

Registration number: 00252567

# GE Medical Systems Limited

## Annual Report and Financial Statements

for the Year Ended 31 December 2017



# GE Medical Systems Limited

## Contents

Strategic Report	1
Directors' Report	2 to 3
Statement of Directors' Responsibilities	4
Independent Auditor's Report to the Members of GE Medical Systems Limited	5 to 7
Profit and Loss Account and Other Comprehensive Income	8
Balance Sheet	9
Statement of Changes in Equity	10 to 11
Notes to the Financial Statements	12 to 32

# GE Medical Systems Limited

## Strategic Report

The directors present their strategic report for the year ended 31 December 2017.

### Business review

Total sales in the year increased by £14.1m (5.9%) to £255m (2016: £240.9m), with a gross margin increase of 1.9% year on year, which was driven by product mix.

The directors expect that the present level of trading activity will be maintained for the foreseeable future.

The company recorded an operating profit of £7.6m for 2017, (£2.2m 2016). This was due to a good year for sales, along with a continued focus on cost control and alignment of resources.

On 4 August 2017, the company disposed of its non-voting preference shares in Intelesens Limited for £1.4m.

### Future outlook

The general economic and political conditions in the UK make it difficult to increase the current level of trading activity, however we are confident that our focus on product innovation and evolving customer needs leaves us in a strong position to take advantage of growth opportunities as they arise.

### Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks. One of the uncertainties affecting the company is the Government's future funding strategy to the NHS, however this also is an opportunity to reinforce GE Healthcare's 'Healthymagination' commitment of focusing on addressing three critical needs: lowering costs, increasing patient access and improving quality of care. Other potential risks are major product innovation by the competition, product quality and political landscape of the Healthcare Market in the UK. Strategies are being continually formulated to minimize the risk in all these scenarios.

### Financial key performance indicators

	2017	2016	Definition, method of calculation
Growth in sales %	5.9%	(3%)	Year on year sales growth as a percentage
Operating margin %	3%	0.9%	Ratio of operating profit (before exceptional items) to sales as a percentage
Return on invested capital %	1.6%	7%	Operating profit expressed as a percentage of invested capital.

Approved by the Board on 7 December 2018 and signed on its behalf by:



J A Beastall  
Director

# GE Medical Systems Limited

## Directors' Report

The directors present their report and the financial statements for the year ended 31 December 2017.

### **Principal activity**

The company is engaged in the following activities:

(i) the sale of medical diagnostic imaging and information technology solutions and patient monitoring systems.

(ii) the related services and maintenance of the UK equipment installed base.

### **Results and dividends**

The profit for the year, after taxation, amounted to £4,320,000 (2016: loss £289,608,000).

During the year, the company paid an interim dividend of £nil (2016: £262,801,000).

The directors do not recommend payment of a final dividend (2016: £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:

H Wilkinson (resigned 14 November 2018)

K G W Blight

A L Walsh (resigned 15 June 2018)

M D Zabbo (resigned 15 June 2018)

J A Beastall (appointed 19 June 2018)

### **Employee involvement**

People are key to the success of the business and the company. The company recognises the benefits of keeping employees informed as to current business performance. Employee forums have been created to facilitate communication across the business. Topics discussed include the financial results of the business and performance in the area of environmental health and safety. In addition the company has a performance management system in place across the business.

### **Disabled employees**

The company conforms to current employment laws on the employment of disabled persons.

# GE Medical Systems Limited

## Directors' Report

### **Post balance sheet event**

On 26 June 2018, General Electric Company announced its intention to separate GE Healthcare into a standalone company. The structure, sequence and timing of the GE Healthcare separation is still being determined but is expected to complete between 12 and 18 months following the announcement.

