Registration number: 08462333

GE Oil & Gas Marine & Industrial UK Ltd.

Annual Report and Financial Statements

for the Year Ended 31 December 2019

GE Oil & Gas Marine & Industrial UK Ltd.

Contents

GE Oil & Gas Marine & Industrial UK Ltd.

Strategic Report

The directors present their strategic report for the year ended 31 December 2019.

Business review
The results of the company show a pre-tax loss of £5,674,000 (2018: £2,014,000) and turnover of £16,773,000 (2018: £5,124,000). In late 2018 a new contract was entered by the company which has become material in 2019 impacting on turnover and profit. The company has progressed other long term contracts during the year which has resulted in increased revenue.

On 1 May 2019, the company's immediate parent undertaking, Vetco Gray Holding, transferred its entire shareholding in the company (comprising 1 ordinary share if £1) to General Electric UK Holdings Ltd (formerly Alstom UK Holdings Ltd.).

Principal risks and uncertainties
The principal risk of the company is the delivery of the long-term contracts which are accounted for overtime. The risks relating to these contracts is the costs incurred and contract profitability which are reviewed on a quarterly basis by the directors to ensure that the contracts do not become onerous.

Key performance indicators (KPIs)
The company's key financial and other performance indicators during the year were as follows:

	2019	**2018**	**Definition, method of calculation**
Change in sales (%)	227%	(59%)	Year on year sales is expressed as a percentage.
Gross margin (%)	31%	(12%)	Gross margin is the ratio of gross profit to sales expressed as a percentage. Change in the gross margin due to change in sales mix, along with increased service sales.

Approved by the Board on 11 August 2020 and signed on its behalf by:

....
J A Wright
Director

GE Oil & Gas Marine & Industrial UK Ltd.

Directors' Report

The directors present their report and the financial statements for the year ended 31 December 2019.

Principal activity
The principal activity of the company is the provision of mechanical engineering for the marine and industrial power market.

Results and dividends
The loss for the year, after taxation, amounted to £5,674,000 (2018: £2,014,000).

The directors do not recommend the payment of a dividend (2018: £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:

J A Wright

A P Dowle

Post balance sheet event
The COVID-19 pandemic, resulting in workforce and travel restrictions, supply chain and production disruptions and reduced demand and spending across many sectors, paired with the collapse of oil prices have significantly impacted global economies. During the latter part of the first quarter of 2020, these factors began having an adverse impact on our operations and financial performance. While the effects of these events cannot be estimated at our report release date, we anticipate many of these impacts related to demand, profitability and cash flows will continue in the foreseeable future depending on the severity and duration of the pandemic. Such effects and the required mitigating actions will continue to be monitored and evaluated by management during the 2020 financial year.

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 the 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.

GE Oil & Gas Marine & Industrial UK Ltd.

Directors' Report

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

Approved by the Board on 11 August 2020 and signed on its behalf by:

....
J A Wright
Director

GE Oil & Gas Marine & Industrial UK Ltd.

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 Oil & Gas Marine & Industrial UK Ltd.

Opinion

We have audited the financial statements of GE Oil & Gas Marine & Industrial UK Ltd. ("the company") for the year ended 31 December 2019, 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 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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 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 Oil & Gas Marine & Industrial UK Ltd.

Other information
The directors are responsible for the Strategic Report and the Directors' Report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information 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 other information;
• in our opinion the information given in the Strategic Report and the Directors' Report 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.

Directors' responsibilities
As explained more fully in their statement set out on page 4, 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.

Independent Auditor's Report to the Members of GE Oil & Gas Marine & Industrial UK Ltd.

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

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Anna Barrell

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

One, Snowhill
Snowhill Queensway
Birmingham
B4 6GH

Date: 12 August 2020

GE Oil & Gas Marine & Industrial UK Ltd.

Profit and Loss Account and Other Comprehensive Income for the Year Ended 31 December 2019

	Note	2019 £ 000	2018 £ 000
Turnover	4	16,773	5,124
Cost of sales		(11,506)	(5,739)
Gross profit/(loss)		5,267	(615)
Administrative expenses		(11,137)	(1,288)
Other operating income		247	-
Operating loss	5	(5,623)	(1,903)
Interest receivable and similar income	6	1	-
Interest payable and similar expenses	7	(52)	(111)
Loss before tax		(5,674)	(2,014)
Tax on loss	11	-	-
Loss for the year		(5,674)	(2,014)
Other comprehensive income		-	-
Total comprehensive loss for the year		(5,674)	(2,014)

The above results were derived from continuing operations.

