Registration number: 03601645

GE Capital European Treasury Services Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2018

GE Capital European Treasury Services Limited

Contents

GE Capital European Treasury Services Limited

Strategic Report

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

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

The results of the company show a profit after tax of $34,299,000 (2017: $31,711,000).

On 14 November 2018, the company's immediate parent undertaking, GE Capital Investments, transferred its entire shareholding in the company (comprising 300 ordinary shares of £1 each) to GE Capital International Holdings Limited.

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

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

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

Key performance indicators
The directors have determined profit after tax to be a key performance indicator. The results of the company show a profit after tax of $34,299,000 (2017: $31,711,000).

The net assets of the company are $134,950,000 (2017: $140,488,000).

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

Approved by the Board on 27 September 2019 and signed on its behalf by:

....
A P Mathur
Director

GE Capital European Treasury Services 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 is to act as a provider of finance to subsidiary undertakings of General Electric Company, a company incorporated in the United States of America.

Results and dividends
The profit for the year, after taxation, amounted to $34,299,000 (2017: $31,711,000).

The directors do not recommend the payment of a dividend (2017: $nil).

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

A P Mathur

T Lane (resigned 13 May 2019)

S Pounch (appointed 13 May 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.

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

Approved by the Board on 27 September 2019 and signed on its behalf by:

....
A P Mathur
Director

GE Capital European Treasury Services Limited

Statement of Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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

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

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

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

Opinion

We have audited the financial statements of GE Capital European Treasury Services Limited ("the company") for the year ended 31 December 2018, which comprise , 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.

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

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as the loan impairment and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

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

Going concern

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

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

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

Strategic Report and Directors' Report

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

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

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

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

Directors' responsibilities
As explained more fully in their statement set out on page 3, 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.

David Allen

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David Allen (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

Date: 27/9/19

GE Capital European Treasury Services Limited

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

	Note	2018 $ 000	2017 $ 000
Interest receivable and similar income	4	1,337,766	641,105
Interest payable and similar expenses	5	(1,315,513)	(610,251)
Net interest income		22,253	30,854
Administrative expenses		(142)	(293)
Impairment loss provision		11,383	-
Other operating income	6	805	632
Profit before taxation		34,299	31,193
Tax on profit	10	-	518
Profit for the year		34,299	31,711
Other comprehensive income		(4,554)	-
Total comprehensive income for the year		29,745	31,711

The above results were derived from continuing operations.

GE Capital European Treasury Services Limited

Registration number: 03601645

Balance Sheet
as at 31 December 2018

	Note	2018 $ 000	2017 $ 000
Current assets			
Debtors	11	24,933,496	56,422,633
Cash at bank and in hand		-	1,432
		24,933,496	56,424,065
Creditors: Amounts falling due within one year	12	(24,798,546)	(56,283,577)
Net current assets		134,950	140,488
Net assets		134,950	140,488
Capital and reserves			
Called up share capital	14	1	1
Share premium account		119,534	119,534
Foreign exchange retranslation reserve		(53,403)	(53,403)
Profit and loss account		68,818	74,356
Shareholders' funds		134,950	140,488

Approved by the Board on 27 September 2019 and signed on its behalf by:

....

A P Mathur
Director

GE Capital European Treasury Services Limited

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

	Called up share capital $ 000	Share premium account $ 000	Foreign exchange retranslation reserve $ 000	Profit and loss account $ 000	Total $ 000
At 1 January 2018	1	119,534	(53,403)	74,356	140,488
Changes on initial application of IFRS 9 (note 18)	-	-	-	(35,283)	(35,283)
At 1 January 2018 (as restated)	1	119,534	(53,403)	39,073	105,205
Comprehensive income for the year					
Profit for the year	-	-	-	34,299	34,299
Other comprehensive income	-	-	-	(4,554)	(4,554)
Total comprehensive income	-	-	-	29,745	29,745
At 31 December 2018	1	119,534	(53,403)	68,818	134,950

	Called up share capital $ 000	Share premium account $ 000	Foreign exchange retranslation reserve $ 000	Profit and loss account $ 000	Total $ 000
At 1 January 2017	1	119,534	(53,403)	42,645	108,777
Comprehensive income for the year					
Profit for the year	-	-	-	31,711	31,711
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	31,711	31,711
At 31 December 2017	1	119,534	(53,403)	74,356	140,488

Other comprehensive income relates to foreign exchange losses on translation of historical reserve balances to USD.