The loan with principal amount of £89,000,000 has been extended post year end an additional 12 months with a new maturity date of 22 November, 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 7 December 2018 and signed on its behalf by:



.....  
J A Beastall  
Director

# GE Medical Systems Limited

## Statement of Directors' Responsibilities

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

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

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 Medical Systems Limited

### **Opinion**

We have audited the financial statements of GE Medical Systems Limited (the 'company') for the year ended 31 December 2017, 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 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

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

### **Going concern**

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 twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

### **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.

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

### **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 for the audit of the financial statements**

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](http://www.frc.org.uk/auditorsresponsibilities).



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

### **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 Burridge*

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

58 Clarendon Road  
Watford  
WD17 1DE

Date: *21 December 2018*

# GE Medical Systems Limited

## Profit and Loss Account and Other Comprehensive Income for the Year Ended 31 December 2017

	Note	2017 £ 000	2016 £ 000
<b>Turnover</b>	4	255,013	240,861
Cost of sales		<u>(162,806)</u>	<u>(158,260)</u>
<b>Gross profit</b>		92,207	82,601
Distribution costs		(14,997)	(8,896)
Administrative expenses		<u>(69,563)</u>	<u>(71,479)</u>
<b>Operating profit</b>	5	7,647	2,226
Income from fixed asset investments		-	715
Gain on cancellation of preference shares		-	45,628
Impairment of fixed assets investment	14	-	(338,608)
Profit on sale of fixed asset investments		<u>1,400</u>	<u>-</u>
<b>Profit/(loss) before interest</b>		9,047	(290,039)
Interest receivable and similar income	9	455	14,151
Interest payable and similar expenses	10	<u>(5,182)</u>	<u>(13,720)</u>
<b>Profit/(loss) before tax</b>		4,320	(289,608)
Tax on profit/(loss)	11	<u>-</u>	<u>-</u>
<b>Profit/(loss) for the year</b>		4,320	(289,608)
Other comprehensive income		-	-
<b>Total comprehensive income/(loss) for the year</b>		<u><u>4,320</u></u>	<u><u>(289,608)</u></u>

The above results were derived from continuing operations.


# GE Medical Systems Limited

Registration number: 00252567

## Balance Sheet as at 31 December 2017

	Note	2017 £ 000	2016 £ 000
<b>Fixed assets</b>			
Intangible assets	12	30,309	30,309
Tangible assets	13	3,217	3,132
Investments	14	<u>535,011</u>	<u>535,011</u>
		<u>568,537</u>	<u>568,452</u>
<b>Current assets</b>			
Stocks	15	18,640	21,375
Debtors	16	107,621	61,654
Cash at bank and in hand		<u>260</u>	<u>80</u>
		126,521	83,109
<b>Creditors: Amounts falling due within one year</b>	17	<u>(208,793)</u>	<u>(84,826)</u>
<b>Net current liabilities</b>		<u>(82,272)</u>	<u>(1,717)</u>
<b>Total assets less current liabilities</b>		486,265	566,735
<b>Creditors: Amounts falling due after more than one year</b>	18	-	(89,173)
Provisions for liabilities	19	<u>(8,670)</u>	<u>(4,281)</u>
<b>Net assets</b>		<u>477,595</u>	<u>473,281</u>
<b>Capital reserve</b>			
Called up share capital	20	782,335	782,335
Capital redemption reserve		5,500	5,500
Employee share based equity reserve		(1,380)	(1,374)
Profit and loss account		<u>(308,860)</u>	<u>(313,180)</u>
<b>Shareholders' funds</b>		<u>477,595</u>	<u>473,281</u>

Approved by the Board on 7 December 2018 and signed on its behalf by:



J A Beastall  
Director

# GE Medical Systems Limited

## Statement of Changes in Equity for the Year Ended 31 December 2017

	Called up share capital £ 000	Capital redemption reserve £ 000	Employee share based equity reserve £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2017	782,335	5,500	(1,374)	(313,180)	473,281
<b>Comprehensive income for the year</b>					
Profit for the year	-	-	-	4,320	4,320
Other comprehensive income for the year	-	-	-	-	-
<b>Total comprehensive income</b>	-	-	-	4,320	4,320
Equity share based payments expense recognised during the year	-	-	63	-	63
Recharge made by GE Company in respect of share options exercised during the year	-	-	(69)	-	(69)
At 31 December 2017	<u>782,335</u>	<u>5,500</u>	<u>(1,380)</u>	<u>(308,860)</u>	<u>477,595</u>

