

Registration number: 03320928

GE Financial Investments

Annual Report and Financial Statements

for the Year Ended 31 December 2018



GE Financial Investments

Contents

Director's Report	1 to 2
Statement of Director's Responsibilities	3
Independent Auditor's Report to the Members of GE Financial Investments	4 to 6
Profit and Loss Account and Other Comprehensive Income	7
Balance Sheet	8
Statement of Changes in Equity	9
Notes to the Financial Statements	10 to 20

GE Financial Investments

Director's Report

The director presents his report and the financial statements for the year ended 31 December 2018.

Principal activity

The principal activity of the company is to provide financing to subsidiary undertakings of General Electric Company. These financial statements have been prepared in US dollars.

The company has net assets of \$83,516,000 (2017 as restated: \$79,138,000) of which \$60,380,000 (2017: \$59,230,000) is due from fellow GE group companies.

Results and dividends

The profit for the year, after taxation, amounted to \$4,378,000 (2017 as restated loss: \$1,301,000).

The director does not recommend the payment of a dividend (2017: \$nil).

Directors of the company

The director who held office during the year and up to the date of the director's report was as follows:

J L J Gatt

Prior period adjustment

The company is liable for tax both in the United States ('US'), to the Internal Revenue Service ('IRS') and in the United Kingdom ('UK'), to HM Revenue & Customs ('HMRC'). Payments to HMRC are made after adjusting for double taxation relief (DTR) for the tax already incurred in the US, if any.

Under US tax rules, in the event that any tax is paid to HMRC in the UK, the company gets a tax credit in the US for the amount of UK tax paid.

(1) In 2015 the company paid \$19,798,817 to HMRC in respect of the 2009 tax year and recorded this as a charge to the profit and loss account in the 2015 financial statements. This tax payment resulted from a reduction in the amount of US tax paid and therefore reduced the DTR available to the company in the UK in respect of the 2009 tax year.

As this \$19,798,817 can be recovered from the IRS, it should not have been recorded as a charge to the profit and loss account in the year ended 31 December 2015 but should have been instead recorded as a receivable from the IRS. The retained earnings as at 1 January 2017 have been restated to reflect this.

(2) The payment of \$19,798,817 to HMRC resulted in a sequence of amendments to both US and UK tax returns for the 2009 tax year (including any applicable carry back to 2008) and a receivable from the IRS of \$61,808,324 (inclusive of adjustment (1) above) and payable to HMRC of \$35,743,743 (after reflecting the payment made to HMRC in 2015 and the cumulative foreign exchange impact) as at 31 December 2017.

As the receivable from the IRS of \$61,808,324 (inclusive of adjustment (1) above) and payable to HMRC of \$35,743,743 are receivable and payable from and to different tax authorities, they should be presented separately. The balance sheet at 31 December 2017 has been restated to reflect this, together with the resulting net foreign exchange gain.

GE Financial Investments

Director's Report

(3) The sequence of amendments to both US and UK tax returns for the 2009 tax year, referred to above, will span a number of years and the receivable balance from IRS and payable balance to HMRC accrue interest over that period, as per the UK and US tax laws.

At 1 January 2017 the interest payable accrued was understated by \$6,143,828 and the interest receivable was understated by \$3,616,841 and the net effect of \$2,526,987 has been adjusted by decreasing retained earnings as at 1 January 2017.

In the year ended 31 December 2017, the interest was accrued for the receivable balances from IRS up to the estimated payment dates of those balances. The interest accrued for the payable balances to HMRC were increased to fully accrue for interest due up to the estimated payment dates (post 31 December 2017). Both interest receivable and interest payable should only have been accrued up to the reporting period end.

An adjustment has been posted to correct the profit and loss account for the year ended 31 December 2017 for this overstatement of interest expense by \$7,607,290 (representing a correction of overstated interest of \$8,592,987 offset by a foreign exchange loss of \$985,697 on the interest accrued), the overstatement of interest income by \$5,038,151 and the understatement of the profit and loss for the year by \$2,569,139 (comprising both interest movements and foreign exchange loss). The balance sheet as at 31 December 2017, has been restated to reflect the overstatement of interest payable by \$1,463,462 and the overstatement of interest receivable by \$1,421,310.

Please refer to note 18 for further details.

Director's liabilities

The director has 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 director's report.

Disclosure of information to the auditor

The director has taken steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information. The director confirms that there is no relevant information that he knows of and of which he knows 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 director on 14/11/19

J L J Gott
Director

GE Financial Investments

Statement of Director's Responsibilities

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

Company law requires the director to prepare financial statements for each financial year. Under that law the director has 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 director must not approve the financial statements unless he is satisfied that he gives 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 director is 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 he either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The director is 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 him to ensure that the financial statements comply with the Companies Act 2006. He is responsible for such internal control as he determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and has general responsibility for taking such steps as are reasonably open to him 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 Financial Investments

Opinion

We have audited the financial statements of GE Financial Investments ("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 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.

