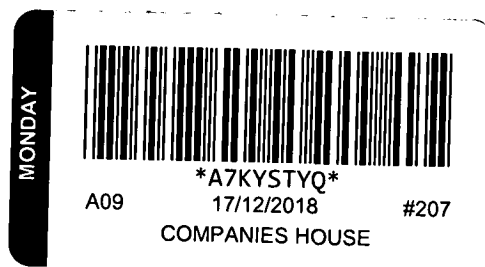


Registration number: 03337033

GE Healthcare UK Limited
Annual Report and Financial Statements
for the Year Ended 31 December 2017



GE Healthcare UK Limited

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GE Healthcare UK Limited

Strategic Report

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

Business review

Total turnover increased by £54.5m (51.7%), compared to 2016, due to the continuing strong market for Bioprocess resins and hardware.

The gross margin declined by 11.8%, to 19.4% for 2017, driven by product mix and a general increase in the price of materials.

The company continues its commitment to growth across all business lines, with continued investment in research and development of the cell technologies sector, amounting to £3.3m in 2017 (2016: £4m). This sector is growing steadily and is expected to play a significant commercial role in the future given the long-term potential of the regenerative medicine market.

The company recorded an operating profit of £3.7m for 2017, compared to an operating loss of £5.3m for 2016. This is due to a strong year for sales, along with a continued focus on cost control and better alignment of resources.

On 8 March 2017, the company acquired 1 ordinary share of £1 each in the share capital of GE Healthcare CTH Holding Limited from One GE Healthcare UK Limited, for a total consideration of £1, payable in cash.

On 10 April 2017, the company subscribed for a further 69,000 A ordinary shares of £0.01 each in the share capital of its subsidiary undertaking, GE Healthcare CTH Holding Limited, for a total consideration of £5,682,571, payable in cash.

On the same date, GE Healthcare CTH Holding Limited, which is a subsidiary of the company, redesignated its 1 ordinary share of £1 to 1 deferred share of £1.

On 31 August 2017, the company acquired 13,064,868 ordinary shares of £0.01 each in the share capital of Horizon Discovery Group PLC, for a total consideration of £23,972,465, payable in cash. The asset was originally recognised at the purchase price but subsequently uplifted to its fair value at the year-end creating a £7.4m available for sale reserve.

On 13 October 2017, the company subscribed for 100,000 ordinary shares of £0.01 each in the share capital of GE Healthcare Bioscience Holding Limited, for a total consideration of £10,000, payable in cash.

On 24 November 2017, the company subscribed for a further 749,100 A ordinary shares of £0.01 each in the share capital of its subsidiary undertaking, GE Healthcare Bioscience Holding Limited, for a total consideration of £13,159,178, payable in cash.

Future outlook

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

GE Healthcare UK Limited

Strategic Report

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 key business risks and uncertainties affecting the company relate to the overall development of the life sciences market as well as the competitive landscape. Specifically, we continue our investment in the incipient stem cell market, carefully measuring progress. The business manages this risk by continually evaluating and reassessing the portfolio of both new products under development and the established product mix.

The company sells products to a number of countries in various currencies therefore becoming subject to foreign currency fluctuations. This risk is mitigated by ensuring the appropriate foreign exchange hedges are in place.

Key performance indicators

| | 2017 | 2016 | Comments |
|--|-------|-------|--|
| Growth in external sales (%) | 51.7% | 6.7% | Year on year external sales growth expressed as a percentage. |
| Gross margin (%) | 19.4% | 31.2% | Ratio of gross profit to sales expressed as a percentage. |
| Distribution and administration expenses (%) | 38.4% | 63.7% | Ratio of distribution and administration costs to sales expressed as a percentage. |

Approved by the Board on 23 November 2018 and signed on its behalf by:


K O'Neill
Director

GE Healthcare UK Limited

Directors' Report

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

Principal activities

The company is engaged in the sale of products and services delivering breakthrough technology in drug discovery, biopharmaceutical manufacturing and the latest in cellular technologies, enabling scientists and specialists to discover new ways to predict, diagnose and treat disease earlier. In addition, the company holds investments in group entities within the medical diagnostics and life sciences sectors.

