

Registration number: 01521132

GE Oil & Gas UK Limited

Directors' Report and Financial Statements

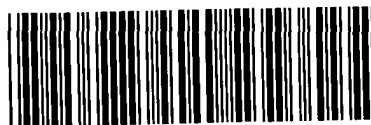
for the Period from 1 January 2017 to 30 June 2017

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GE Oil & Gas UK Limited

Contents

Strategic Report	1 to 3
Directors' Report	4 to 5
Statement of Directors' Responsibilities	6
Independent Auditor's Report	7 to 9
Profit and Loss Account	10
Statement of Comprehensive Income	11
Balance Sheet	12 to 13
Statement of Changes in Equity	14 to 15
Notes to the Financial Statements	16 to 40

GE Oil & Gas UK Limited

Strategic Report

The directors present their strategic report for the period from 1 January 2017 to 30 June 2017.

Business review

On 28 March 2018, the company changed its accounting reference date from 31 December 2017 to 30 June 2017. As a result, the current period results are for a 6 month period whereas the prior period comparatives are for a full year.

The period was shortened for commercial reasons in connection with the business combination with Baker Hughes which is described in the Directors' Report.

During the period the company continued to be engaged in the design, manufacture and sale of subsea and completion equipment used in oil and gas exploration and production, and in the services related to the installation and operation of this equipment. It has managed the current economic environment through supply chain optimisations and right-sizing initiatives.

Key performance indicators (KPIs)

The company's key financial and other performance indicators during the period were as follows:

	6 month period ending 30 June	Year ending 31 December
	2017	2016
	£000	£000
Turnover	334,738	889,779
Gross profit	76,767	294,233
Gross profit percentage	23%	33%
Operating (loss)/profit	(27,069)	181,573
(Loss)/profit after taxation	(6,945)	55,162

Future outlook

The subsea industry continues to face challenging market conditions. The company is seeing the benefit of implementing cost reduction initiatives. The directors believe that the company, which is now a key part of the recently formed Baker Hughes GE organisation, has expanded its expertise and innovative product range and is positioned to perform well in the current market conditions.

The directors maintain the going concern basis of accounting in preparing the annual financial statements, notwithstanding net current liabilities of £24,065,000 (2016: £6,079,000). Going concern assumption is further discussed in note 2 of the financial statements.

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks. The principal risks and uncertainties affecting the business include the following:

GE Oil & Gas UK Limited

Strategic Report

a) Foreign currency risk

The company deals in multiple currencies which can cause foreign exchange risk. There is a risk that there may be an adverse movement in the exchange rate of the transaction currency in relation to the functional currency before the date when the transaction is completed. The company enters into derivative financial instruments to manage its exposure to foreign currency risks.

b) Competitive risk

The company operates in a highly competitive market. Product innovations or technical advances by competitors in the exploration and drilling environment could adversely affect the company. The diversity of operations reduces the possible effect of action by any single competitor.

c) Liquidity risk

In order to maintain liquidity, and to ensure that sufficient funds are available for ongoing operations and future developments, the company uses intra group funding arrangements.

Environmental compliance

The company places considerable emphasis upon environmental compliance in its business and not only seeks to ensure on-going compliance with relevant legislation but also strives to ensure that environmental best practice is incorporated into its key processes.

Strategic development and performance

The business includes developing and maintaining existing customer relationships and monitoring, winning new and replacement contracts in line with the market and company's strategy for expanding.

Employee involvement

The company's policy is to encourage, where possible, the recruitment, training and career development of disabled people and those employees who may become disabled.

The company places considerable value on the involvement of its employees and keeps them informed on matters affecting them as employees and on the company's performance. This is achieved through formal and informal meetings, company newsletters, notice board postings and employee representatives are consulted regularly on matters affecting their current and future interests.

GE Oil & Gas UK Limited


Strategic Report

Research and development activities

The company continues to invest in strengthening its product offering. The directors regard the investment in research and development as integral to the continuing success of the business. Expenditure on research and development of £4,431,000 has been charged to the profit and loss account in the period ended 30 June 2017 (year ended 31 December 2016: £11,570,000).

Details of accounting policy for research and development costs can be found in note 2 of the financial statements.

Approved by the Board on 15th August 2018 and signed on its behalf by:



A M C Sloan
Director

GE Oil & Gas UK Limited

Directors' Report

The directors present their report and the financial statements for the period from 1 January 2017 to 30 June 2017.

Principal activity

The company is principally engaged in the design, manufacture and sale of drilling and completion equipment used in oil and gas exploration and production, and in the services related to the installation and operation of this equipment.

On 31 October 2016, GE and Baker Hughes announced that they had entered into an agreement to combine GE's oil and gas business and Baker Hughes to create a world-leading oilfield technology provider with a unique mix of service and equipment capabilities. The new company, entitled "Baker Hughes, a GE Company" will be a leading equipment, technology and services provider in the oil and gas industry with \$32 billion of combined revenues and operations in more than 120 countries. GE Oil & Gas UK Limited is part of this new group.