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:
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 except that the following assets and liabilities are stated at their fair value:

-short term assets and liabilities are measured at fair value

2 Accounting policies (continued)

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 18.

Summary of disclosure exemptions
The company has taken advantage of the following disclosure exemptions under FRS 101:
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
• paragraph 79(a)(iv) of IAS 1;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 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 their assessment of the company's financial position and resources, the directors believe that the company is well placed to manage its business risks. Therefore the company's directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Foreign currency transactions and balances
The accounts are presented in US Dollar which is the company's functional and presentational currency.

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

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 credit 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)

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.

Interest

Interest income and expense are recognised in profit or loss using the EIR method. The effective interest rate is the rate that discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the company estimates future cash flows considering all contractual terms of the financial instruments but not, in the case of financial assets, future credit losses.

The calculation of the effective interest rate includes all fees paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability.

Interest income and expense presented in the Profit and Loss Account include interest on financial assets and financial liabilities at amortised cost on an effective interest rate basis.

Financial instruments

Initial recognition

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

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

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

2 Accounting policies (continued)

Financial instruments (continued)

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

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

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

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

The classification and the basis for measurement are subject to the company's business model for managing financial assets and liabilities and the contractual cash flow characteristics of the financial assets. Accordingly, all financial assets and liabilities are subsequently measured at amortised cost.

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.

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

2 Accounting policies (continued)

Financial instruments (continued)

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

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

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

Derivative financial instruments

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

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

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

Forward contracts

Forward contracts are recognised at fair value. Attributable costs are recognised in the Profit and Loss Account when incurred. Subsequent to initial recognition, forward contracts are measured at fair value, and changes therein are accounted for in the Profit and Loss Account.

2 Accounting policies (continued)

Financial instruments (Policy applicable before 1 January 2018)

Financial Assets

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

All financial assets are recognized initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.
Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.
The Company's financial assets include cash at bank, investments, trade and other assets, loan notes and derivative financial instruments.

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

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

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

2 Accounting policies (continued)

Amounts owed by group undertakings (Policy applicable before 1 January 2018)
Loans and advances including debtors are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Company does not intend to sell immediately or in the near term.

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the EIR method, except when the Company chooses to carry the loans and receivables at fair value through profit or loss as described in the accounting policies.

Amounts owed to group undertakings (Policy applicable before 1 January 2018)
Loans and payables including creditors are non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market.

Loans and payables are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method, except when the Company chooses to carry the loans and payables at fair value through profit or loss as described in the accounting policies.

3 Critical accounting judgements and key sources of estimation uncertainty

The directors consider there are no critical accounting estimates or judgements identified in preparation of the financial statements in compliance with FRS 101.

4 Interest receivable and similar income

	2018 $ 000	2017 $ 000
Interest receivable from group companies	1,336,182	639,557
Exchange gains from financing activities	1,584	1,548
	1,337,766	641,105

5 Interest payable and similar expenses

	2018 $ 000	2017 $ 000
On bank loans and overdrafts	231	210
On loans from group undertakings	1,315,282	610,041
	1,315,513	610,251

6 Other operating income

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

	2018 $ 000	2017 $ 000
Net gain on financing assets and liabilities at fair value through the profit and loss account	(805)	(632)

7 Auditor's remuneration

	2018 $ 000	2017 $ 000
Audit of the financial statements	26	19

8 Staff costs

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

9 Directors' remuneration

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

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

10 Taxation

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

	2018 $ 000	2017 $ 000
Current taxation		
UK corporation tax	-	(518)

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

The differences are reconciled below:

	2018 $ 000	2017 $ 000
Profit before tax	34,299	31,193
Corporation tax at standard rate	6,517	6,004
Expenses not deductible for tax purposes	10,068	-
Group relief for $nil consideration	(16,585)	(6,004)
Other	-	(518)
Total tax credit	-	(518)

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.