# GE Medical Systems Limited

## Statement of Changes in Equity for the Year Ended 31 December 2017

	Called up Share capital £ 000	Capital redemption reserve £ 000	Employee share based equity reserve £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2016	517,335	5,500	(1,002)	239,229	761,062
<b>Comprehensive income for the year</b>	-	-	-	-	-
Loss for the year	-	-	-	(289,608)	(289,608)
Other comprehensive income	-	-	-	-	-
<b>Total comprehensive income</b>	-	-	-	(289,608)	(289,608)
Dividends	-	-	-	(262,801)	(262,801)
Share capital issued during the year	265,000	-	-	-	265,000
Equity share based payments expense recognised during the year	-	-	95	-	95
Recharge made by GE Company in respect of share options exercised during the year	-	-	(467)	-	(467)
At 31 December 2016	<u>782,335</u>	<u>5,500</u>	<u>(1,374)</u>	<u>(313,180)</u>	<u>473,281</u>

# GE Medical Systems Limited

## Notes to the Financial Statements

### 1 General information

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

The address of its registered office is:

Amersham Place  
Little Chalfont  
Buckinghamshire  
United Kingdom  
HP7 9NA

### 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 under the historical cost convention and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ('FRS 101') and the Companies Act 2006. The amendments to FRS 101 (2016/17 Cycle) issued in July 2017 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 judgment in applying the company's accounting policies (see note 3).

#### Exemption from preparing group accounts

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

The results of the company are included in the consolidated financial statements of General Electric Company which are available from 41 Farnsworth Street, Boston, MA 02210, USA or at [www.ge.com](http://www.ge.com).

# GE Medical Systems Limited

## Notes to the Financial Statements

### 2 Accounting policies (continued)

#### Summary of disclosure exemptions

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

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based payment;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS-1 'Presentation of Financial Statements' to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73( e) of IAS 16 Property, Plant and Equipment;
  - paragraph 118( e) of IAS 38 Intangible Assets, and
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- the requirements of paragraphs 134(d)-134(f) and 135(c )-135( e ) of IAS 36 Impairment of Assets.

#### Going concern

The financial statements have been prepared on a going concern basis, notwithstanding net current liabilities of £82,272,000 (2016: £1,717,000).

The directors have reviewed the financial position of the company, including the arrangements with group undertakings. As part of this assessment, the directors have also considered the financial position of the company's immediate group, which has additional resources available to them if and as required.

On the basis of this assessment of the company's financial position and that of the immediate group, which has sufficient resources available to them if required, the company's directors have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the company to continue as a going concern. Accordingly they expect that the company will be able to continue in operational existence for the foreseeable future and hence continue to adopt the going concern basis of accounting in preparing the annual financial statements.

# GE Medical Systems Limited

## Notes to the Financial Statements

### 2 Accounting policies (continued)

#### Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts.

Revenues are recognised once the realisation of the consideration is reasonably assured and the provision of goods and services is substantially complete with respect to the delivery and installation of the specific product or performance of the related service.

In addition, the company has some long-term contracts with customers. Turnover for long-term contracts is stated at the cost appropriate to the stage of completion plus attributable profits, less amounts recognised in previous years.

#### Taxation

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

The current tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company operates and generates income.

Full provision is made for deferred tax liabilities arising from all temporary differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as probable that there will be suitable taxable profits from which the future reversal of the underlying temporary differences can be deducted.

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

Deferred tax assets and liabilities are not discounted.