GE Oil & Gas Marine & Industrial UK Ltd.

Registration number: 08462333

Balance Sheet
as at 31 December 2019

	Note	2019 £ 000	2018 £ 000
Fixed assets			
Right of use assets	12	42	-
Current assets			
Stocks	13	768	1,218
Debtors: amounts falling due within one year	14	9,816	18,234
Cash at bank and in hand		1	-
		10,585	19,452
Creditors: Amounts falling due within one year	15	(18,420)	(21,597)
Net current liabilities		(7,835)	(2,145)
Total assets less current liabilities		(7,793)	(2,145)
Creditors: Amounts falling due after more than one year	16	(25)	-
Provisions for liabilities	17	(435)	(434)
Net liabilities		(8,253)	(2,579)
Capital and reserves			
Called up share capital	19	-	-
Profit and loss account		(8,253)	(2,579)
Shareholders' deficit		(8,253)	(2,579)

Approved by the Board on 11 August 2020 and signed on its behalf by:

....

J A Wright
Director

The notes on pages 11 to 30 form an integral part of these financial statements.

GE Oil & Gas Marine & Industrial UK Ltd.

Statement of Changes in Equity for the Year Ended 31 December 2019

	Called up share capital £ 000	Profit and loss account £ 000	Total equity £ 000
At 1 January 2019	-	(2,579)	(2,579)
Comprehensive income for the year			
Loss for the year	-	(5,674)	(5,674)
Other comprehensive income	-	-	-
Total comprehensive loss for the year	-	(5,674)	(5,674)
At 31 December 2019	-	(8,253)	(8,253)

	Called up share capital £ 000	Profit and loss account £ 000	Total equity £ 000
At 1 January 2018	-	(565)	(565)
Comprehensive loss for the year			
Loss for the year	-	(2,014)	(2,014)
Other comprehensive income	-	-	-
Total comprehensive loss for the year	-	(2,014)	(2,014)
At 31 December 2018	-	(2,579)	(2,579)

The notes on pages 11 to 30 form an integral part of these financial statements.

1 General information

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

The address of its registered office is:
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 (2018/19 cycle) issued in July 2019 have been applied.

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 5 Necco Street, Boston, Massachusetts, 02210, USA or at www.ge.com.

2 Accounting policies (continued)

Going concern
Notwithstanding net current liabilities of £ 8,253,000 as at 31 December 2019 (2018: £2,579,000) and a loss for the year then ended of £5,674,000 (2018: £2,014,000), the financial statements have been prepared on a going concern basis which directors consider to be appropriate for the following reasons.

The directors have performed a going concern assessment for a period of 12 months from the date of approval of these financial statements which indicates that, taking account of a reasonably possible downside scenario, the anticipated socio-economic impact of the COVID-19 pandemic and the company's ability to access the group's cash pool facility if required, the company will have sufficient funds to meet its liabilities as they fall due for that period. The directors are confident that the company will have sufficient funds to continue in operational existence for at least 12 months from the date of approval of these financial statements and they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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 standards and amendments including IFRS 16: Leases. The company transitioned to IFRS 16 using the modified retrospective approach. The impact of the adoption of this new standard is included in note 22.

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 requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers;
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
• paragraph 79(a)(iv) of IAS 1;
- the requirements of paragraphs 52, 58 and the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases;
- 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.

2 Accounting policies (continued)

Turnover

Recognition

The company earns revenue from both the sale of equipment and the sale of mechanical engineering services for the marine and industrial power market. Revenue from the sale of equipment is recognised in the accounting period when control of the product has been transferred, at an amount that reflects the consideration to which the entity expects to be entitled in exchange for fulfilling its performance obligations to customers. Services revenue is recognised in the accounting period when the services are rendered at an amount that reflects the consideration to which the entity expects to be entitled in exchange for fulfilling its performance obligations to customers.

The principles in IFRS 15 are applied to revenue recognition criteria using the following 5 step model:

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

Performance obligations

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

Two contracts are accounted for on an over time basis. The equipment in these contracts is highly customised and so when it arrives with the customer, the point of non-fungibility occurs during the manufacturing process. The revenue for the contract has been allocated based on costs incurred to date, in proportion to total projected costs for the contract.