Amounts recognised in other comprehensive income

			2018
	Before tax $ 000	Tax (expense) benefit $ 000	Net of tax $ 000
Foreign currency translation gains/(losses)	(4,554)	-	(4,554)

GE Capital European Treasury Services Limited

Notes to the Financial Statements

10 Taxation (continued)

Deferred tax

There are $9,009,000 of deductible temporary differences (2017: $Nil) for which no deferred tax asset is recognised in the balance sheet.

11 Debtors

	2018 $ 000	2017 $ 000
Amounts owed by group undertakings	24,916,804	56,404,585
Tax recoverable	5,644	5,980
Other debtors	11,048	12,068
	24,933,496	56,422,633

12 Creditors: Amounts falling due within one year

	2018 $ 000	2017 $ 000
Accruals and deferred income	-	19
Amounts owed to group undertakings	24,798,324	56,283,420
Derivative financial instruments - liabilities	222	138
	24,798,546	56,283,577

13 Ongoing litigation case

The company had no commitments under cancellable or non-cancellable operating leases as at 31 December 2018 or 31 December 2017.

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

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

14 Share capital

Allotted, called up and fully paid shares

	No.	2018 $	No.	2017 $
Ordinary Shares of £1 each	300	600	300	600

15 Financial instruments and associated risks

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

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

(a) Market risks

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's / issuer's credit standing) will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Management of market risks

The principal market risks faced by the company are currency risk and interest rate risks.

(i) Currency risk

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

15 Financial instruments and associated risks (continued)

All amounts stated in USD '000	Monetary assets	Monetary liabilities	Forwards FX contracts	Net exposure
31 December 2018				
INR	11,048	-	(10,740)	308

All amounts stated in USD '000	Monetary assets	Monetary liabilities	Forwards FX contracts	Net exposure
31 December 2017				
INR	12,068	-	(11,849)	219

(ii) Interest rate risk

Interest rate sensitivity

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

(b) Liquidity risk

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

The company's principal objective is to ensure that there is sufficient funding available to meet operational needs, at an optimum cost. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meets its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation. The company has access to cash from GE Capital European Treasury Services Ireland Unlimited Company, thus reducing its liquidity risk.

The liquidity position is monitored on a regular basis.

15 Financial instruments and associated risks (continued)

All amounts stated in USD '000

31 December 2018

Non derivative liabilities	**Carrying amount**	**Gross nominal inflow/ (outflow)**	**Less than 1 month**	**1-3 months**	**3 months to 1 year**	**1-5 years**	**More than 5 years**
Loans and advances from group undertakings	(24,798,324)	(24,798,324)	(24,798,324)	-	-	-	-
	(24,798,324)	(24,798,324)	(24,798,324)	-	-	-	-
Derivative liabilities							
Outflow	(222)	(222)	-	(222)	-	-	-
Inflow	-	-	-	-	-	-	-
	(222)	(222)	-	(222)	-	-	-
Total	**(24,798,546)**	**(24,798,546)**	**(24,798,324)**	**(222)**	-	-	-

15 Financial instruments and associated risks (continued)

All amounts stated in USD '000

31 December 2017

Non derivative liabilities	Carrying amount	Gross nominal inflow/ (outflow)	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
Loans and advances from group undertakings	(56,283,420)	(56,283,420)	(56,283,420)	-	-	-	-
Other liabilities	(19)	(19)	-	-	(19)	-	-
	(56,283,439)	(56,283,439)	(56,283,420)	-	(19)	-	-
Derivative liabilities							
Outflow	(138)	(138)	-	(138)	-	-	-
Inflow	-	-	-	-	-	-	-
	(138)	(138)	-	(138)	-	-	-
Total	(56,283,577)	(56,283,577)	(56,283,420)	(138)	(19)	-	-

(c) Credit risk

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

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

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

• Formulating credit policies in consultation with businesses.

• Establishing the authorisation structure for the approval and renewal of credit facilities.

• Reviewing and assessing credit risk. The directors assesses all credit exposures prior to facilities being committed to customers. These facilities are subject to periodic review based on the overall associated risk as determined by the management.

15 Financial instruments and associated risks (continued)

Applicable after 1 January 2018:

Allowances for impairment
The Company establishes an allowance for impairment losses on assets carried at amortised costs based on the ECL model as required by IFRS 9.