By drawing from GE's technology expertise and Baker Hughes capabilities in oilfield services, the new company will provide best-in-class physical and digital technology solutions for customer productivity.

Under the terms of the agreement, which has been unanimously approved by the boards of directors of both companies, GE owns 62.5% of the company. The transaction closed on 3 July 2017 and is not expected to have any immediate impact on the operations or financial results of GE Oil & Gas UK Limited.

Directors of the company

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

N A Dunn (resigned 13 November 2017)

R Justiss

A Matucci (resigned 4 October 2017)

N Saunders

D Arnison

M Stepniak

G Gillies

P Hargraves (resigned 21 December 2017)

A M C Sloan

K P Smith (resigned 18 August 2017)

C A Chichester (appointed 27 September 2017)

B Linke (appointed 27 November 2017)

R G Mendonca (appointed 27 November 2017)

GE Oil & Gas UK Limited

Directors' Report

Results and dividends

The loss for the 6 month period ended 30 June 2017, after taxation, amounted to £6,945,000 (year ended 31 December 2016: profit £55,162,000).

The directors do not recommend the payment of a dividend (year ended 31 December 2016: £nil).

Post balance sheet event

On 31 October 2016, GE and Baker Hughes announced that they had entered into an agreement to combine GE's oil and gas business and Baker Hughes to create a world-leading oilfield technology provider with a unique mix of service and equipment capabilities. The new company, entitled "Baker Hughes, a GE Company" will be a leading equipment, technology and services provider in the oil and gas industry with \$32 billion of combined revenues and operations in more than 120 countries. GE Oil & Gas UK Limited is part of this new group.

By drawing from GE's technology expertise and Baker Hughes capabilities in oilfield services, the new company will provide best-in-class physical and digital technology solutions for customer productivity.

Under the terms of the agreement, which has been unanimously approved by the boards of directors of both companies, GE owns 62.5% of the company. The transaction closed on 3 July 2017 and is not expected to have any immediate impact on the operations or financial results of GE Oil & Gas UK Limited.

On 14 June 2018, the company issued 100,000,000 ordinary shares of £1 each to Vetco International Holdings 4, its immediate parent undertaking, at par value

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 15th August 2018 and signed on its behalf by:



A M C Sloan
Director

GE Oil & Gas UK Limited

Statement of Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with 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 Oil & Gas UK Limited

Opinion

We have audited the financial statements of GE Oil & Gas UK Limited (the 'company') for the period from 1 January 2017 to 30 June 2017, which comprise the Profit and Loss Account, the statement of 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 30 June 2017 and of its loss for the period 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 period 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 Oil & Gas UK 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 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

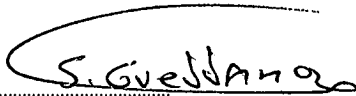
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit 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.

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



Slim Gueddana (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

37 Albyn Place
Aberdeen
United Kingdom
AB10 1JB

Date: 16 August 2018

GE Oil & Gas UK Limited

Profit and Loss Account for the Period from 1 January 2017 to 30 June 2017

	Note	1 January 2017 to 30 June 2017 £ 000	Year ended 31 December 2016 £ 000
Turnover	4	334,738	889,779
Cost of sales		<u>(257,971)</u>	<u>(595,546)</u>
Gross profit		76,767	294,233
Distribution expenses and selling costs		(28,670)	(65,827)
Administrative expenses		(75,166)	(75,823)
Other operating income	6	<u>-</u>	<u>28,990</u>
Operating (loss)/profit	7	(27,069)	181,573
Impairment of investment	16	<u>(2,521)</u>	<u>(4,334)</u>
(Loss)/profit before interest		(29,590)	177,239
Net fair value loss on financial instruments		(50,825)	(127,816)
Net fair value gain on financial instruments		70,464	46,273
Other finance expenses	5	-	(500)
Interest receivable and similar income	8	623	3,275
Interest payable and similar expenses	9	<u>(6,072)</u>	<u>(20,640)</u>
(Loss)/profit before taxation		(15,400)	77,831
Tax on (loss)/profit	13	<u>8,455</u>	<u>(22,669)</u>
(Loss)/profit for the period		<u><u>(6,945)</u></u>	<u><u>55,162</u></u>

GE Oil & Gas UK Limited

Statement of Comprehensive Income for the Period from 1 January 2017 to 30 June 2017

	1 January 2017 to 30 June 2017 £ 000	Year ended 31 December 2016 £ 000
Note		
(Loss)/profit for the period	(6,945)	55,162
Other comprehensive income		
Items that are or may be reclassified subsequently to profit or loss, net of income tax:		
Exchange movements on retranslation of foreign currency net assets	<u>1,121</u>	<u>-</u>
Total comprehensive income for the period	<u><u>(5,824)</u></u>	<u><u>55,162</u></u>