2 Accounting policies (continued)

Turnover (continued)

Contract modifications

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

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

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

Warranties

Warranties are offered on sale of products, these are either for a period of 12 to 30 months, to cover certain contracts. These are accounted for in line with the company's accounting policy on provisions. To the extent that a warranty provides a service beyond ensuring that the good or service complies with agreed upon specifications, this is accounted for as a performance obligation and consideration is allocated to this obligation and recognised as it is satisfied. Where the customer has the option to purchase the warranty separately, this is accounted for as a separate performance obligation.

2 Accounting policies (continued)

Turnover (continued)

Contract assets and receivables

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

Contract receivables (advances) are recognised in the balance sheet when the company's right to consideration becomes unconditional. This is deemed to be when the consideration has been contractually agreed and the good or service has been transferred.

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

Contract liabilities

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

Impairment of contract related balances

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

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

2 Accounting policies (continued)

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

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

Tax
Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company operates and generates income, and any adjustments to tax payable in respect of previous years. 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.

Stocks
Stocks are stated at the lower of cost and net realisable value. Cost includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. An appropriate share of overheads based on normal operating capacity.

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

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

2 Accounting policies (continued)

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.

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.

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 and contract assets (as defined in IFRS 15).

The company measures loss allowances at an amount equal to lifetime ECL, except for 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.

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.

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

2 Accounting policies (continued)

Leases (policy applicable from 1 January 2019)

As a lessee

Initial recognition and measurement

The company initially recognises a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term.

The lease liability is measured at the present value of the lease payments to be made over the lease term discounted using the company's incremental borrowing rate. The lease payments include fixed payments, purchase options at exercise price (where payment is reasonably certain), expected amount of residual value guarantees, termination option penalties (where payment is considered reasonably certain) and variable lease payments that depend on an index or rate.

The right-of-use asset is initially measured at the amount of the lease liability, adjusted for lease prepayments, lease incentives received, the company's initial direct costs (e.g., commissions) and an estimate of restoration, removal and dismantling costs.

Where contracts contain a lease coupled with an agreement to purchase or sell other goods or services (i.e., non-lease components), the non-lease components are identified and accounted for separately from the lease component. The consideration in the contract is allocated to the lease and non-lease components on a relative standalone price basis using the principles in IFRS15.

Subsequent measurement

After the commencement date, the company measures the lease liability by:

(a) Increasing the carrying amount to reflect interest on the lease liability;
(b) Reducing the carrying amount to reflect the lease payments made; and
(c) Re-measuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in substance fixed lease payments or on the occurrence of other specific events.

Interest on the lease liability in each period during the lease term is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. Interest charges are presented separately as non-operating /included in finance cost in the income statement, unless the costs are included in the carrying amount of another asset applying other applicable standards. Variable lease payments not included in the measurement of the lease liability, are included in operating expenses in the period in which the event or condition that triggers them arises.

2 Accounting policies (continued)

Short term and low value leases

The company has made an accounting policy election not to recognise lease assets and lease liabilities for leases with a lease term of 12 months or less (i.e., short-term leases).

Lease payments on short term leases are accounted for on a straight line bases over the term of the lease. Short term and low value lease payments are included in operating expenses in the profit and loss account.

The related right-of-use asset is accounted for using the cost model in IAS 16 and depreciated and charged in accordance with the depreciation requirements of IAS 16 Property, Plant and Equipment as disclosed in the accounting policy for tangible fixed assets. Adjustments are made to the carrying value of the right of use asset where the lease liability is re-measured in accordance with the above. Right of use assets are tested for impairment in accordance with IAS 36 Impairment of assets as disclosed in the accounting policy in impairment.

Leases (policy applicable before 1 January 2019)
Rentals paid under operating leases are charged to the profit or loss (net of any incentives received from the lessor) on a straight line basis over the period of the lease.

3 Critical accounting judgements and key sources of estimation uncertainty

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

Revenue recognition on long-term contracts

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

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

We have been able to measure, and recognise, cost relating to subcontractors deliverables under the contract. This measurement is based on the subcontractors' progress completion towards the deliverables under the contract. As we obtain control of the subcontractor's work progressively, and pass that control to the customer, revenue and costs are recognised in proportion to total contract costs.

4 Turnover

A geographical analysis of turnover is as follows:

	2019 £ 000	2018 £ 000
United Kingdom	14,872	4,536
Rest of European Union	519	588
Other	1,382	-
	16,773	5,124

All revenue relates to sales from contracts with customers.