IFRS 9 outlines at 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:
- A financial asset that is not credit-impaired on initial recognition is classified in 'Stage 1'
- If a significant increase in credit risk since initial recognition is identified, the financial asset is moved to 'Stage 2' but is not yet determined to be credit-impaired. Please refer to Note 2 for how the Company defines a significant increase in credit risk.
- If the financial asset is credit-impaired it is moved to 'Stage 3'. Please refer to Note 2 for a description of how the Company defines credit-impaired and default.
- Financial instruments in Stage 1 have their ECLs measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible in the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.

It is considered that all loans and advances are Stage 1, as all loans are to GEC affiliates and interest and principal are paid in a timely manner as per the terms of the loan agreements. No previous impairments have been recognised in respect of the borrowers under IAS 39 and there is no history of default. Additionally, the Company has determined that the credit risk on financial assets has not significantly increased since initial application.

Measuring ECL - explanation of inputs, assumptions and estimation techniques:
The ECL is measured on either a 12-month or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired.

ECLs are the discounted product of Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation either in the next 12 months or the remaining lifetime of the obligation. The PD for the Company is considered low as all loans are to GEC affiliates. S&Ps 'Credit Model' is used to assign a rating to internal GEC entities. This model produces outputs on the S&P rating scale. Reviewing S&P's model documents confirms that the "Credit Model" rating output maps directly to the S&P scale. Since the S&P rating is the industry reference, this is also used to set the GE Obligor Rating (OR) scale which was directly mapped to the S&P scale, which in turn assigns a PD
- EAD is based on the amounts the Company expects to be owed at the time of default. For revolving credit agreements (RCAs), the Company includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.
- The discount rate used in the ECL calculation is determined to be the original effective interest rate on the loan (market rate of interest).

15 Financial instruments and associated risks (continued)

Incorporation of forward-looking information:

GE utilise an internally developed Term Structure model, which is built out of a forward-looking process, given actual and future macroeconomic environment. One of the fundamental components of the model resides in the Moody's Expected Default Frequency ("EDF") model, which derives, with a very high accuracy, a 1 year forward looking PD from the current credit cycle conditions. The validity of the EDF model performance, including its strong predictive power, has been evidenced in widely available documentation from Moody's.

As a Merton model, the Moody's EDF is highly sensitive to stock market movements, thus Stock Market Indexes such as S&P500 for US or FTSE for Europe have been identified as the best macroeconomic information to be utilized for economic scenarios beyond 1 year.

In this model, the Upturn/Downturn scenarios could be seen as confidence intervals around the base scenario. More precisely, the model scenarios are constructed based on an EDF-derived credit index and using the quantiles of the residual distribution from an ARIMA model to decrease/increase the current (Base scenario) value of the credit index to achieve upside/downside states.

The forward-looking underlying model provides a point in time estimate at 1 year horizon given current conditions, and forecast beyond this time horizon are calculated from the projection of the macroeconomic indexes described above. As the Company's loans are all deemed to be at Stage 1, it was deemed appropriate to not look at forecasts and scenarios beyond 1 year.

The following table provides information about exposure to credit risk and ECLs for the company as at 31 December 2018:

	S&P ratings	**Gross carrying amount**	**Impairment loss allowance**	**Credit impaired**
	(USD '000)	**(USD '000)**	**(USD '000)**	**(USD '000)**
Low risk				
Amounts owed by Group undertakings	A-	24,940,704	23,900	No

Measuring ECL - explanation of inputs, assumptions and estimation techniques (continued):

The movement in the allowance for impairment in respect of loans and advances to GEC affiliates during the reporting period was as follows:

	(USD '000)
Balance at 1 January 2018	35,283
Decrease in loss allowance	(11,383)
Balance at 31 December 2018	23,900

15 Financial instruments and associated risks (continued)

**The company has initially applied IFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated. See Note 18 for further details.*

The decrease in loss allowance is mainly attributable to the decrease in lending activity in the year.
The opening balance of loss allowance has been reflected directly in retained earnings. The decrease in loss allowance has been reflected in 'impairment losses provision' in the statement of profit or loss.

Applicable before 1 January 2018 :
Impaired loans
Individually impaired loans are loans and advances for which the Company determines that there is objective evidence of impairment and it does not expect to collect all principal and interest due according to the contractual terms of the loan agreement(s).