Results and dividends

The loss for the year, after taxation, amounted to £200,000 (2016: £35,105,000).

The directors do not recommend the payment of a 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:

K Murphy (resigned 16 August 2017)

M Gonzalo (appointed 12 December 2017)

K O'Neill

E Ligner (appointed 6 September 2017)

J Makela (resigned 11 December 2017)

Employee involvement

There are extensive arrangements in the United Kingdom for consultation with staff on company objectives, plans and progress and on matters of general and particular interest. Regular exchanges of information with staff take place through formal consultative arrangements at company and local level.

Research and development

The company policy is to invest in product innovation and process improvement at a level designed to enable it to be a market leader in the biotechnology supply business in which it competes. It is also company policy to seek out new business opportunities by exploiting its skills and technology base.

GE Healthcare UK 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.

On 12 October 2018, the company subscribed for 1,400 fully paid 26.4 percent fixed rate non-redeemable cumulative preference shares of £0.01 each in GE Healthcare Bioscience Holding Limited for consideration of £14m payable in cash.

On 19 October 2018, the company subscribed for 26,790 A Ordinary Shares in GE Healthcare CTH Holding Limited for consideration of £2m payable in cash.

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.

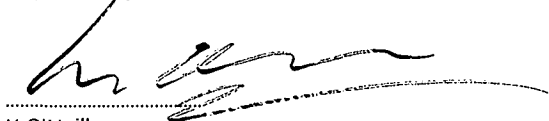
Disclosure of information to the auditor

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 auditor

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

Approved by the Board on 23 November 2018 and signed on its behalf by:



K O'Neill
Director

GE Healthcare 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 Healthcare UK Limited

Opinion

We have audited the financial statements of GE Healthcare UK 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 loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

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 Healthcare 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 5, 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 Healthcare 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.



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

58 Clarendon Road
Watford
WD17 1DE

Date: 10th December 2018

GE Healthcare UK Limited

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

| | Note | 2017 £ 000 | 2016 £ 000 |
|---|------|---------------------|------------------------|
| Turnover | 4 | 159,921 | 105,450 |
| Cost of sales | | <u>(128,843)</u> | <u>(72,560)</u> |
| Gross profit | | 31,078 | 32,890 |
| Distribution costs | | (21,516) | (27,256) |
| Administrative expenses | | (39,969) | (39,929) |
| Other operating income | 5 | <u>34,063</u> | <u>28,956</u> |
| Operating profit/(loss) | 6 | 3,656 | (5,339) |
| Loss on disposal of the pension asset | | - | (7,994) |
| Income from fixed asset investments | | - | 7,994 |
| Profit on sale of a business | | - | 159 |
| Interest receivable and similar income | 10 | 920 | - |
| Interest payable and similar expenses | 11 | <u>(4,776)</u> | <u>(29,925)</u> |
| Loss before tax | | (200) | (35,105) |
| Tax on loss | 12 | <u>-</u> | <u>-</u> |
| Loss for the year | | (200) | (35,105) |
| Other comprehensive income | | <u>7,383</u> | <u>-</u> |
| Total comprehensive income/(loss) for the year | | <u><u>7,183</u></u> | <u><u>(35,105)</u></u> |

The above results were derived from continuing operations.

GE Healthcare UK Limited

Statement of Comprehensive Income for the Year Ended 31 December 2017

| | Note | 2017 £ 000 | 2016 £ 000 |
|---|------|---------------------|------------------------|
| Loss for the year | | (200) | (35,105) |
| Items that will not be reclassified subsequently to profit or loss | | | |
| Surplus on revaluation of other assets | | <u>7,383</u> | <u>-</u> |
| Total comprehensive income/(loss) for the year | | <u>7,183</u> | <u>(35,105)</u> |

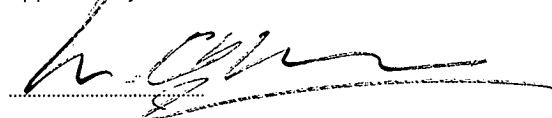
GE Healthcare UK Limited

Registration number: 03337033

Balance Sheet
as at 31 December 2017

| | Note | 2017 £ 000 | 2016 £ 000 |
|---|------|------------------|------------------|
| Fixed assets | | | |
| Intangible assets | 13 | 7,402 | 5,768 |
| Tangible assets | 14 | 11,925 | 5,823 |
| Investments | 15 | 330,567 | 311,716 |
| | | <u>349,894</u> | <u>323,307</u> |
| Current assets | | | |
| Stocks | 16 | 2,181 | 2,296 |
| Debtors: amounts falling due after more than one year | 17 | 31,356 | - |
| Debtors: amounts falling due within one year | 17 | 364,579 | 405,239 |
| Cash at bank and in hand | | 162 | 189 |
| | | <u>398,278</u> | <u>407,724</u> |
| Creditors: Amounts falling due within one year | 18 | <u>(317,033)</u> | <u>(307,755)</u> |
| Net current assets | | <u>81,245</u> | <u>99,969</u> |
| Total assets less current liabilities | | 431,139 | 423,276 |
| Provisions for liabilities | 19 | (799) | (1,150) |
| Net assets | | <u>430,340</u> | <u>422,126</u> |
| Capital and reserves | | | |
| Called up share capital | 20 | 123 | 123 |
| Available for sale reserve | | 7,383 | - |
| Employee share based equity reserve | | 914 | (117) |
| Profit and loss account | | 421,920 | 422,120 |
| Shareholders' funds | | <u>430,340</u> | <u>422,126</u> |

Approved by the Board on 23 November 2018 and signed on its behalf by:



K O'Neill
Director

GE Healthcare UK Limited

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

| | Called up share capital £ 000 | Available for sale reserve £ 000 | Employee share based equity reserve £ 000 | Profit and loss account £ 000 | Total £ 000 |
|--|--|---|---|--|----------------|
| At 1 January 2017 | 123 | - | (117) | 422,120 | 422,126 |
| Comprehensive income for the year | | | | | |
| Loss for the year | - | - | - | (200) | (200) |
| Other comprehensive income | - | 7,383 | - | - | 7,383 |
| Total comprehensive income for the year | - | 7,383 | - | (200) | 7,183 |
| Equity compensation expense recognised during the year | - | - | 371 | - | 371 |
| Recharges made by GE company in respect of share options | - | - | (214) | - | (214) |
| Intrinsic value accrual change | - | - | 874 | - | 874 |
| At 31 December 2017 | <u>123</u> | <u>7,383</u> | <u>914</u> | <u>421,920</u> | <u>430,340</u> |

GE Healthcare UK Limited

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

| | Called up share capital £ 000 | Share premium account £ 000 | Employee share based equity reserve £ 000 | Profit and loss account £ 000 | Total £ 000 |
|---|--|--------------------------------------|---|--|----------------|
| At 1 January 2016 | 123 | 429,173 | 73 | 28,052 | 457,421 |
| Comprehensive income for the year | | | | | |
| Loss for the year | - | - | - | (35,105) | (35,105) |
| Other comprehensive income | - | - | - | - | - |
| Total comprehensive loss for the year | - | - | - | (35,105) | (35,105) |
| Share premium cancelled during the year/distributable reserves created on cancellation of share premium | - | (429,173) | - | 429,173 | - |
| Equity compensation expense recognised during the year | - | - | 288 | - | 288 |
| Recharges made by GE company in respect of share options | - | - | (478) | - | (478) |
| At 31 December 2016 | <u>123</u> | <u>-</u> | <u>(117)</u> | <u>422,120</u> | <u>422,126</u> |

GE Healthcare 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:

Amersham Place
Little Chalfont
Buckinghamshire
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.

GE Healthcare 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 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;
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

Going concern

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

Turnover

Turnover 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. Turnover is shown net of sales/value added tax, returns, rebates and discounts and after eliminating sales within the company. The company recognises turnover when: The amount of turnover 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 profit and loss account.

GE Healthcare UK Limited

Notes to the Financial Statements

2 Accounting policies (continued)

Tax

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

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

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

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

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

Deferred tax assets and liabilities are not discounted.

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 |
|--|--|
| Freehold land | nil |
| Freehold buildings | 2.5% |
| Plant and machinery, tools and equipment | at varying rates currently between 9% and 25% pa |

GE Healthcare UK Limited

Notes to the Financial Statements

2 Accounting policies (continued)

Intangible assets

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.

Software, Patents, trademarks and similar rights

Software, Patents, trademarks and similar rights purchased by the company are amortised to nil by equal installments over their useful economic lives, generally their respective unexpired periods, or 3 years.

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.

Financial Instruments - Listed investments

Assets available for sale are initially measured at fair value plus or minus transaction costs. Subsequently, gains and losses are recognised entirely in other comprehensive income.

Stocks and work in progress

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.

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.

Research and development

Research and development expenditure is written off in the year in which it is incurred.

GE Healthcare UK Limited

Notes to the Financial Statements

2 Accounting policies (continued)

Pensions

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 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.

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 'other 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 '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:

GE Healthcare UK Limited

Notes to the Financial Statements

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

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 Healthcare UK Limited

Notes to the Financial Statements

4 Turnover

The company has only one class of business, that of research-based biotechnology supply services.

The table below sets out information for each geographic area of operation.

A geographical analysis of turnover is as follows:

| | 2017 | 2016 |
|-------------------|----------------|----------------|
| | £ 000 | £ 000 |
| United Kingdom | 70,068 | 56,864 |
| Rest of Europe | 89,206 | 48,530 |
| North America | 79 | 21 |
| Rest of the world | 568 | 35 |
| | <u>159,921</u> | <u>105,450</u> |

5 Other operating income

| | 2017 | 2016 |
|---------------------------------------|---------------|---------------|
| | £ 000 | £ 000 |
| Royalties receivable | 1,395 | 248 |
| Intercompany shared service recharges | 32,756 | 28,708 |
| Other impairment losses | (88) | - |
| | <u>34,063</u> | <u>28,956</u> |

6 Operating profit/(loss)

The operating profit/(loss) is stated after charging/(crediting)

| | 2017 | 2016 |
|---|--------------|--------------|
| | £ 000 | £ 000 |
| Research and development expenditure | 3,316 | 4,001 |
| Difference on foreign exchange | (979) | 194 |
| Operating lease rentals: - plant and machinery | <u>106</u> | <u>13</u> |

GE Healthcare UK Limited

Notes to the Financial Statements

7 Auditor's remuneration

| | 2017 £ 000 | 2016 £ 000 |
|-----------------------------------|---------------|---------------|
| Audit of the financial statements | <u>61</u> | <u>52</u> |

8 Staff costs

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

| | 2017 £ 000 | 2016 £ 000 |
|------------------------------|---------------|---------------|
| Wages and salaries | 18,305 | 17,980 |
| Social security costs | 2,598 | 2,025 |
| Other pension costs | 1,696 | 2,806 |
| Share-based payment expenses | <u>371</u> | <u>288</u> |
| | <u>22,970</u> | <u>23,099</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. |
|----------------------------|-------------|-------------|
| Production and development | 24 | 15 |
| Administration | 27 | 26 |
| Distribution and selling | <u>219</u> | <u>230</u> |
| | <u>270</u> | <u>271</u> |

GE Healthcare UK Limited

Notes to the Financial Statements

9 Directors' remuneration

The directors' remuneration for the year was as follows:

| | 2017 £ 000 | 2016 £ 000 |
|--------------|---------------|---------------|
| Remuneration | <u>2,177</u> | <u>3,197</u> |

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

| | 2017 No. | 2016 No. |
|--|-------------|-------------|
| Accruing benefits under defined benefit pension scheme | <u>2</u> | <u>2</u> |

In respect of the highest paid director:

| | 2017 £ 000 | 2016 £ 000 |
|--------------|---------------|---------------|
| Remuneration | <u>1,367</u> | <u>2,451</u> |

10 Interest receivable and similar income

| | 2017 £ 000 | 2016 £ 000 |
|--|---------------|---------------|
| Interest receivable from group companies | <u>920</u> | <u>-</u> |

11 Interest payable and similar expenses

| | 2017 £ 000 | 2016 £ 000 |
|----------------------------------|---------------|---------------|
| On loans from group undertakings | <u>4,776</u> | <u>29,925</u> |

GE Healthcare UK Limited

Notes to the Financial Statements

12 Taxation

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

| | 2017 £ 000 | 2016 £ 000 |
|--|-----------------|-----------------|
| Current taxation | | |
| UK corporation tax | - | - |
| Total current tax | <u>-</u> | <u>-</u> |
| Deferred taxation | | |
| Origination and reversal of temporary differences | 720 | (1,357) |
| Effect of changes to tax rates | (84) | 415 |
| Adjustment in respect of prior year | 1,532 | 146 |
| Movement on deferred tax not provided | <u>(2,168)</u> | <u>796</u> |
| Total deferred taxation | <u>-</u> | <u>-</u> |
| Tax expense/(receipt) in the profit and loss account | <u><u>-</u></u> | <u><u>-</u></u> |

GE Healthcare UK Limited

Notes to the Financial Statements

12 Taxation (continued)

The tax assessed for the year is higher 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 |
|---|---------------|---------------|
| Loss before tax | (200) | (35,105) |
| Corporation tax at standard rate | (38) | (7,021) |
| Adjustment to tax charge in respect of prior year | 1,532 | 146 |
| Movement on deferred tax not provided | (2,168) | 796 |
| Effect of changes to tax rates | (84) | 415 |
| Non-taxable income | (127) | (127) |
| Expenses not deductible for tax purposes | 940 | 918 |
| Group relief for £nil consideration | (55) | 4,873 |
| Total tax charge/(credit) | - | - |

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 £15,127,000 of deductible temporary differences (2016: £18,867,000) for which no deferred tax asset is recognised in the balance sheet.

GE Healthcare UK Limited

Notes to the Financial Statements

13 Intangible fixed assets

| | Goodwill £ 000 | Software and patents, trademarks and similar rights £ 000 | Total £ 000 |
|-------------------------|-------------------|--|----------------|
| Cost | | | |
| At 1 January 2017 | 88 | 22,320 | 22,408 |
| Additions | - | 5,313 | 5,313 |
| Disposals | - | (466) | (466) |
| At 31 December 2017 | <u>88</u> | <u>27,167</u> | <u>27,255</u> |
| Amortisation | | | |
| At 1 January 2017 | - | 16,640 | 16,640 |
| Charge for the year | - | 3,564 | 3,564 |
| On disposals | - | (439) | (439) |
| Impairment for the year | 88 | - | 88 |
| At 31 December 2017 | <u>88</u> | <u>19,765</u> | <u>19,853</u> |
| Carrying amount | | | |
| At 31 December 2017 | <u>-</u> | <u>7,402</u> | <u>7,402</u> |
| At 31 December 2016 | <u>88</u> | <u>5,680</u> | <u>5,768</u> |

GE Healthcare UK Limited

Notes to the Financial Statements

14 Tangible fixed assets

| | Freehold land and buildings £ 000 | Plant and machinery, tools and equipment £ 000 | Properties under construction £ 000 | Total £ 000 |
|------------------------|---|--|--|----------------|
| Cost | | | | |
| At 1 January 2017 | 12,753 | 133 | - | 12,886 |
| Additions | - | - | 6,478 | 6,478 |
| Disposals | (2) | (103) | - | (105) |
| At 31 December 2017 | <u>12,751</u> | <u>30</u> | <u>6,478</u> | <u>19,259</u> |
| Depreciation | | | | |
| At 1 January 2017 | 6,967 | 96 | - | 7,063 |
| Charge for the year | 339 | 37 | - | 376 |
| On disposals | (2) | (103) | - | (105) |
| At 31 December 2017 | <u>7,304</u> | <u>30</u> | <u>-</u> | <u>7,334</u> |
| Carrying amount | | | | |
| At 31 December 2017 | <u>5,447</u> | <u>-</u> | <u>6,478</u> | <u>11,925</u> |
| At 31 December 2016 | <u>5,786</u> | <u>37</u> | <u>-</u> | <u>5,823</u> |

Included in land and buildings is freehold land at cost of £870,000 (2016: £870,000) which is not depreciated.

On 1 March 2017, the company committed to spend £12.4m on Amersham Place refurbishment. At the year end, £6.5m had been capitalised within Properties under construction.

GE Healthcare UK Limited

Notes to the Financial Statements

15 Fixed asset investments

| | Investments in subsidiary companies £ 000 |
|-----------------------|--|
| Cost | |
| At 1 January 2017 | 363,589 |
| Additions | <u>18,851</u> |
| At 31 December 2017 | <u>382,440</u> |
| Impairment | |
| At 1 January 2017 | <u>51,873</u> |
| At 31 December 2017 | <u>51,873</u> |
| Net book value | |
| At 31 December 2017 | <u><u>330,567</u></u> |
| At 31 December 2016 | <u><u>311,716</u></u> |

The directors of the company have undertaken a review of the company's investment in group undertakings as at 31 December 2017. There are no indications of impairment and the carrying values of the investments are correct.

On 8 March 2017, the company acquired 1 ordinary share of £1 each in the share capital of GE Healthcare CTH Holding Limited from One GE Healthcare UK Limited, for a total consideration of £1, payable in cash.

On 10 April 2017, the company subscribed for a further 69,000 A ordinary shares of £0.01 each in the share capital of its subsidiary undertaking, GE Healthcare CTH Holding Limited, for a total consideration of £5,682,571, payable in cash.

On the same date, GE Healthcare CTH Holding Limited, which is a subsidiary of the company, redesignated its 1 ordinary share of £1 to 1 deferred share of £1.

On 13 October 2017, the company acquired 100,000 ordinary shares of £0.01 each in the share capital of GE Healthcare Bioscience Holding Limited, for a total consideration of £10,000, payable in cash.

On 24 November 2017, the company subscribed for a further 749,100 A ordinary shares of £0.01 each in the share capital of its subsidiary undertaking, GE Healthcare Bioscience Holding Limited, for a total consideration of £13,159,178, payable in cash.

GE Healthcare UK Limited

Notes to the Financial Statements

15 Fixed asset investments (continued)

Details of the subsidiary undertaking as at 31 December 2017 are as follows:

| Name | Registered office | Class of shares held | Proportion of ownership interest |
|--|---|----------------------|----------------------------------|
| Whatman Limited | Whatman House St Leonards Road, Allington, Maidstone, Kent, United Kingdom, ME16 0LS | Ordinary | 100% |
| GE Healthcare CTH Holding Limited | Pollards Wood, Nightingales Lane, Chalfont St. Giles, United Kingdom, HP8 4SP | Ordinary | 69% |
| GE Healthcare Bioscience Holding Limited | Pollards Wood, Nightingales Lane, Chalfont St Giles, Buckinghamshire, United Kingdom, HP8 4SP | Ordinary | 84.91% |
| Whatman International Limited* | Whatman House St Leonards Road, Allington, Maidstone, Kent, United Kingdom, ME16 0LS | Ordinary | 100% |
| Whatman Asia Pacific Private Ltd.* | 1 Maritime Square #13-01, HarbourFront Centre, Singapore, 099253 | Ordinary | 100% |
| Whatman Trustee Limited* | Ernst & Young LLP 1 Bridgewater Place Water Lane, Leeds, West Yorkshire, LS11 5QR | Ordinary | 100% |
| Purify Limited* | Stevenage Bioscience Catalyst, Gunnels Wood Road, Stevenage, Hertfordshire, SG1 2FX | Ordinary | 84.9% |

GE Healthcare UK Limited

Notes to the Financial Statements

15 Fixed asset investments (continued)

| Name | Registered office | Class of shares held | Proportion of ownership interest |
|--------------------|---|----------------------|----------------------------------|
| Asymptote Limited* | Sovereign House, Vision Park Chivers Way, Histon, Cambridge, United Kingdom, CB24 9BZ | Ordinary | 69% |

* Indirect holdings

16 Stock

| | 2017 £ 000 | 2016 £ 000 |
|-------------------------------------|---------------|---------------|
| Raw materials and consumables | 6 | 4 |
| Work in progress | 997 | 422 |
| Finished goods and goods for resale | <u>1,178</u> | <u>1,870</u> |
| | <u>2,181</u> | <u>2,296</u> |

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £129,006,000 (2016: £74,353,000).

17 Debtors

| | 2017 £ 000 | 2016 £ 000 |
|---------------------------------------|----------------|----------------|
| Due after more than one year | | |
| Available for sale listed investments | <u>31,356</u> | <u>-</u> |
| | <u>31,356</u> | <u>-</u> |
| Due within one year | | |
| Trade debtors | 1,931 | 888 |
| Amounts owed by group undertakings | 362,403 | 403,408 |
| Prepayments and accrued income | 177 | 666 |
| Other debtors | <u>68</u> | <u>277</u> |
| | <u>364,579</u> | <u>405,239</u> |
| | <u>395,935</u> | <u>405,239</u> |

GE Healthcare UK Limited

Notes to the Financial Statements

17 Debtors (continued)

Listed investments - On 31 August 2017, the company acquired 13,064,868 ordinary shares of £0.01 each in the share capital of Horizon Discovery Group PLC, for a total consideration of £23,972,465, payable in cash. These shares are valued as Available for sale financial instruments, at their fair value at 31 Dec 2017.

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.

GE Healthcare UK Limited

Notes to the Financial Statements

18 Creditors: Amounts falling due within one year

| | 2017 £ 000 | 2016 £ 000 |
|------------------------------------|----------------|----------------|
| Trade creditors | 11,524 | 2,323 |
| Accruals and deferred income | 11,307 | 9,546 |
| Amounts owed to group undertakings | 291,693 | 292,880 |
| Other taxation and social security | 1,825 | 2,682 |
| Other creditors | 154 | 275 |
| Financial liabilities | 530 | 49 |
| | <u>317,033</u> | <u>307,755</u> |

Amounts owed to group undertakings from trade are interest free, unsecured and repayable on demand. Interest is charged on cashpool balances at market rate and on group loan balances at variable interest rates which fluctuate with LIBOR. Cashpool balances are unsecured and repayable on demand. Group loan balances are unsecured and repayable in a single bullet payment at maturity.

19 Provisions

| | Warranty £ 000 | Restructuring £ 000 | Total £ 000 |
|---------------------|-------------------|------------------------|----------------|
| At 1 January 2017 | 115 | 1,035 | 1,150 |
| Additions | 120 | 278 | 398 |
| Amounts utilised | (174) | (575) | (749) |
| At 31 December 2017 | <u>61</u> | <u>738</u> | <u>799</u> |

Warranty

The provision for warranties relates to expected warranty claims on products sold in the year. It is expected that the majority of this expenditure will be incurred in the next financial year.

Restructuring

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

GE Healthcare UK Limited

Notes to the Financial Statements

20 Share capital

Allotted, called up and fully paid shares

| | No. 000 | 2017 £ 000 | No. 000 | 2016 £ 000 |
|------------------------------------|------------|---------------|------------|---------------|
| 122,762 ordinary shares of £1 each | <u>123</u> | <u>123</u> | <u>123</u> | <u>123</u> |

21 Operating lease commitments

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

| | 2017 £ 000 | 2016 £ 000 |
|----------------------|---------------|---------------|
| Within one year | 458 | 527 |
| In two to five years | <u>538</u> | <u>609</u> |
| | <u>996</u> | <u>1,136</u> |

22 Pension commitments

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 had been accounted for in the financial statements as if the scheme was a defined contribution scheme. The funding surplus/deficit in respect of this scheme is disclosed in the financial statements of GEH Holdings, a company registered in England and Wales.

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 £1,696,000 (2016: £2,806,000), including £22,000 (2016: £186,000) 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 Healthcare UK 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.

The weighted average share price at the date of exercise of share options exercised during the year was \$23.36 (2016: \$30.86).

The options outstanding at the year end have an exercise price in the range of \$11.00 to \$29.62 and a weighted average contractual life of 6.10 years.

24 Ultimate parent undertaking and controlling party

The company's immediate parent is GE Medical Systems Limited, a company registered at Pollards Wood, Nightingales Lane, Chalfont St Giles, HP8 4SP, 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.

25 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.

On 12 October 2018, the company subscribed for 1,400 fully paid 26.4 percent fixed rate non-redeemable cumulative preference shares of £0.01 each in GE Healthcare Bioscience Holding Limited for consideration of £14m payable in cash.

On 19 October 2018, the company subscribed for 26,790 A Ordinary Shares in GE Healthcare CTH Holding Limited for consideration of £2m payable in cash.