#### 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.

#### Government grants

Grants from the government are recognised at their fair value in profit or loss where there is a reasonable assurance that the grant will be received and the company has complied with all attached conditions. Grants received where the company has yet to comply with all attached conditions are recognised as a liability (and included in deferred income within trade and other payables) and released to income when all attached conditions have been complied with.



# GE Medical Systems Limited

## Notes to the Financial Statements

### 2 Accounting policies (continued)

#### Intangibles

##### Goodwill

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

##### Other intangible assets

Intangible fixed assets are stated at cost less amortisation and any accumulated losses.

#### Amortisation

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

Asset class	Amortisation method and rate
Other intangible assets	straight line over 5 years

#### Tangible fixed assets

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

#### Depreciation

Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Asset class	Depreciation method and rate
Land and buildings *	4% straight line
Plant, machinery, furniture and fittings	Straight line over 3 to 16 years

\* Land is not depreciated.

#### Long-term contracts

Profit on long-term contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit included is calculated on a prudent basis to reflect the proportion of the work carried out at the year end, by recording turnover and related costs as contract activity progresses. Turnover is calculated as that proportion of total contract value which costs incurred to date bear to total expected costs for that contract. Revenues derived from variations on contracts are recognised only when they have been accepted by the customer. Full provision is made for losses on all contracts in the year in which they are first foreseen.

# GE Medical Systems Limited

## Notes to the Financial Statements

### 2 Accounting policies (continued)

#### Investments

Investment in group undertakings are shown at cost less provision for impairment.

At each balance sheet date the company reviews the carrying amounts of its investments to determine whether there is any indication that those investments have suffered an impairment loss. If such indication exists, the recoverable amount of the investment estimated based on its fair value less costs of disposal (for which its net asset value may be used as a reasonable proxy) and value in use. Where the recoverable amount of the investment is less than the carrying value an impairment loss is recognised in Profit and Loss Account in the period.

#### Stocks

Stocks and installation in progress are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

#### Operating leases

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

#### Pensions

The company is a member of a larger group pension scheme providing benefits based on final pensionable pay. The group pension scheme, GE Pension Plan, covers a number of United Kingdom subsidiary companies of General Electric Company. Because the company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by IAS 19 Employee Benefits, the scheme has been accounted for in these financial statements as if the scheme was a defined contribution scheme.

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

# GE Medical Systems Limited

## Notes to the Financial Statements

### 2 Accounting policies (continued)

#### Share based payments

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

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

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

#### Derivative financial instruments and hedging activities

The company has not applied hedge accounting and any derivatives are measured at fair value through profit and loss.

### 3 Critical accounting judgments and key sources of estimation uncertainty

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

# GE Medical Systems Limited

## Notes to the Financial Statements

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

#### **Goodwill**

Goodwill is subject to impairment testing on an annual basis and at any time during the year if an indicator of impairment is considered to exist. The impairment testing process requires management to make significant judgements and estimates regarding the future cash flows expected to be generated by the use of and, if applicable, the eventual disposal of goodwill as well as other factors to determine the fair value. Management periodically evaluates and updates the estimates based on the conditions which influence these variables.

Where the carrying value exceeds the estimated recoverable amount (being the greater of fair value less costs of disposal and value-in-use), an impairment loss is recognised by writing down the goodwill to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. The estimates of future cash flows exclude cash inflows or outflows attributable to financing activities and income tax. Impairment losses arising in respect of goodwill are not reversed once recognised.

#### **Impairment of investments**

Investments are subject to impairment when there are indicators, such as, the net assets of the underlying company being less than the carrying value of the investments, adverse trade conditions in the underlying investments, cessation of trade in the underlying investments, significant losses in the year in the underlying investments and impairment of fixed assets in the underlying investments in the year.

Where the carrying value exceeds the estimated recoverable amount (being the greater of fair value less costs of disposal and value-in-use), an impairment loss is recognised by writing down the investments to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. The estimates of future cash flows exclude cash inflows or outflows attributable to financing activities and income tax. Impairment losses arising in respect of investments are not reversed once recognised.

#### **Warranty provisions**

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

# GE Medical Systems Limited

## Notes to the Financial Statements

### 4 Turnover

A geographical analysis of turnover is as follows:

	2017 £ 000	2016 £ 000
United Kingdom	231,010	218,706
Rest of Europe	22,489	21,372
USA	938	593
Other	576	190
	<u>255,013</u>	<u>240,861</u>

A business segment analysis of turnover is as follows:

	2017 £ 000	2016 £ 000
Sale of stock	137,705	121,399
Sale of services	117,308	119,462
	<u>255,013</u>	<u>240,861</u>

### 5 Operating profit

Operating profit is stated after charging/(crediting):

	2017 £ 000	2016 £ 000
Difference on foreign exchange	574	(110)
Operating lease rentals: - plant and machinery	342	509

# GE Medical Systems Limited

## Notes to the Financial Statements

### 6 Staff costs

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

	2017 £ 000	2016 £ 000
Wages and salaries	48,567	38,024
Social security costs	5,739	4,787
Pension costs, defined contribution scheme	596	344
Pension costs, defined benefit scheme	2,839	4,894
Share-based payment expenses	63	95
	<u>57,804</u>	<u>48,144</u>

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

	2017 No.	2016 No.
Administrative	52	54
Sales	213	206
Marketing	7	8
Service	404	402
	<u>676</u>	<u>670</u>

### 7 Directors' remuneration

The directors' remuneration for the year was as follows:

	2017 £ 000	2016 £ 000
Remuneration	744	757
Company pension contributions to pension schemes	108	92

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

	2017 No.	2016 No.
Accruing benefits under pension scheme	<u>3</u>	<u>5</u>

# GE Medical Systems Limited

## Notes to the Financial Statements

### 7 Directors' remuneration (continued)

In respect of the highest paid director:

	2017 £ 000	2016 £ 000
Remuneration	<u>376</u>	<u>337</u>

### 8 Auditor's remuneration

	2017 £ 000	2016 £ 000
Audit of the financial statements	<u>124</u>	<u>165</u>

### 9 Interest receivable and similar income

	2017 £ 000	2016 £ 000
Preference share interest receivable from group companies	-	13,860
Net changes in fair value of hedging instrument in a fair value hedge	99	-
Interest receivable from group companies	75	-
Other interest receivable	<u>281</u>	<u>291</u>
	<u>455</u>	<u>14,151</u>

### 10 Interest payable and similar expenses

	2017 £ 000	2016 £ 000
Finance cost on shares classified as liabilities	-	6,076
Interest payable to group undertakings	<u>5,182</u>	<u>7,644</u>
	<u>5,182</u>	<u>13,720</u>

# GE Medical Systems Limited

## Notes to the Financial Statements

### 11 Taxation

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

	2017 £ 000	2016 £ 000
UK corporation tax	-	-
Total current income tax	<u>-</u>	<u>-</u>
<b>Deferred taxation</b>		
Origination and reversal of temporary differences	115	(72)
Effect of changes to tax rates	(13)	47
Adjustments in respect of prior periods	136	-
Movement on deferred tax not provided	<u>(238)</u>	<u>25</u>
Total deferred taxation	<u>-</u>	<u>-</u>
Tax expense in the income statement	<u>-</u>	<u>-</u>

Factors affecting current tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (2016 - higher than the standard rate of corporation tax in the UK) of 19.25% (2016 - 20%).

