2017 £ 000
Service cost	(8,700)	(5,600)
Total operating expense	(8,700)	(5,600)
Return on plan assets - excluding interest income	45,300	33,500
Interest on scheme liabilities	(61,600)	(48,900)
Total finance costs	(16,300)	(15,400)
Administrative costs	(1,200)	(700)
Total expense in the Profit and Loss Account	(26,200)	(21,700)

	31 December 2018 £ 000	31 December 2017 £ 000
Current service cost	6,300	5,600
Prior year service cost	2,400	-
	8,700	5,600

The Scheme is a closed scheme and therefore under the projected unit method, the current service cost would be expected to increase as the members of the Scheme approach retirement.

23 Pensions (continued)

Changes in the present value of the defined benefit obligation are as follows:

	31 December 2018 £ 000	31 December 2017 £ 000
Opening defined benefit obligations	(2,528,000)	(2,649,700)
Service cost	(8,700)	(5,600)
Contribution by employees	(242)	(100)
Interest cost	(61,600)	(48,900)
Actuarial gain in respect of change in financial assumptions	32,500	96,800
Administrative costs	(1,200)	(700)
Benefits paid	126,700	80,200
Closing defined benefit obligation	(2,440,542)	(2,528,000)

The average duration of the defined benefit obligation at the end of the reporting period is 17 years.

Changes in the fair value of plan assets are as follows:

	31 December 2018 £ 000	31 December 2017 £ 000
Opening fair value of plan assets	1,872,162	1,807,200
Interest on assets	45,300	33,500
Return on plan assets excluding interest income	(82,704)	74,662
Contribution by employer	50,500	36,900
Contribution by employees	242	100
Benefits paid	(126,700)	(80,200)
Closing fair value of plan assets	1,758,800	1,872,162

The company's contributions made to the Scheme are calculated as 17.5% of active members' pensionable earnings, based upon actuarial advice. Additional contributions made during the year to address the deficit in the Scheme amounted to £45,100,000 (31 December 2017: £33,369,000). The company is committed to eliminate the deficit in the scheme by providing additional payments over and above the normal service cost.

The company expects to contribute a total of £192,000,000 to the Scheme in the year ending 31 December 2019.

23 Pensions (continued)

The following is a summary of the fair value of the plan assets of the Scheme:

	31 December 2018 £ 000	As restated 31 December 2017 £ 000
Cash	30,913	29,190
Pooled	1,203,025	644,649
Bonds	404,262	410,416
Properties	120,600	129,312
Equities	-	658,595
Total fair value of plan assets	1,758,800	1,872,162

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	31 December 2018 % per annum	31 December 2017 % per annum
Discount rate	2.50	2.50
Rate of increase in salaries	3.50	4.00
Rate of increase in pensions	3.20	3.00
Rate of price inflation-RPI	3.50	3.50

The assumptions used by the actuary are the best estimate and chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

The assumptions used by the actuary have a significant effect on the actuarial valuation of the Scheme liabilities. The following sensitivity analysis for each of the principal assumptions used to measure the actuarial valuation of the Scheme's liabilities shows the increase or decrease in the funded obligation at 31 December 2018.

		Sensitivity	Impact on defined benefit obligation £m
Discount rate	2.5%	0.25% decrease	98.0
Inflation rate	3.5%	0.25% decrease	(74.7)
Salary increases	3.5%	0.25% decrease	(1.5)
Long-term rate of mortality improvements (male/female)	1.25%	0.5% increase	52.7

23 Pensions (continued)

History of experience adjustments:

	31 December 2018 £ m	31 December 2017 £ m	31 March 2017 £ m	31 December 2015 £ m	31 March 2015 £ m
Defined benefit obligation	(2,441)	(2,528)	(2,650)	(2,240)	(2,188)
Plan assets	1,759	1,872	1,807	1,577	1,663
Net deficit	(682)	(656)	(843)	(663)	(525)
Experience gain/(loss) on plan liabilities	(32.5)	(96.8)	423.1	57.3	11.4
Experience gain/(loss) on plan assets	(60.1)	52.1	(196.9)	92.6	114.3

24 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.

There were no share options exercised during the period.

The weighted average share price at the date of exercise of share options exercised during the period to 31 December 2017 was $31.52.

The options outstanding at the year end have an exercise price in the range of $11.70 to $30.26 and a weighted average contractual life of 6.72 years.

25 Commitments and contingencies

Capital commitments
There are no capital commitments at the end of the current period (31 December 2017: £nil).