Going concern

The director has prepared the financial statements on the going concern basis as he does not intend to liquidate the company or to cease its operations, and as he has concluded that the company's financial position means that this is realistic. He has 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 director's 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.

Independent Auditor's Report to the Members of GE Financial Investments

Director's Report

The director is responsible for the Director's Report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the Director's 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 Director's Report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has 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 director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the director was not entitled to take advantage of the small companies exemption from the requirement to prepare a Strategic Report.

We have nothing to report in these respects.

Director's responsibilities

As explained more fully in his statement set out on page 3, the director is responsible for: the preparation of the financial statements and for being satisfied that he gives a true and fair view; such internal control as he determines 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 he either intends to liquidate the company or to cease operations, or has 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.

Independent Auditor's Report to the Members of GE Financial Investments

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.



Nigel Harker (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

15 Canada Square
Canary Wharf
London
E14 5GL

Date: 15 November 2019

GE Financial Investments

Profit and Loss Account and Other Comprehensive Income for the Year Ended 31 December 2018

		2018	As restated*
	Note	\$ 000	2017 \$ 000
Administrative income/(expenses)		2,753	(2,444)
Other operating income		-	552
Operating profit/(loss)	5	2,753	(1,892)
Interest receivable and similar income	8	2,664	1,583
Interest payable and similar expenses	9	(1,039)	(992)
Profit/(loss) before tax		4,378	(1,301)
Tax on profit/(loss)	10	-	-
Profit/(loss) for the financial year		4,378	(1,301)
Other comprehensive income		-	-
Total comprehensive income/(loss) for the year		<u>4,378</u>	<u>(1,301)</u>

The above results were derived from continuing operations.

*See note 18

GE Financial Investments

Registration number: 03320928

Balance Sheet as at 31 December 2018

	Note	2018 \$ 000	As restated* 2017 \$ 000
Current assets			
Debtors: amounts falling due within one year	11	81,927	59,230
Debtors: amounts falling due after more than one year	11	<u>46,381</u>	<u>66,414</u>
		128,308	125,644
Creditors: Amounts falling due within one year	13	<u>(7,380)</u>	<u>-</u>
Net current assets		<u>120,928</u>	<u>125,644</u>
Total assets less current liabilities		120,928	125,644
Creditors: Amounts falling due after more than one year	14	<u>(37,412)</u>	<u>(46,506)</u>
Net assets		<u>83,516</u>	<u>79,138</u>
Capital and reserves			
Called up share capital	15	-	-
Profit and loss account		<u>83,516</u>	<u>79,138</u>
Shareholders' funds		<u>83,516</u>	<u>79,138</u>

*See note 18

Approved by the director on 14/11/19

J. L. Gott
Director

GE Financial Investments

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

	Called up share capital \$ 000	Profit and loss account \$ 000	Total \$ 000
At 1 January 2018	-	79,138	79,138
Comprehensive income for the year			
Profit for the year	-	4,378	4,378
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	4,378	4,378
At 31 December 2018	-	83,516	83,516

	Called up share capital \$ 000	Profit and loss account \$ 000	Total \$ 000
At 1 January 2017 (as previously stated)	-	54,625	54,625
Prior period adjustment (note 18)	-	25,814	25,814
At 1 January 2017 (as restated)	-	80,439	80,439
Comprehensive loss for the year			
Loss for the year (as previously stated)	-	(1,594)	(1,594)
Prior period adjustment (note 18)	-	293	293
Loss for the year (as restated)	-	(1,301)	(1,301)
Other comprehensive income	-	-	-
Total comprehensive loss for the year (as restated)	-	(1,301)	(1,301)
At 31 December 2017 (as restated)	-	79,138	79,138

GE Financial Investments

Notes to the Financial Statements

1 General information

The company is a private unlimited company, registered in England, incorporated and domiciled in the United Kingdom.

The address of its registered office is:

3rd Floor
1 Ashley Road
Altrincham
Cheshire
WA14 2DT

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

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

Basis of preparation

The financial statements have been prepared 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).

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.

Changes in accounting policy

In the current year the company has adopted new accounting standard IFRS 9: *Financial Instruments*. An explanation of the impact of the adoption of this new standard is included in note 17.

GE Financial Investments

Notes to the Financial Statements

2 Accounting policies (continued)

Summary of disclosure exemptions

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

- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 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.

Going concern

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

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.