GE Oil & Gas UK Limited

Registration number: 01521132

Balance Sheet as at 30 June 2017

	Note	30 June 2017 £000	31 December 2016 £ 000
Fixed assets			
Intangible assets	15	329,470	329,635
Tangible assets	14	188,143	190,736
Investments	16	10,383	16,751
		<u>527,996</u>	<u>537,122</u>
Current assets			
Stocks	17	143,146	153,490
Debtors: amounts falling due within one year	18	590,715	956,713
Debtors: amounts falling due after more than one year	19	200,425	57,510
Cash at bank		2,062	4,859
		<u>936,348</u>	<u>1,172,572</u>
Creditors: Amounts falling due within one year	20	<u>(960,413)</u>	<u>(1,178,651)</u>
Net current liabilities		<u>(24,065)</u>	<u>(6,079)</u>
Total assets less current liabilities		503,931	531,043
Creditors: Amounts falling due after more than one year	21	(481)	(1,227)
Provisions for liabilities	22	<u>(9,834)</u>	<u>(31,012)</u>
Net assets		<u>493,616</u>	<u>498,804</u>
Capital and reserves			
Called up share capital	23	340,313	340,313
Share premium account		210,291	210,291
Translation reserve		(14,623)	(15,744)
Capital contribution		33,110	33,110
Other reserves		1,352	716
Profit and loss account		<u>(76,827)</u>	<u>(69,882)</u>
Shareholders' funds		<u>493,616</u>	<u>498,804</u>

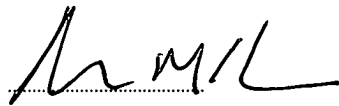
The notes on pages 16 to 40 form an integral part of these financial statements.

GE Oil & Gas UK Limited

Registration number: 01521132

Balance Sheet
as at 30 June 2017

Approved by the Board on 15/8/2018 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'A M C Sloan', written over a dotted line.

A M C Sloan
Director

GE Oil & Gas UK Limited

Statement of Changes in Equity for the Period from 1 January 2017 to 30 June 2017

	Called up share capital £ 000	Share premium account £ 000	Translation reserve £ 000	Capital contribution £ 000	Other reserves £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2017	340,313	210,291	(15,744)	33,110	716	(69,882)	498,804
Comprehensive income for the year							
Loss for the period	-	-	-	-	-	(6,945)	(6,945)
Other comprehensive income*	-	-	1,121	-	-	-	1,121
Total comprehensive income for the year	-	-	1,121	-	-	(6,945)	(5,824)
Share based payment expense for the period	-	-	-	-	834	-	834
Recharges made by GE company in respect of share options exercised during the period	-	-	-	-	(198)	-	(198)
At 30 June 2017	<u>340,313</u>	<u>210,291</u>	<u>(14,623)</u>	<u>33,110</u>	<u>1,352</u>	<u>(76,827)</u>	<u>493,616</u>

*The translation reserve movement related to re-translation of the net assets of a branch which has US Dollars as its functional currency. The transfer from retained earning relates to prior years to improve the presentation of financial statements.

GE Oil & Gas UK Limited

Statement of Changes in Equity for the Period from 1 January 2017 to 30 June 2017

	Called up share capital £ 000	Share premium account £ 000	Translation reserve £ 000	Capital contribution £ 000	Other reserves £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2016	340,313	210,291	(3,327)	400	1,100	(137,461)	411,316
Comprehensive income for the year							
Profit for the period	-	-	(12,417)	-	-	67,579	55,162
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	(12,417)	-	-	67,579	55,162
Dividends paid	-	-	-	-	-	-	-
Equity share based payment expense	-	-	-	-	398	-	398
Recharges made by GE company in respect of share options exercised during the year	-	-	-	-	(782)	-	(782)
Additional capital contribution in the year	-	-	-	32,710	-	-	32,710
At 31 December 2016	<u>340,313</u>	<u>210,291</u>	<u>(15,744)</u>	<u>33,110</u>	<u>716</u>	<u>(69,882)</u>	<u>498,804</u>

The notes on pages 16 to 40 form an integral part of these financial statements.
Page 15

GE Oil & Gas UK 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:

2 High Street
Nailsea
Bristol
BS48 1BS

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 (2015/16 Cycle) issued in July 2016 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.

GE Oil & Gas UK 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 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;
 - 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 £24,065,000 (2016: £6,079,000).

The directors have reviewed the financial position of the company, including the arrangements with group undertakings. The directors have considered the financial position of the company's immediate group and ultimate parent.

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

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 Oil & Gas UK Limited

Notes to the Financial Statements

2 Accounting policies (continued)

Government grants

Grants from the government are recognised at their fair market value in profit and loss account 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 liability (and included in deferred income within trade and other payables) and released to income when all attached conditions have been complied with.