25 Commitments and contingencies (continued)

Contract commitments
The company has obligations under some contracts which could result in future cash outflows. These costs are recognised as incurred as it is not possible to quantify the impact and the occurrence is considered remote. Any known claims are recognised through the profit and loss account for the year.

26 Post balance sheet event

As a part of a GE restructuring plan and further integration of the legacy Alstom business into wider GE operations, the directors approved the transfer a part of its business to General Electric Global Services GmbH, UK branch on 29 March 2019. The transferred business comprised the gas power service contracts which provided certain engineering, maintenance, installation, commission and repair services to third party power generating plants in the United Kingdom. These contracts have transferred at different points during 2019.

27 Ultimate parent undertaking and controlling party

The company's immediate parent undertaking is Alstom UK Holdings Limited, a company registered at St Leonards Building, Harry Kerr Drive, Stafford, ST16 1WT, 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 incorporated in the United States of America. The consolidated financial statements of this company are available to the public and may be obtained from 41 Farnsworth Street, Boston, MA 02210, USA or at www.ge.com.

28 Changes resulting from reclassification and new accounting standards

IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contract with Customers* became mandatorily effective on 1 January 2018. The company has applied 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.

No transition adjustments were required on adoption of IFRS 9 and the transition to IFRS 9 had no material impact on the financial statements of the company.

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

In accordance with the transition provisions in IFRS 15, the company has adopted the new rules retrospectively and has restated comparatives for the 2017 financial year. The effect of the transition on the current period has not been disclosed as the standard provides an optional practical expedient.

The following tables show how the adjustments impacted the financial statements for each individual line item. The adjustments are explained in more detail below.

28 Changes resulting from reclassification and new accounting standards (continued)

Impact on Balance Sheet as at 31 December 2017

	Note	As originally reported 31 December 2017 £ 000	IFRS 15 adjustments £ 000	As restated 31 December 2017 £ 000
Fixed assets				
Tangible assets		64,336	-	64,336
Intangible assets		68	-	68
		64,404	-	64,404
Current assets				
Stocks	1	81,028	(4,936)	76,092
Debtors: amounts falling due after more than one year		111,880	-	111,880
Debtors: amounts falling due within one year	1	1,433,628	27,103	1,460,731
Cash at bank and in hand		21,539	-	21,539
		1,648,075	22,167	1,670,242
Creditors: Amounts falling due within one year	1	(1,058,025)	(26,394)	(1,084,419)
Net current assets		590,050	(4,227)	585,823
Total assets less current liabilities		654,454	(4,227)	650,227
Creditors: Amounts falling due after more than one year		(6,260)	-	(6,260)
Provisions for liabilities		(71,865)	10,800	(61,065)
Net assets excluding pension liability		576,329	6,573	582,902
Net pension liability		(656,461)	-	(656,461)
Net liabilities		(80,132)	6,573	(73,559)
Equity				
Called up share capital		100,000	-	100,000
Other reserves		127	-	127
Profit and loss account		(180,259)	6,573	(173,686)
Shareholders' deficit		(80,132)	6,573	(73,559)

28 Changes resulting from reclassification and new accounting standards (continued)

Impact on Profit and Loss Account for the year ended 31 December 2017

	Note	As originally reported 31 December 2017 £ 000	IFRS 15 adjustments £ 000	As restated 31 December 2017 £ 000
Turnover	1	522,641	(38,350)	484,291
Cost of sales		(417,433)	39,584	(377,849)
Gross profit		105,208	1,234	106,442
Administrative expenses		(131,264)	-	(131,264)
Exceptional impairment of goodwill		(77,710)	-	(77,710)
Total administrative expenses		208,974	-	208,974
Other operating income		5,579	-	5,579
Operating loss		(98,187)	1,234	(96,953)
Interest receivable and similar income		1,573	-	1,573
Interest payable and similar expenses		(20,639)	-	(20,639)
Loss before tax		(117,253)	1,234	(116,019)
Tax on loss		(16,701)	-	(16,701)
Loss for the period		(133,954)	1,234	(132,720)

The nature of these adjustments as a result of adopting IFRS 15 are described below:

Turnover, cost of sales, debtors, creditors and stocks
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.

An adjustment to increase opening reserve by £1,234,000 as at 31 December 2017 has been made to reflect the deferred of revenue recognition required by the assessment of various performance obligations under some of the company's contract. As a result of the changes in revenue recognition this require adjustment to contract assets, contract liabilities and work in progress.