Past due but not impaired loans
Past due but not impaired loans are those for which contractual interest or principal payments are past due, but the Company believes that impairment is not appropriate on the basis that there has been no indicators of impairment and, in particular the following have not occurred:
• Delinquency by the borrower;
• Restructuring of a loan or advance by the Company and Group on terms that the Company and Group would not otherwise consider;
• Indications that a borrower will enter bankruptcy.

Allowances for impairment
The company and Group establishes an allowance for impairment losses on assets carried at amortised costs that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures and, for assets measured at amortised cost.

Applicable for 2017 and 2018:

Write-off policy
The company and Group write off loans and advances when they are determined to be uncollectable. All amounts owed by group undertakings were made to GEC Group companies and payments were received as they fell due. There were no write-offs in the year ended 31 December 2018 (2017: USD Nil).

15 Financial instruments and associated risks (continued)

For each periodic review; a comprehensive due diligence is carried out on each borrower. The company's accounting policy is to impair loans and other advances when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably. For the year ended 31 December 2018, the directors conducted an impairment review of the company's loans and advances. Following this review, a decision was made not to write down the carrying value of loans and advances. The carrying amount of all other loans and advances was reviewed at 31 December 2018 and it was determined that no further impairments were required (2017: $nil).

Concentration of derivative assets by geographical location, after consideration of risk mitigants.

The directors monitor the concentration of credit risk by geographical location.

An analysis of the company's amounts owed by group undertakings by geographical location, after *consideration of risk mitigants, calculated on a net counterparty basis is presented below:*

	2018	2017
	(USD '000)	(USD '000)
Concentration by location		
Affiliated companies		
North America	-	-
Europe	24,916,804	56,404,585
Asia Pacific	-	-
Middle East and Africa	-	-
	24,916,804	56,404,585

15 Financial instruments and associated risks (continued)

Amounts owed by group undertakings exposure by counterparty credit rating, after consideration of risk mitigants:

	2018 (USD '000)	2017 (USD '000)
Affiliated companies		
AAA	-	-
AA	-	-
A	-	56,404,585
BBB	24,916,804	-
BB or lower	-	-
	24,916,804	56,404,585

Credit quality of financial assets and impairment losses

The ageing of trade receivables at the balance sheet date was:

Type of Contract	Maturity	Gross 2018 (USD '000)	Impairment 2018 (USD '000)	Gross 2017 (USD '000)	Impairment 2017 (USD '000)
Debtors	Not passed due	24,916,804	-	56,404,585	-
	Past due [0-30 days]	-	-	-	-
	Past due [31-120 days]	-	-	-	-
	More than 120 days	-	-	-	-
		24,916,804	-	56,404,585	-

(d) Specific instruments

(i) Financial derivative instruments

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

15 Financial instruments and associated risks (continued)

(ii) Forward contracts

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

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

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

The following forward foreign exchange contracts were unsettled at 31 December 2018:

To nearest currency

Currency sold	Currency amount sold	Currency bought	Currency amount bought	Settlement date	Fair value
INR	770,810,750	USD	10,740,167	22-Mar-19	(221,543)

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

16 Fair value of financial instruments

Determining fair values

Measurement

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

16 Fair value of financial instruments (continued)

Fair value hierarchy

The company measures fair values using the following hierarchy of methods:

• Level 1 - Quoted market price in an active market for an identical instrument.

• Level 2 - Valuation techniques based on observable inputs. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

• Level 3 - Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs could have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments.

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

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

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

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

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

16 Fair value of financial instruments (continued)

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

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

At 31 December 2018, the carrying amounts of derivative financial assets and derivative financial liabilities classified as Level 2 amount to $nil (2017: $nil) and $221,543 (2017: $247,279). There were no movements between the levels in the current year or prior year.

Fair value of financial assets and financial liabilities

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

	Amortised cost	Fair value through profit or loss (FVTPL)	Fair value through other comprehensive income (FVTOCI)	Total
	USD 000	USD 000	USD 000	USD 000
31 December 2018				
Amounts owed by group undertakings	24,916,804	-	-	24,916,804
Total financial assets	**24,916,804**	**-**	**-**	**24,916,804**
Amounts owed to group undertakings	24,798,324	-	-	24,798,324
Derivative liabilities	-	222	-	222
Total financial liabilities	**24,798,324**	**222**	**-**	**24,798,546**

There were no movements between levels during the year.