Turnover

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the company's activities. Revenue is shown net of sales/value added tax, returns, rebates and discounts and after eliminating sales within the company. The company recognises revenue when: the amount of revenue can be reliably measured; it is probable that future economic benefits will flow to the entity; and specific criteria have been met for each of the company activities.

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 Statement of Comprehensive Income.

Taxation

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

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

Full provision is made for deferred tax liabilities arising from all timing 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 timing differences can be deducted.

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

Deferred tax assets and liabilities are not discounted.

Tangible fixed assets

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

GE Oil & Gas UK Limited

Notes to the Financial Statements

2 Accounting policies (continued)

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
Freehold buildings	45 to 50 years
Plant & machinery	4 to 25 years
Freehold land	Not depreciated

At each balance sheet date the company reviews the carrying amounts of its fixed assets to determine whether there is any indication that those fixed assets have suffered an impairment loss. If such indication exists, the recoverable amount of the fixed assets is estimated based on its fair value less costs of disposal and value in use. Value in use is calculated using appropriate discounted rates on the future identifiable cash flows. Where the recoverable amount of the fixed assets is less than the carrying value an impairment loss is recognised as an expense.

Intangible assets

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.

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
Trade names	5 to 10 years
Customer relationships	5 to 10 years
Software	5 years

GE Oil & Gas UK 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 work 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.

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.

Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

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. As there is no stated group policy for charging the net defined benefit cost of the plan to participating entities, the net defined benefit cost of the pension plan is recognised fully by the principal employer, which is GEH (Holdings) Limited. The company then recognises a cost equal to its contribution payable for the period. The contributions 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 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 Oil & Gas UK 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, 'other reserve account'.

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

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

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:

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.

GE Oil & Gas UK Limited

Notes to the Financial Statements

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

Useful economic lives of fixed assets

The annual depreciation charge for fixed assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed periodically.

They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 14 for the carrying amount of fixed assets and note 2 for the useful economic lives for each class of assets.

Fair value measurements of derivatives

We use derivatives to manage the risks involved in foreign exchange transactions and the assets and liabilities associated with these derivatives are measured at fair value. A fair value measurement is determined as the price we would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date. In the absence of active markets for the identical assets or liabilities, such measurements involve developing assumptions based on market observable data and, in the absence of such data, internal information that is consistent with what market participants would use in a hypothetical transaction that occurs at the measurement date. The determination of fair value often involves significant judgments about assumptions such as determining an appropriate discount rate that factors in both risk and liquidity premiums, identifying the similarities and differences in market transactions, weighting those differences accordingly and then making the appropriate adjustments to those market transactions to reflect the risks specific to our asset being valued.

Revenue recognition on long-term service agreements

Revenue recognition on long-term 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' utilization of assets. We routinely review estimates under service 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 utilization 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.

GE Oil & Gas UK Limited

Notes to the Financial Statements

4 Turnover

A geographical analysis of turnover is as follows:

	1 January 2017 to 30 June 2017 £ 000	Year ended 31 December 2016 £ 000
United Kingdom, Europe and Scandinavia	69,511	294,031
USA and Americas	39,311	158,873
Africa	173,782	381,223
Other	52,134	55,652
	<u>334,738</u>	<u>889,779</u>

Out of the total turnover for the period, £291,821,000 was generated from sale of equipment, and £42,917,000 was generated from provision of services. (year ended 31 December 2016: £705,396,000 from sale of equipment, and £184,383,000 from provision of services).

The total above includes £185,393,000 (year ended 31 December 2016: £561,364,000) of turnover accounted for under IAS 11. The balance was accounted for under IAS 18.

5 Other finance expenses

	1 January 2017 to 30 June 2017 £ 000	Year ended 31 December 2016 £ 000
Expected return on pension scheme assets	-	(2,000)
Interest on pension scheme liabilities	-	2,500
Net interest on net defined benefit asset (note 25)	<u>-</u>	<u>500</u>

6 Other operating income

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

	1 January 2017 to 30 June 2017 £000	Year ended 31 December 2016 £000
Committed Pension Contributions	<u>-</u>	<u>28,990</u>

GE Oil & Gas UK Limited

Notes to the Financial Statements

6 Other operating income (continued)

The company previously operated a contributory contracted out defined benefit pension scheme. The scheme assets and liabilities, and all members, transferred to the GE Pension Plan on 30 March 2016. The transaction was a replacement of a post-employment plan under IAS 19.

At the date of the transfer there was an expectation that the company would pay £28.99 million to fund the deficit in the defined benefit scheme ("the committed contributions"). This balance was credited to other operating income on the transfer date.

Following the transfer defined contribution accounting applies and all future contributions payable to the group pension scheme are expensed as incurred. The committed contributions are also expensed as incurred and the corresponding amount at pension transfer date was recorded to profits of the period as part of the pension plan replacement accounting.

7 Operating (loss)/profit

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

	1 January 2017 to 30 June 2017 £ 000	Year ended 31 December 2016 £ 000
Depreciation of tangible fixed assets: owned by the company	10,674	25,364
Amortisation - intangible fixed assets	3,435	4,848
Difference on foreign exchange	17,238	(52,873)
Operating lease rentals - land and building	2,031	9,577
Operating lease rentals - other	267	1,940
Loss on disposal of tangible fixed assets	8	94

8 Interest receivable and similar income

	1 January 2017 to 30 June 2017 £ 000	Year ended 31 December 2016 £ 000
Other interest receivable	25	3,236
Interest receivable from group companies	598	39

GE Oil & Gas UK Limited

Notes to the Financial Statements

9 Interest payable and similar expenses

	1 January 2017 to 30 June 2017 £ 000	Year ended 31 December 2016 £ 000
Interest expense on other financing liabilities	-	275
On loans from group undertakings	5,822	19,136
Other interest payable	250	339
Bank interest payable	-	890
	<u>6,072</u>	<u>20,640</u>

10 Staff costs

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

	1 January 2017 to 30 June 2017 £ 000	Year ended 31 December 2016 £ 000
Wages and salaries	83,755	157,695
Social security costs	7,750	17,616
Other pension costs	7,320	12,277
Share-based payment expense	834	398
	<u>99,659</u>	<u>187,986</u>

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

	1 January 2017 to 30 June 2017 No.	Year ended 31 December 2016 No.
Production	1,699	1,978
Administration	356	411
Selling, service and distribution	519	629
	<u>2,574</u>	<u>3,018</u>

GE Oil & Gas UK Limited

Notes to the Financial Statements

11 Directors' remuneration

The directors' remuneration for the period was as follows:

	1 January 2017 to 30 June 2017 £ 000	Year ended 31 December 2016 £ 000
Remuneration	811	1,808
Company contributions to pension schemes	<u>83</u>	<u>191</u>

During the period retirement benefits were accruing to one director (year ended 31 December 2016: 3) in respect of defined benefit pension scheme.

Certain directors did not receive any remuneration from the company during the current and prior periods.

In respect of the highest paid director:

	1 January 2017 to 30 June 2017 £ 000	Year ended 31 December 2016 £ 000
Remuneration	357	862
Company contributions to pension schemes	<u>6</u>	<u>51</u>

12 Auditor's remuneration

	1 January 2017 to 30 June 2017 £000	Year ended 31 December 2016 £000
Audit of the financial statements	<u>234</u>	<u>213</u>

GE Oil & Gas UK Limited

Notes to the Financial Statements

13 Taxation

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

	1 January 2017 to 30 June 2017 £ 000	Year ended 31 December 2016 £ 000
Current taxation		
UK corporation tax	-	17,295
UK corporation tax adjustment to prior periods	(9,957)	(11,552)
	(9,957)	5,743
Double taxation relief	-	(8,241)
	(9,957)	(2,498)
Foreign tax	1,502	25,167
Total current tax	(8,455)	22,669
Deferred taxation		
Origination and reversal of temporary differences	(1,444)	9,516
Effect of changes to tax rates	185	894
Adjustment in respect of prior year	(221)	-
Movement on deferred tax not provided	1,480	(10,410)
Total deferred taxation	-	-
Tax (receipt)/expense in the Profit and Loss Account	(8,455)	22,669

GE Oil & Gas UK Limited

Notes to the Financial Statements

13 Taxation (continued)

The tax assessed for the period 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 19.5% (2016 - 20%).

The differences are reconciled below:

	1 January 2017 to 30 June 2017 £ 000	Year ended 31 December 2016 £ 000
(Loss)/profit before tax	(15,400)	77,831
Corporation tax at standard rate	(3,003)	15,566
Adjustment to tax charge in respect of prior year	(10,178)	(11,553)
Non-taxable income	(39)	(5,954)
Expenses not deductible for tax purposes	4,217	4,860
Group relief for £nil consideration	(2,620)	-
Overseas tax suffered (expensed)	1,502	16,926
Movement on deferred tax not provided	1,480	1,930
Effect of changes to tax rates	185	894
Total tax (credit)/charge	(8,456)	22,669

Factors that may affect future tax charges

The UK corporation tax rate will reduce from 20% to 19% on 1 April 2017. A further reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce any current tax charges in future periods 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 2017 to 31 December 2020 (the overall average rate ranging from 19.25% to 17.5%).

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

Deferred tax

There are £31,827,771 of deductible temporary differences (2016: £30,348,122) and £1,030,310 of unused tax losses (2016: £1,030,310) for which no deferred tax asset is recognised in the balance sheet.

GE Oil & Gas UK Limited

Notes to the Financial Statements

14 Tangible fixed assets

	Freehold land and buildings £ 000	Plant & machinery £ 000	Asset under construction £ 000	Total £ 000
Cost				
At 1 January 2017	68,641	223,801	4,242	296,684
Additions	329	-	7,760	8,089
Disposals	-	(50)	-	(50)
Transfers	151	10,996	(11,147)	-
At 30 June 2017	<u>69,121</u>	<u>234,747</u>	<u>855</u>	<u>304,723</u>
Depreciation				
At 1 January 2017	21,911	84,037	-	105,948
Charge for the year	1,606	9,068	-	10,674
On disposals	-	(42)	-	(42)
At 30 June 2017	<u>23,517</u>	<u>93,063</u>	<u>-</u>	<u>116,580</u>
Carrying amount				
At 30 June 2017	<u>45,604</u>	<u>141,684</u>	<u>855</u>	<u>188,143</u>
At 31 December 2016	<u>46,730</u>	<u>139,764</u>	<u>4,242</u>	<u>190,736</u>

All land and buildings are held on a freehold basis.

GE Oil & Gas UK Limited

Notes to the Financial Statements

15 Intangible fixed assets

	Goodwill £ 000	Software £ 000	Software under development £ 000	Trade name & customer relationship £ 000	Total £ 000
Cost					
At 1 January 2017	299,177	24,055	15,476	567	339,275
Additions	-	-	3,270	-	3,270
Transfers	-	11,780	(11,780)	-	-
At 30 June 2017	<u>299,177</u>	<u>35,835</u>	<u>6,966</u>	<u>567</u>	<u>342,545</u>
Amortisation					
At 1 January 2017	-	9,600	-	40	9,640
Charge for the year	-	3,415	-	20	3,435
At 30 June 2017	-	<u>13,015</u>	-	<u>60</u>	<u>13,075</u>
Carrying amount					
At 30 June 2017	<u>299,177</u>	<u>22,820</u>	<u>6,966</u>	<u>507</u>	<u>329,470</u>
At 31 December 2016	<u>299,177</u>	<u>14,455</u>	<u>15,476</u>	<u>527</u>	<u>329,635</u>

The amortisation of intangibles is included in administrative expenses in the Profit and Loss Account and Other Comprehensive Income.

Impairment testing

Goodwill has been tested for impairment in accordance with the IAS 36 requirements. For the purpose of impairment testing, goodwill is allocated to the company's single cash-generating unit ("CGU"), which would be the company's single operating segment as defined by IFRS 8. The recoverable amount of CGU was based on its value in use, determined by discounting the future cash flows to be generated from the continuing use of the CGU. The carrying amount of the CGU assets was determined to be less than its recoverable amount, therefore no impairment loss was recognised.

Key assumptions used in the calculation of value in use were discount rate, terminal growth rate and the operating margin growth rate. These assumptions were as follows:

GE Oil & Gas UK Limited

Notes to the Financial Statements

15 Intangible fixed assets (continued)

Assumption	6 months period ended 30 June 2017
Discount rate	11.0%
Terminal growth rate	3.5%

The discount rate was a pre-tax measure estimated based on past experience, and GE weighted average cost of capital, which is based on possible range of debt leveraging of 20% at a market interest yield.

Four years of cash flows are included in the discounted cash flow model. A long-term growth rate into perpetuity has been determined as the lower of the nominal GDP rates for the countries in which the CGU operates and the long-term compound annual growth rate estimated by management.

Budgeted operating margin was based on expectations of future outcomes taking into account past experience, confirmed order book, and management expectations.

Sensitivity analysis has been performed to test the different adverse scenarios to the forecast, and it proved that the entity has sufficient headroom against reasonable adverse movements of underlying assumptions.

16 Fixed asset investments

	Investments in group undertakings £ 000
Cost	
At 1 January 2017	39,754
Additions	(607)
Disposals	<u>(3,240)</u>
At 30 June 2017	<u>35,907</u>
Impairment	
At 1 January 2017	23,003
Charge for the year	<u>2,521</u>
At 30 June 2017	<u>25,524</u>
Net book value	
At 30 June 2017	<u>10,383</u>
At 31 December 2016	<u>16,751</u>

GE Oil & Gas UK Limited

Notes to the Financial Statements

16 Fixed asset investments (continued)

The directors of the company have undertaken a review of the company's investment in group undertakings as at 30 June 2017. This has resulted in a write-off of £2,521,000, the investment having been valued at its current value in use by reference to its future discounted identifiable cash flow where relevant.

On 9 March 2017, the company converted its holding of preference shares costing £3,240,000 into a loan to GE Oil & Gas Ghana Limited.

Details of the group undertakings as at 30 June 2017 are as follows:

Name	Registered office	Class of shares held	Proportion of ownership interest
Vetco Gray Poland Sp. Z o.o	Ul Haffnera 6, Sopot, 81-717, Poland	Ordinary	100%
Vetco Gray Egypt Limited	Land No 46 Zone J 1st District, Town Center NewCairo Boomerang Bldg Cairo, Egypt	Ordinary	99%
Allen Gearing Solutions Limited	Station Road, Pershore, WR10 2BZ, United Kingdom	Ordinary	100%
GE Oil & Gas Ghana Limited	Stanbic Heights 3rd Floor, International Of Liberation Road and North Liberation Link, Accra, Ghana	Ordinary	90%
IO Oil and Gas UK LLP	The Shard - 9th Floor/Number 32, London Bridge Street, London, SE1 9SG, United Kingdom	Ordinary	50%

GE Oil & Gas UK Limited

Notes to the Financial Statements

17 Stocks

	30 June 2017 £000	31 December 2016 £ 000
Raw materials and work in progress	129,425	105,726
Finished goods	<u>13,721</u>	<u>47,764</u>
	<u><u>143,146</u></u>	<u><u>153,490</u></u>

During the period stock of £142,362,000 (year ended 31 December 2016: £475,613,000) was expensed through cost of sales.

18 Debtors

	30 June 2017 £000	31 December 2016 £ 000
Due within one year		
Trade debtors	40,916	25,894
Amounts owed by group undertakings	206,080	607,537
Amounts recoverable on long term contracts	140,649	40,458
Prepayments and accrued income	6,408	1,539
Derivative financial assets	70,673	130,952
Other debtors	<u>125,989</u>	<u>150,333</u>
	<u><u>590,715</u></u>	<u><u>956,713</u></u>

19 Debtors

	30 June 2017 £ 000	31 December 2016 £ 000
Due after more than one year		
Amounts owed by group undertakings	<u><u>200,425</u></u>	<u><u>57,510</u></u>

GE Oil & Gas UK Limited

Notes to the Financial Statements

20 Creditors: Amounts falling due within one year

	30 June 2017	31 December
	£ 000	2016 £ 000
Trade creditors	99,193	111,882
Accruals and deferred income	80,814	116,019
Amounts owed to group undertakings	680,919	741,015
Other creditors	19,172	3,373
Corporation tax	22,961	29,787
Payments received on account	7,507	9,871
Derivative financial liabilities	49,847	166,704
	<u>960,413</u>	<u>1,178,651</u>

21 Creditors: Amounts falling due after more than one year

	30 June 2017	31 December
	£ 000	2016 £ 000
Amounts owed to group undertakings	<u>481</u>	<u>1,227</u>

22 Provisions for liabilities

	Warranty and installation £ 000	Dilapidations £ 000	Onerous contracts £ 000	Total £ 000
At 1 January 2017	3,180	-	27,832	31,012
Additions during the year	186	63	1,061	1,310
Amounts utilised during the year	(443)	-	(24,720)	(25,163)
Other movements	-	2,675	-	2,675
At 30 June 2017	<u>2,923</u>	<u>2,738</u>	<u>4,173</u>	<u>9,834</u>

GE Oil & Gas UK Limited

Notes to the Financial Statements

22 Provisions for liabilities (continued)

Warranty and installation

A provision is recognised for expected warranty claims on products sold. It is expected that most of these costs will be incurred in the next financial year, and all will have been incurred within two years of the balance sheet date.

Onerous contracts

A provision is recognised when a foreseeable loss arises on an individual contract. Loss provisions on onerous contracts are first allocated against work in progress in accordance with IFRS to the extent that there is year end work in progress. The balance is disclosed within provisions for liabilities.

23 Share capital

Allotted, called up and fully paid shares

	30 June 2017		31 December 2016	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £1 each	<u>340,313</u>	<u>340,313</u>	<u>340,313</u>	<u>340,313</u>

24 Operating lease commitments

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

	2017	2016
	£ 000	£ 000
Within one year	5,931	7,835
In two to five years	12,242	14,298
In over five years	<u>2,023</u>	<u>2,954</u>
	<u>20,196</u>	<u>25,087</u>

The company leases a number of warehouse, office, factory facilities, and vehicles under operating leases.

GE Oil & Gas UK Limited

Notes to the Financial Statements

25 Pension commitments

Defined benefit pension scheme

Until 31 March 2016, the company operated a contributory contracted out defined benefit pension scheme for the benefit of certain of its employees. The assets of the scheme were held separately from those of the company and are invested with investment managers. Contributions to the scheme were charged to the profit and loss account on a consistent basis by spreading the cost of the pensions over the working lifetime of employees.

On 30 March 2016 the Plan transferred its assets and liabilities to the GE Pension Plan (the GEPP). Contributions to meet the cost of accrual from 1 April 2016 will be in accordance with the Schedule of Contributions for the GEPP. The GEPP Scheme Actuary calculated the deficit contributions to be paid with effect from 1 April 2016, based on the deficit in the Plan immediately prior to merger.