The differences are reconciled below:

	2017 £ 000	2016 £ 000
Profit/(loss) before tax	<u>4,320</u>	<u>(289,608)</u>
Corporation tax at standard rate	832	(57,922)
Effect of changes to tax rates	(13)	47
Expenses not deductible for tax purposes	94	69,154
Movement on deferred tax not provided	(238)	25
Group relief for £nil consideration	(539)	830
Deferred tax expense/(credit) from unrecognised temporary difference from a prior period	136	-
Non taxable income	<u>(272)</u>	<u>(12,134)</u>
Total tax charge/(credit)	<u>-</u>	<u>-</u>



# GE Medical Systems Limited

## Notes to the Financial Statements

### 11 Taxation (continued)

Factors that may affect future tax charges

The UK corporation tax rate was reduced from 20% to 19% on 1 April 2017. A further reduction to 17% (effective 1 April 2020) was substantively enacted at the balance sheet date. 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 2018 to 31 December 2020 (the overall average rate ranging from 19% to 17.5%). 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 are £2,600,553 of deductible temporary differences (2016: £4,002,704) for which no deferred tax asset is recognised in the balance sheet.

In line with IAS 12, the deferred tax asset is only recognised to the extent that it is probable that taxable profit will be available against which the deferred tax asset can be utilised.

### 12 Intangible fixed assets

	Goodwill £ 000	Other Intangible assets £ 000	Total £ 000
<b>Cost</b>			
At 1 January 2017	<u>51,129</u>	<u>132</u>	<u>51,261</u>
At 31 December 2017	<u>51,129</u>	<u>132</u>	<u>51,261</u>
<b>Amortisation</b>			
At 1 January 2017	<u>20,820</u>	<u>132</u>	<u>20,952</u>
At 31 December 2017	<u>20,820</u>	<u>132</u>	<u>20,952</u>
<b>Net book value</b>			
At 31 December 2017	<u>30,309</u>	<u>-</u>	<u>30,309</u>
At 31 December 2016	<u>30,309</u>	<u>-</u>	<u>30,309</u>

# GE Medical Systems Limited

## Notes to the Financial Statements

### 13 Tangible fixed assets

	Land and buildings £ 000	Assets used in operating lease £ 000	Plant & machinery and fixture & fittings £ 000	Total £ 000
<b>Cost</b>				
At 1 January 2017	2,397	-	3,238	5,635
Additions	-	-	469	469
Disposals	-	(6)	(2)	(8)
Transfers	(72)	109	(37)	-
At 31 December 2017	<u>2,325</u>	<u>103</u>	<u>3,668</u>	<u>6,096</u>
<b>Depreciation</b>				
At 1 January 2017	143	-	2,360	2,503
Charge for the year	33	27	318	378
On disposals	-	-	(2)	(2)
Transfers	(189)	-	189	-
At 31 December 2017	<u>(13)</u>	<u>27</u>	<u>2,865</u>	<u>2,879</u>
<b>Net book value</b>				
At 31 December 2017	<u>2,338</u>	<u>76</u>	<u>803</u>	<u>3,217</u>
At 31 December 2016	<u>2,254</u>	<u>-</u>	<u>878</u>	<u>3,132</u>

# GE Medical Systems Limited

## Notes to the Financial Statements

### 14 Fixed asset investments

	Investments in subsidiary companies £ 000	Unlisted investments £ 000	Total £ 000
<b>Cost</b>			
At 1 January 2017	940,836	4,570	945,406
Disposals	-	(4,570)	(4,570)
At 31 December 2017	<u>940,836</u>	<u>-</u>	<u>940,836</u>
<b>Impairment</b>			
At 1 January 2017	405,825	4,570	410,395
Eliminated on disposal	-	(4,570)	(4,570)
At 31 December 2017	<u>405,825</u>	<u>-</u>	<u>405,825</u>
<b>Net book value</b>			
At 31 December 2017	<u>535,011</u>	<u>-</u>	<u>535,011</u>
At 31 December 2016	<u>535,011</u>	<u>-</u>	<u>535,011</u>

The directors of the company have undertaken a review of the company's investment in group undertakings as at 31 December 2017. This has resulted in a write-off of £nil, the investment having been valued at its current value in use by reference to its future discounted identifiable cash flows where relevant.

On 4 August 2017, the company disposed of its non-voting preference shares in Intelesens Limited for £1.4m. Details of the company's investments as at 31 December 2017 are as follows:

Name of subsidiary	Registered office	Class of shares held	Proportion of ownership interest
GE Healthcare UK Limited	Amersham Place, Little Chalfont, Buckinghamshire, HP7 9NA	Ordinary	100%
Datex-Ohmeda Limited	Pollards Wood, Nightingales Lane, Chalfont St. Giles, Buckinghamshire, HP8 4SP	Ordinary	100%

# GE Medical Systems Limited

## Notes to the Financial Statements

### 14 Fixed asset investments (continued)

Name of subsidiary	Registered office	Class of shares held	Proportion of ownership interest
Foresight Partnership Limited	1 Bridgewater Place, Water Lane, Leeds, West Yorkshire, LS11 5QR	Ordinary	100%
Whatman Limited *	Whatman House St Leonards Road, Allington, Maidstone, Kent, United Kingdom, ME16 0LS	Ordinary	100%
Whatman International Limited *	Whatman House St Leonards Road, Allington, Maidstone, Kent, United Kingdom, ME16 0LS	Ordinary and preference shares	100%
Whatman Trustee Limited*	Ernst & Young LLP 1 Bridgewater Place Water Lane, Leeds, West Yorkshire, LS11 5QR	Ordinary	100%
Whatman Asia Pacific Private Ltd. *	1 Maritime Square #13-01, HarbourFront Centre, Singapore, 099253, Singapore	Ordinary	100%
GE Healthcare CTH Holding Limited*	Pollards Wood, Nightingales Lane, Chalfont St Giles, HP8 4SP, United Kingdom	Ordinary	69%
Asymptote Limited*	Sovereign House, Vision Park, Chivers Way, Histon, Cambridge, CB24 9BZ, United Kingdom	Ordinary	100%
Purify Limited*	Stevenage BioScience Catalyst, Gunnels Wood Road, Stevenage, Hertfordshire, SG1 2FX, United Kingdom	Ordinary	100%

\*indirect holdings

# GE Medical Systems Limited

## Notes to the Financial Statements

### 15 Stock

	2017 £ 000	2016 £ 000
Installation in progress	5,207	8,228
Finished goods and goods for resale	<u>13,433</u>	<u>13,147</u>
	<u>18,640</u>	<u>21,375</u>

### 16 Debtors

	2017 £ 000	2016 £ 000
Trade debtors	11,601	10,489
Amounts owed by group undertakings	70,829	32,713
Amounts recoverable on long term contracts	4,762	3,247
Prepayments and accrued income	19,775	15,156
Other debtors	555	49
Derivative financial instruments	<u>99</u>	<u>-</u>
	<u>107,621</u>	<u>61,654</u>

All amounts owed by group undertakings relate to cashpool on which interest is receivable at market rate and trade companies that are all due on receipt of goods unless cash restrictions apply.

Included in prepayments there is £15.1m (2016: £12.4m) of deferred costs recoverable against long term contracts.

# GE Medical Systems Limited

## Notes to the Financial Statements

### 17 Creditors: Amounts falling due within one year

	2017 £ 000	2016 £ 000
Trade creditors	5,467	6,207
Accruals and deferred income	55,038	45,718
Amounts owed to group undertakings	136,501	25,172
Social security and other taxes	10,156	5,737
Other creditors	571	374
Payments received on account	1,060	1,618
	<u>208,793</u>	<u>84,826</u>

Amounts owed to group undertakings relates to a loan with principal amount of £89,000,000 principal amount and interest payable of £180,000. The loan bears interest at a rate per annum equal to the sum of GBP 3 month LIBOR plus 134 basis points, and is reset on a quarterly basis. The loan had a maturity date of 23 November 2018 and has been classified within current liabilities at the year end. Amounts owed to group undertakings are not specifically secured and repayable in a single bullet payment at maturity.