Contract assets and liabilities

	2019 £ 000	2018 £ 000
Contract assets	6,362	767
Contract liabilities	(8,437)	(11,135)

Revenue recognised in the year from:

	2019 £ 000	2018 £ 000
Amounts included in contract liability at the beginning of the year	11,135	1,532

Assets recognised from costs to fulfil a contract with a customer in the year 2019 is £5,595,000 (2018: £nil).

5 Operating loss

Operating loss is stated after charging/(crediting):

	Note	2019 £ 000	2018 £ 000
Depreciation expense	12	13	-
Difference on foreign exchange		(325)	116
Operating lease expense under IAS 17		-	3
Expense on short term leases		3	-
Research and development claim		(247)	-
Impairment of intercompany receivables	14	11,455	-

6 Interest receivable and similar income

	2019 £ 000	2018 £ 000
Interest receivable from group companies	1	-

7 Interest payable and similar expenses

	2019 £ 000	2018 £ 000
Interest on lease liabilities	2	-
On loans from group undertakings	50	111
	52	111

8 Staff costs

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

	2019 £ 000	2018 £ 000
Wages and salaries	2,112	1,898
Social security costs	244	247
Other pension costs	124	153
	2,480	2,298

8 Staff costs (continued)

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

	2019 No.	2018 No.
Manufacturing and engineering	34	30
Management and administration	3	4
Sales and marketing	-	1
	37	35

9 Directors' remuneration

The directors' remuneration for the year was as follows:

	2019 £ 000	2018 £ 000
Remuneration	144	68
Defined contribution pension costs	20	10
	164	78

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

	2019 No.	2018 No.
Accruing benefits under defined contribution pension scheme	2	1

10 Auditor's remuneration

	2019 £ 000	2018 £ 000
Audit of the financial statements	45	15
Audit fee - prior year	13	-
	58	15

11 Taxation

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

	2019 £ 000	2018 £ 000
Current taxation		
UK corporation tax	-	-
Deferred taxation		
Origination and reversal of temporary differences	-	(22)
Effect of changes to tax rates	-	2
Adjustment in respect of prior year	-	302
Movement on deferred tax not provided	-	(282)
Total deferred taxation	-	-
Tax expense in the Profit and Loss Account	-	-

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (2018: lower than the standard rate of corporation tax in the UK) of 19% (2018: 19%).

The differences are reconciled below:

	2019 £ 000	2018 £ 000
Loss before tax	(5,674)	(2,014)
Corporation tax at standard rate	(1,078)	(383)
Adjustment to tax charge in respect of prior year	-	302
Effect of change in tax rate	-	(4)
Non-taxable income	(47)	-
Expenses not deductible for tax purposes	2,180	8
Tax decrease from utilisation of tax losses	(528)	-
Group relief for £nil consideration	(528)	357
Movement in deferred tax not provided	1	(282)
Increase in current tax from unrecognised temporary difference from a prior period	-	2
Total tax charge	-	-

11 Taxation (continued)

Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. Subsequent to the balance sheet date it was announced that the rate of 19% would continue to apply with effective from 1 April 2020. This change was substantively enacted on 17 March 2020. This will increase the current tax charge accordingly.

Deferred tax assets and liabilities on all timing differences have been calculated at 17% as at 31 December 2019. The impact of this on the financial statements is not considered material.

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

Deferred tax

There is £684,883 (2018: £765,458) of unrecognised deferred tax asset on tax losses for which no deferred tax asset is recognised in the balance sheet.

12 Right of use assets

	Motor vehicles £ 000
Cost	
At 1 January 2019	24
Additions	31
At 31 December 2019	55
Depreciation	
At 1 January 2019	-
Depreciation charge	13
At 31 December 2019	13
Net book value	
At 31 December 2019	42
At 31 December 2018	-

13 Stocks

	2019 £ 000	2018 £ 000
Work in progress	768	1,218

Changes in work in progress recognised as cost of sales in the year amounted to £7,477,000 (2018: £850,000). The write down of stocks to net realisable value amounted to £121,000 (2018: £123,000). The reversal of write-downs amounted to £2,000 (2018: £32,000).

14 Debtors

	2019 £ 000	2018 £ 000
Trade debtors	601	4,185
Amounts owed by group undertakings	1,958	11,748
Contract assets	6,362	767
Other debtors	895	1,534
	9,816	18,234

In 2019, the company impaired an intercompany receivable from GE Renewable UK (Holdings) Ltd by £11,455,000 as that entity announced its intention to liquidate.

15 Creditors: Amounts falling due within one year

	2019 £ 000	2018 £ 000
Trade creditors	1,552	1,604
Accruals and deferred income	267	258
Amounts owed to group undertakings	7,968	7,342
Social security and other taxes	4	163
Operating lease liabilities	17	-
Contract liabilities	8,437	11,135
Other payables	175	1,095
	18,420	21,597

15 Creditors: Amounts falling due within one year (continued)

Amounts owed to group undertakings are repayable on demand and are unsecured. Interest accrues on non-trading balances at a variable rate based on the 3 months LIBOR rate.

16 Creditors: Amounts falling due after more than one year

	2019 £ 000	2018 £ 000
Operating lease liabilities	25	-

17 Provisions for liabilities

	Warranties £ 000	Other provisions £ 000	Total £ 000
At 1 January 2019	276	158	434
Additions during the year	1	-	1
Transfers	158	(158)	-
At 31 December 2019	435	-	435

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

b) Other provisions - these provisions relate to risks on contracts including anticipated risks relating to non-performance in respect of contractual terms for delivery and performance.

18 Pension commitments

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

The pension charge for the year was £124,000 (2018: £153,000) in respect of the defined contribution scheme. There were no outstanding or prepaid contributions at either the beginning or the end of the financial year.

19 Share capital

Allotted, called up and fully paid shares

		2019		2018
	No.	£	No.	£
Ordinary share of £1	1	1	1	1

20 Post balance sheet event

The COVID-19 pandemic, resulting in workforce and travel restrictions, supply chain and production disruptions and reduced demand and spending across many sectors, paired with the collapse of oil prices have significantly impacted global economies. During the latter part of the first quarter of 2020, these factors began having an adverse impact on our operations and financial performance. While the effects of these events cannot be estimated at our report release date, we anticipate many of these impacts related to demand, profitability and cash flows will continue in the foreseeable future depending on the severity and duration of the pandemic. Such effects and the required mitigating actions will continue to be monitored and evaluated by management during the 2020 financial year.

21 Ultimate parent undertaking and controlling party

The company's immediate parent is General Electric UK Holdings Ltd. (formerly Alstom UK Holdings Ltd.), a company registered at St Leonards Building, Harry Kerr Drive, Stafford, ST16 1WT, United Kingdom.

The smallest and largest group in which the results of the company are consolidated is that headed by its ultimate parent undertaking, General Electric Company, a company with principal executive offices at 5 Necco Street, Boston, Massachusetts, 02210, USA. The consolidated financial statements of this company are available to the public and may be obtained from the address of the principal executive offices or at www.ge.com.

22 Changes resulting from adoption of IFRS 16

The company transitioned to IFRS 16 using the modified retrospective approach with effect from 1 January 2019. The prior period figures were not adjusted.

On adoption of IFRS 16, the company elected to apply the relief provisions available and has not reviewed contracts under the definition of a lease per IFRS 16, which had previously been classified as leases under the principles of IAS 17. Therefore, only contracts entered into or modified on or after 1 January 2019 have had the definition of a lease per IFRS 16 applied.

For leases classified as operating leases under IAS 17, these lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The company has used the following practical expedients permitted by IFRS 16 when applying this for the first time to leases previously classified as operating leases:

- Relied on the previous assessment of whether leases are onerous applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application of IFRS 16 Leases as an alternative to performing an impairment review;
- Excluded initial direct costs for the measurement of right-to-use assets at the date of initial application;
- Did not account for leases with an expiry of less than 12 months from the date of transition;

Right-of-use assets are measured at an amount equal to the lease liability, adjusted for any prepaid or accrued lease payments.

The company recognised lease liabilities in relation to leases that were classified as "operating leases" under the principles of IAS 17: Leases. On transition, an additional £24,000 of right-to-use assets and £24,000 of lease liabilities were recognised as at 1 January 2019.

	Note	31 December 2018 £ 000
Operating lease commitments at 31 December 2018 (as originally stated)		2
Operating lease commitments discounted at the incremental borrowing rate		(1)
Short term lease recognised on a straight-line basis as expense		(2)
Leases previously not included in operating lease commitments		25
Lease liabilities recognised at 1 January 2019		24

These lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average rate applied was 3.93%.