The following tables analyse plan assets, present value of defined benefit obligations, expense recognised in profit and loss, actuarial assumptions and other information for the plan prior to the merger in the prior year.

Scheme assets

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

	30 June 2017 £000	31 December 2016 £ 000
At 1 January	-	210,000
Interest income	-	2,000
Contributions by employer	-	2,400
Benefits paid	-	(2,100)
Administrative expenses paid	-	(100)
Transfer of scheme assets to fellow group undertaking	-	(212,200)
At 30 June/31 December	-	-

In accordance with IAS 19, past service costs are recognised immediately in the defined benefit cost.

The pension scheme has not invested in any of the company's own financial instruments or in properties or other assets used by the company.

GE Oil & Gas UK Limited

Notes to the Financial Statements

25 Pension commitments (continued)

Scheme liabilities

Changes in the present value of scheme liabilities are as follows:

	30 June 2017 £000	31 December 2016 £ 000
At 1 January	-	272,500
Current service cost	-	1,000
Interest cost	-	2,500
Benefits paid	-	(2,100)
Transfer of scheme liabilities to fellow group undertaking	-	(273,900)
At 30 June/31 December	<u>-</u>	<u>-</u>

Principal actuarial assumptions

The significant actuarial assumptions used to determine the present value of the defined benefit obligation as at 31 December 2016, are as follows:

	31 December 2016 %
Discount rate	3.75
Price inflation (RPI)	3.25
Rate of salary increase	4.75
Pension increase for in-payment benefits	3.25
Pension increase for deferred benefits (CPI)	<u>2.25</u>

Post retirement mortality assumptions

	2016 Years
Current UK pensioners at retirement age - male	22.9
Current UK pensioners at retirement age - female	23.6
Future UK pensioners at retirement age - male	25
Future UK pensioners at retirement age - female	25.3

GE Oil & Gas UK Limited

Notes to the Financial Statements

25 Pension commitments (continued)

Amounts recognised in the profit and loss account

	6 month period ended 30 June 2017 £ 000	Year ended 31 December 2016 £ 000
Amounts recognised in operating profit		
Current service cost	-	1,000
Administrative expenses paid	-	100
Recognised in arriving at operating profit	<u>-</u>	<u>1,100</u>
Amounts recognised in finance income or costs		
Net interest on net defined benefit (liability)/asset	<u>-</u>	<u>500</u>
Total recognised in the income statement	<u><u>-</u></u>	<u><u>1,600</u></u>
Defined contribution plan		

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 period was £7,319,000 (year ended 31 December 2016: £12,278,000), 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 Oil & Gas UK Limited

Notes to the Financial Statements

26 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.

The weighted average share price at the date of exercise of share options exercised during the period was \$30.12 (year ended 31 December 2016: \$30.55).

The options outstanding at the year end have an exercise price in the range of \$9.57 to \$38.75 and a weighted average contractual life of 6.52 years.

27 Capital commitments

The total amount contracted for but not provided in the financial statements was £25,080,000 (31 December 2016: £16,188,000).

28 Guarantees and contingent liabilities

The company has performance bonds and guarantees of £51,741,000 outstanding at 30 June 2017 (31 December 2016: £49,186,000).

29 Related party transactions

The related party transactions during the period and balances with other related parties not wholly owned by the General Electric group are as follows:

GE Oil & Gas UK Limited

Notes to the Financial Statements

29 Related party transactions (continued)

	30 June 2017	31 December 2016
	£000	£000
Amounts due from (as at 30 June/31 December)	355,480	15,889
Amounts owed to (as at 30 June/31 December)	669,684	3,561
Sales (for the 6 month period ended 30 June 2017/year ended 31 December 2016)	115,104	8,577

30 Ultimate parent undertaking and controlling party

The company's immediate parent is Vetco International Holding 4, a company registered at The Ark, 201 Talgarth Road, London, W6 8BJ, United Kingdom.

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

31 Post balance sheet event

On 31 October 2016, GE and Baker Hughes announced that they had entered into an agreement to combine GE's oil and gas business and Baker Hughes to create a world-leading oilfield technology provider with a unique mix of service and equipment capabilities. The new company, entitled "Baker Hughes, a GE Company" will be a leading equipment, technology and services provider in the oil and gas industry with \$32 billion of combined revenues and operations in more than 120 countries. GE Oil & Gas UK Limited is part of this new group.

By drawing from GE's technology expertise and Baker Hughes capabilities in oilfield services, the new company will provide best-in-class physical and digital technology solutions for customer productivity.

Under the terms of the agreement, which has been unanimously approved by the boards of directors of both companies, GE owns 62.5% of the company. The transaction closed on 3 July 2017 and is not expected to have any immediate impact on the operations or financial results of GE Oil & Gas UK Limited.

On 14 June 2018, the company issued 100,000,000 ordinary shares of £1 each to Vetco International Holdings 4, its immediate parent undertaking, at par value