16 Fair value of financial instruments (continued)

	Amortised cost	Fair value through profit or loss (FVTPL)	Fair value through other comprehensive income (FVTOCI)	Total
	USD 000	USD 000	USD 000	USD 000
31 December 2017				
Cash at bank	1,432	-	-	1,432
Amounts owed by group undertakings	56,404,585	-	-	56,404,585
Total financial assets	**56,406,017**	**-**	**-**	**56,406,017**
Amounts owed to group undertakings	56,283,420	-	-	56,283,420
Derivative liabilities	-	138	-	138
Total financial liabilities	**56,283,420**	**138**	**-**	**56,283,558**

The term 'financial instruments' includes both financial assets and financial liabilities. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

16 Fair value of financial instruments (continued)

At 31 December 2018, the company held the following financial instruments at fair value and amortised cost:

All amounts stated in USD '000

31 December 2018

	Fair value			Amortised cost			
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Total
Assets							
Amounts owed by group undertakings	-	-	-	-	24,916,804	-	24,916,804
Total assets	**-**	**-**	**-**	**-**	**24,916,804**	**-**	**24,916,804**
Liabilities							
Derivative liabilities	-	222	-	-		-	222
Amounts owed to group undertakings	-	-	-	-	24,798,324	-	24,798,324
Total liabilities	-	**222**	-	-	**24,798,324**	**-**	**24,798,546**

16 Fair value of financial instruments (continued)

All amounts stated in USD '000

31 December 2017

	Fair value			Amortised cost			
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Total
Assets							
Cash at bank	-	-	-	-	1,432	-	1,432
Derivative assets	-	-	-	-	-	-	-
Amounts owned by group undertakings	-	-	-	-	56,404,585	-	56,404,585
Total assets	**-**	**-**	**-**	**-**	**56,406,017**	**-**	**56,406,017**
Liabilities							
Derivative liabilities	-	138	-	-	-	-	138
Amounts owned to group undertakings	-	-	-	-	56,283,420	-	56,283,420
Total liabilities	**-**	**138**	**-**	**-**	**56,283,420**	**-**	**56,283,558**

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

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

16 Fair value of financial instruments (continued)

Foreign exchange rates used for determining fair value

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

2018 INR 0.01433332

2017 INR 0.01561400

The total amount of the change in fair value estimated using a valuation technique, that was recognized in the Profit and Loss Account for the year ended 31 December 2018, amounted to $(804,808) (2017: $19,532).

Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement (e.g., interest rates, volatility, estimated cash flows etc.) and therefore, cannot be determined with precision.

17 Ultimate parent undertaking and controlling party

The company's immediate parent is GE Capital International Holdings Limited, a company registered at 3rd Floor 1 Ashley Road, Altrincham, Cheshire, WA14 2DT, United Kingdom.

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

18 Changes resulting from adoption of IFRS 9 and IFRS 15

The company has initially adopted IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* from 1 January 2018. The adoption of IFRS 15 does not have a material impact on the company's financial statements. A number of other new standards are effective from 1 January 2018 but they do not have a material effect on the company's financial statements.

IFRS 9 Financial Instruments

IFRS 9 sets out the requirements for recognising and measuring financial assets and financial liabilities. It replaces IAS 39 Financial Instruments: Recognition and Measurement.

The following table summarises the impact, net of tax, of transition to IFRS 9 on the opening balance of reserves, retained earnings (for a description of the transition method, see (iii) below)

18 Changes resulting from adoption of IFRS 9 and IFRS 15 (continued)

	Impact of adopting IFRS9 on opening balance
	(USD '000)
Retained earnings	
Impact at 1 January 2018	35,283

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

i) Classification and measurement of financial assets and financial liabilities

The adoption of IFRS 9 has not had a significant effect on the Company' accounting policies related to classification and measurement of financial assets and liabilities and derivative financial instruments.

A Financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss (FVTPL);
- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The effect of adopting IFRS 9 on the carrying value of financial assets at 1 January 2018 relates solely to the new impairment requirements, as further described below.