The loan with principal amount of £89,000,000 has been extended post year end an additional 12 months with a new maturity date of 22 November, 2019..

### 18 Creditors: Amounts falling due after more than one year

	2017 £ 000	2016 £ 000
Amounts owed to group undertakings	<u>-</u>	<u>89,173</u>

Amounts owed to group undertakings related to a loan with principal amount of £89,000,000 principal amount and interest payable of £180,000. The loan bears interest at a rate per annum equal to the sum of GBP 3 month LIBOR plus 134 basis points, and is reset on a quarterly basis. The loan has a maturity date of 23 November 2018. Amounts owed to group undertakings are not specifically secured and repayable in a single bullet payment at maturity.

# GE Medical Systems Limited

## Notes to the Financial Statements

### 19 Provisions for liabilities

	Warranties installation and field maintenance provision £ 000	Onerous contract provision £ 000	Re- organisation provision £ 000	Modifications provision £ 000	Total £ 000
At 1 January 2017	1,151	-	3,031	99	4,281
Additions	1,799	4,600	1,992	-	8,391
Utilised	(1,750)	-	(2,174)	-	(3,924)
Unused provision reversed	-	-	-	(78)	(78)
At 31 December 2017	<u>1,200</u>	<u>4,600</u>	<u>2,849</u>	<u>21</u>	<u>8,670</u>

#### Warranty installation and field maintenance provision

The warranty installation and field maintenance provision relates to warranties provided on products sold and is held for potential claims and maintenance work required for up to 12 months for general warranties and up to 5 years for extended warranties.

#### Reorganisation provision

The reorganisation provision relates to the costs of reorganising the continuing operations of the business. These costs relate to redundancy costs.

#### Modifications provision

The modifications provision relates to the costs for non critical modifications to functionality of installed machines. It is expected that all of this expenditure will be incurred in the next financial year.

#### Onerous contract provision

The onerous contract provision relates to the expected future loss on existing contracts, taking into account the latest estimate of costs to satisfactorily fulfill each contract to the end of its term.

# GE Medical Systems Limited

## Notes to the Financial Statements

### 20 Share capital

#### Allotted, called up and fully paid shares

	No. 000	2017 £ 000	No. 000	2016 £ 000
Ordinary shares of £1 each	<u>782,335</u>	<u>782,335</u>	<u>782,335</u>	<u>782,335</u>

### 21 Operating lease commitments

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

	2017 £ 000	2016 £ 000
Within one year	2,184	2,678
In two to five years	<u>2,477</u>	<u>3,165</u>
	<u>4,661</u>	<u>5,843</u>

### 22 Pension commitments

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

The last full actuarial valuation was carried out as at 31 March 2015 by a qualified independent actuary. At this date there was a funding deficit of £164 million and a funding level of 96.2%. The company also operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

The pension charge for the year was £3,435,000 (2016: £5,238,000), including £596,000 (2016: £344,000) 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.



# GE Medical Systems Limited

## Notes to the Financial Statements

### 23 Share-based payments

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

The weighted average share price at the date of exercise of share options exercised during the year was \$30.76 (2016: \$31.38).

The options outstanding at the year end have an exercise price in the range of \$9.57 to \$30.11 and a weighted average contractual life of 3.85 years.

### 24 Dividends

	2017 £ 000	2016 £ 000
Dividend paid	<u>-</u>	<u>262,801</u>

### 25 Ultimate parent undertaking and controlling party

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

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](http://www.ge.com).

# GE Medical Systems Limited

## Notes to the Financial Statements

### **26 Post balance sheet event**

On 26 June 2018, General Electric Company announced its intention to separate GE Healthcare into a standalone company. The structure, sequence and timing of the GE Healthcare separation is still being determined but is expected to complete between 12 and 18 months following the announcement.

The loan with principal amount of £89,000,000 has been extended post year end an additional 12 months with a new maturity date of 22 November, 2019.