GE Financial Investments

Notes to the Financial Statements

2 Accounting policies (continued)

Functional currency

The company's transactions are principally US dollar denominated. Since this is the operational currency, the accounts have been prepared in US dollars.

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.

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

GE Financial Investments

Notes to the Financial Statements

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.

3 Critical accounting judgements and key sources of estimation uncertainty

The director considers there are no critical accounting estimates or judgments identified in preparation of the financial statements in compliance with FRS 101.

4 Auditor's remuneration

Remuneration of \$10,000 (2017: \$9,600) paid to the auditor for their services to the company was borne by a fellow group undertaking.

GE Financial Investments

Notes to the Financial Statements

5 Operating profit/(loss)

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

	2018	As restated 2017
	\$ 000	\$ 000
Difference on foreign exchange	(2,752)	2,933

6 Staff costs

The company had no employees during the year (2017: nil).

7 Director's remuneration

The director did not receive any remuneration in respect of services to the company during the current or preceding financial year.

The director is/was also a director of a group undertaking and does not specifically receive any remuneration in respect of the company. It was not possible to determine an appropriate proportion of his services on behalf of the company.

8 Interest receivable and similar income

	2018	As restated 2017
	\$ 000	\$ 000
Interest on overpaid tax	1,514	989
Interest receivable from group companies	1,150	594
	<u>2,664</u>	<u>1,583</u>

Interest on overpaid tax relates to the 2009 tax period.

9 Interest payable and similar expenses

	2018	As restated 2017
	\$ 000	\$ 000
Interest on overdue tax	<u>1,039</u>	<u>992</u>

Interest on overdue tax relates to the 2009 tax period.

GE Financial Investments

Notes to the Financial Statements

10 Taxation

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

	2018 \$ 000	2017 \$ 000
Current taxation		
UK corporation tax	-	-
Deferred taxation		
Origination and reversal of temporary differences	407	-
Effect of changes to tax rates	(43)	-
Adjustment in respect of prior year	(364)	-
Total deferred taxation	-	-
Tax expense/(receipt) in the statement of comprehensive income	-	-

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	As restated 2017 \$ 000
Profit/(loss) before tax	4,378	(1,301)
Corporation tax at standard rate	832	(251)
Adjustment to tax charge in respect of prior year	(364)	-
Effect of change in tax rate	(43)	-
Expenses not deductible for tax purposes	402	2
Group relief for \$nil consideration	(827)	305
Other	-	(56)
Total tax charge/(credit)	-	-

GE Financial Investments

Notes to the Financial Statements

10 Taxation (continued)

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.

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

There were no amounts of provided or unprovided deferred taxation as at 31 December 2018 or 31 December 2017.

11 Debtors

	2018 \$ 000	As restated 2017 \$ 000
Due after more than one year		
Other debtors	46,381	66,414
Due within one year		
Amounts owed by group undertakings	60,380	59,230
Other debtors	21,547	-
	<u>81,927</u>	<u>59,230</u>

12 Contingent liabilities

The company is in dispute with HMRC regarding whether the UK or the US has primary taxing rights over the company's income for the years 2003 to 2009. HMRC has issued closure notices to the company, which have been appealed by the company to the Tax Tribunal. The impact on the company of the final judgement will be limited to the net amount of tax and interest paid to one jurisdiction and receivable of tax and interest from the other. Given the uncertainty of the final judgement, the company is unable to quantify the amount, if any, of the tax impact of this item.

13 Creditors: Amounts falling due within one year

	2018 \$ 000	As restated 2017 \$ 000
Corporation tax payable	<u>7,380</u>	<u>-</u>

GE Financial Investments

Notes to the Financial Statements

14 Creditors: falling due after more than one year

	2018 \$ 000	As restated 2017 \$ 000
Corporation tax payable	26,247	35,744
Other creditors	11,165	10,762
	<u>37,412</u>	<u>46,506</u>

15 Share capital

Allotted, called up and fully paid shares

	No.	2018 \$	No.	2017 \$
Ordinary shares of £1 each	2	3	2	3
Ordinary shares of \$1 each	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>
	<u>102</u>	<u>103</u>	<u>102</u>	<u>103</u>

16 Ultimate parent undertaking and controlling party

The company's immediate parent undertakings are GE Capital Realty Group, Inc., Property Acquisition Initiative, Inc. and GEBAM, Inc., each owning one third of the company's issued share capital. All three entities are incorporated in the United States of America and have their registered office at 901 Main Avenue, Norwalk, Connecticut, USA.

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.

17 Changes resulting from adoption of IFRS 9

The company adopted IFRS 9 *Financial Instruments* with effect from 1 January 2018. 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.

GE Financial Investments

Notes to the Financial Statements

18 Prior period adjustment

The company is liable for tax both in the United States ('US'), to the Internal Revenue Service ('IRS') and in the United Kingdom ('UK'), to HM Revenue & Customs ('HMRC'). Payments to HMRC are made after adjusting for double taxation relief (DTR) for the tax already incurred in the US, if any.

Under US tax rules, in the event that any tax is paid to HMRC in the UK, the company gets a tax credit in the US for the amount of UK tax paid.

(1) In 2015 the company paid \$19,798,817 to HMRC in respect of the 2009 tax year and recorded this as a charge to the profit and loss account in the 2015 financial statements. This tax payment resulted from a reduction in the amount of US tax paid and therefore reduced the DTR available to the company in the UK in respect of the 2009 tax year.

As this \$19,798,817 can be recovered from the IRS, it should not have been recorded as a charge to the profit and loss account in the year ended 31 December 2015 but should have been instead recorded as a receivable from the IRS. The retained earnings as at 1 January 2017 have been restated to reflect this.

(2) The payment of \$19,798,817 to HMRC resulted in a sequence of amendments to both US and UK tax returns for the 2009 tax year (including any applicable carry back to 2008) and a receivable from the IRS of \$61,808,324 (inclusive of adjustment (1) above) and payable to HMRC of \$35,743,743 (after reflecting the payment made to HMRC in 2015 and the cumulative foreign exchange impact) as at 31 December 2017.

As the receivable from the IRS of \$61,808,324 (inclusive of adjustment (1) above) and payable to HMRC of \$35,743,743 are receivable and payable from and to different tax authorities, they should be presented separately. The balance sheet at 31 December 2017 has been restated to reflect this, together with the resulting net foreign exchange gain.

(3) The sequence of amendments to both US and UK tax returns for the 2009 tax year, referred to above, will span a number of years and the receivable balance from IRS and payable balance to HMRC accrue interest over that period, as per the UK and US tax laws.

At 1 January 2017 the interest payable accrued was understated by \$6,143,828 and the interest receivable was understated by \$3,616,841 and the net effect of \$2,526,987 has been adjusted by decreasing retained earnings as at 1 January 2017.

In the year ended 31 December 2017, the interest was accrued for the receivable balances from IRS up to the estimated payment dates of those balances. The interest accrued for the payable balances to HMRC were increased to fully accrue for interest due up to the estimated payment dates (post 31 December 2017). Both interest receivable and interest payable should only have been accrued up to the reporting period end.

GE Financial Investments

Notes to the Financial Statements

18 Prior period adjustment (continued)

An adjustment has been posted to correct the profit and loss account for the year ended 31 December 2017 for this overstatement of interest expense by \$7,607,290 (representing a correction of overstated interest of \$8,592,987 offset by a foreign exchange loss of \$985,697 on the interest accrued), the overstatement of interest income by \$5,038,151 and the understatement of the profit and loss for the year by \$2,569,139 (comprising both interest movements and foreign exchange loss). The balance sheet as at 31 December 2017, has been restated to reflect the overstatement of interest payable by \$1,463,462 and the overstatement of interest receivable by \$1,421,310.

Impact on Balance Sheet as at 31 December 2017

	As originally reported		Restatements		As restated
	31 December 2017				31 December 2017
	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
Current assets					
Debtors: amounts falling due within one year	60,854	-	-	(1,624)	59,230
Debtors: amounts falling due after more than one year	4,403	19,799	42,009	203	66,414
	65,257	19,799	42,009	(1,421)	125,644
Creditors: Amount falling due within one year	(2,653)	-	-	2,653	-
Net current assets	62,604	19,799	42,009	1,232	125,644
Creditors: Amount falling due after more than one year	(9,573)	-	(35,744)	(1,189)	(46,506)
Net assets	53,031	19,799	6,265	43	79,138
Capital and reserves					
Share capital	-	-	-	-	-
Retained earnings	53,031	19,799	6,265	43	79,138
Shareholders' funds	53,031	19,799	6,265	43	79,138

GE Financial Investments

Notes to the Financial Statements

18 Prior period adjustment (continued)

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

	As originally reported 31 December 2017 \$ 000	Restatement \$ 000	As restated 31 December 2017 \$ 000
Administrative income/(expenses)	818	(3,262)	(2,444)
Other operating income	552	-	552
Operating profit/(loss)	1,370	(3,262)	(1,892)
Interest receivable and similar income	6,621	(5,038)	1,583
Interest payable and similar expenses	(9,585)	8,593	(992)
Loss before tax	(1,594)	293	(1,301)
Tax on loss	-	-	-
Loss for the year	<u>(1,594)</u>	<u>293</u>	<u>(1,301)</u>