The following table and the accompanying notes below explain the original measurement categories under IAS39 and the new measurement categories under IFRS 9 for each class of the company's financial assets as at 1 January 2018.

	Original classification under IAS 39	New classification under IFRS9	Original carrying amount under IAS39	New carrying amount under IFRS9
	(USD '000)	(USD '000)	(USD '000)	(USD '000)
Financial assets		-		-
Amounts owed by group undertakings	Amortised cost	Amortised cost	56,404,585	56,369,302
Cash and cash equivalents	Amortised cost	Amortised cost	1,432	1,432
Other receivables	Amortised cost	Amortised cost	12,068	12,068
Total Financial assets			56,418,085	56,382,802

18 Changes resulting from adoption of IFRS 9 and IFRS 15 (continued)

	Original classification under IAS 39	New classification under IFRS9	Original carrying amount under IAS39	New carrying amount under IFRS9
	(USD '000)	(USD '000)	(USD '000)	(USD '000)
Financial Liabilities		-		-
Amounts owed to group undertakings	Amortised cost	Amortised cost	56,283,420	56,283,420
Derivative liabilities	FVTPL	FVTPL	138	138
Other liabilities	Amortised cost	Amortised cost	19	19
Total Financial liabilities			56,283,577	56,283,577

ii) Impairment

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to the company' financial assets measured at amortised cost.

Under IFRS 9, loss allowances are measured on either of the following bases:
• 12 month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
• lifetime ECLs: these are the ECLs that result from all possible default events over the expected life of a financial instrument.

The group measures loss allowances for amounts owed to group undertakings measured at amortised cost as 12-month ECLs.

When determining whether the credit risk of a financial asset has increased significantly since the initial recognition when estimating ECLs, 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 expert credit assessment and including forward looking information.

The company considers a debt security to have a low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The company considers this to be BBB- or higher as per standard and Poor's (S&P) rating scale.

18 Changes resulting from adoption of IFRS 9 and IFRS 15 (continued)

The indicators below are used to identify receivables which have an increase in credit risk and should be individually reviewed for impairment. The triggers which would indicate a significant increase in credit risk are:

1. Are highlighted by the business (i.e., Controllership, Tax or Risk) as potential risks and require further review
2. Has a significant increase in GE Obligor Rating ("OR") rating, being defined as a drop of 4 notches in the original grade (outside of investment grade of BBB-)
3. Where financial assets are 30 days past due.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of cashflows.

ECLs are discounted at the effective interest rate of the financial asset.

Note 16 provides further detail of how expected credit losses are measured.

Credit impaired financial assets

At each reporting date, the company assess whether financial assets carried at amortised cost are credit impaired. Amounts owed to group undertakings are 'credit impaired' when the company determines that there is objective evidence of impairment and it does not expect to collect all principal and interest due according to the contractual terms of the loan agreement(s).

Evidence that a financial asset is credit-impaired include observable data about the following events:

1. Significant financial difficulty of the borrower;
2. Default in the payment of interest or commitment fees which are not rectified within 5 business days on having received notice from the lender;
3. Default in the payment of any other amount due under the terms of the loan agreement and is not rectified within 5 business days on having received notice from the lender;
4. The Lender, for economic or contractual reasons relating to the borrower's financial difficulty, has granted a concession that the lender would not otherwise consider;
5. It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
6. Are flagged by the business (i.e., Controllership, Tax or Risk) as potential risks and require further review;
7. Has a significant increase in OR rating. A significant increase being defined as a drop of 4 notches in the original grade (outside of investment grade of BBB-).

18 Changes resulting from adoption of IFRS 9 and IFRS 15 (continued)

Presentation of impairment

Impairment losses on financial assets measured at amortised cost are deducted from the gross carrying amount of the assets and presented separately in the statement of comprehensive income.

Impact of the new impairment model

The company has determined that the application of IFRS 9's impairment requirements at 1 January 2018 results in an impairment allowance as follows:

	(USD '000)
Loss allowance at 31 December 2017 under IAS 39	
Additional impairments recognised at 1 January 2018 on:	
Loss allowance at 1 January 2018 under IFRS 9	35,283

The loss allowance on initial application of IFRS 9 has been recognised directly in retained earnings in the statement of financial position.

iii) Transition

The company has taken an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements.