

Registration number: 04153802

DI U.K. Limited
Annual Report and Financial Statements
for the Year Ended 31 December 2017



DI U.K. Limited

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DI U.K. Limited

Strategic Report

The director presents his strategic report for the year ended 31 December 2017.

Business review

The results for the company show a pre-tax loss of £7.9 million (2016: loss of £0.6 million) for the year and sales of £18.95 million (2016: £21.09 million).

The company had net assets at the balance sheet date of £4.84 million (2016: £12.74 million) included within which is net £0.44 million (2016: due from £6.34 million) which is due to fellow GE group companies.

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. DI U.K. 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.

On 12 October 2017, the management of DI UK announced a proposal to restructure the company's current activities at the Skelmersdale (UK) site. Based on this proposal, during 2018, the manufacture of the Valve business has moved operations outside of the UK. The service of the business remains in the UK. The results of manufacturing division of the Valve business are shown as discontinued operation in the financial statement that includes restructuring costs for redundancy of £860,000, Stock provision of £315,000 and accelerated depreciation of £1,853,000.

On 17 July 2018, it was noted that Baker Hughes, A GE Company, LLC, had entered into an Equity Purchase Agreement pursuant to which NGS US Finco, LLC would acquire through its UK subsidiary, UK Bidco Limited the issued and outstanding shares in Natural Gas Solutions (UK) Ltd. This new entity was subsequently sold in 2018.

Future outlook

The future outlook is expected to be challenging. DI UK will continue to focus on project specific and growing markets. We remain confident that this strategy will produce a profitable business model, despite proposed restructuring plans. Revenue for the Valve business is in-line with forecast. Due to the sale of the NGS, for this business, the revenue is lower than forecast.

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 are considered to relate to foreign currency risk, credit risk and liquidity risk. To mitigate foreign currency risk, Group Treasury department enter into forward currency contracts. The business also manages credit risk through improving customer relations and credit assessments on new customers. Liquidity risk is managed via group, and we are part of a cash pool.

DI U.K. Limited


Strategic Report

Key performance indicators (KPI's)

Current year sales are down year on year, with gross margin also slightly lower than prior year. Performance during the year, together with historical trend data is set out in the table below:

	2017	2016	Definition, method of calculation
Growth in sales (%)	(10)%	(11)%	Year on year sales growth expressed as a percentage. The fluctuation in sales is in line with our expectations.
Gross margin (%)	38.7%	41.5%	Gross margin is the ratio of gross profit to sales expressed as a percentage.

Approved by the Board on 13 December 2018 and signed on its behalf by:



M A Gregory
Director

DI U.K. Limited

Director's Report

The director presents his report and the financial statements for the year ended 31 December 2017.

Principal activity

The principal activity of the company is manufacture and sale of consolidated valves and gas flow meters to the oil and gas and other industries.

Results and dividends

The loss for the year, after taxation, amounted to £7,905,000 (2016: loss £571,000).

The director does not recommend the payment of a dividend (2016: £nil).

Directors of the company

The directors who served during the year and up to the date of this report were:

M G Hofmann (resigned 30 July 2018)

P A Monks (resigned 30 September 2018)

M A Gregory (appointed 21 August 2018)

Post balance sheet event

On 17 July 2018, it was noted that Baker Hughes, A GE Company, LLC, had entered into an Equity Purchase Agreement pursuant to which NGS US Finco, LLC would acquire through its UK subsidiary, UK Bidco Limited the issued and outstanding shares in Natural Gas Solutions (UK) Ltd. This new entity was subsequently sold in 2018.

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 director's report.

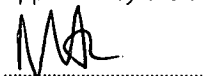
Disclosure of information to the auditor

The director has taken steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information. The director confirms that there is no relevant information that he knows of and of which he knows 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 13 December 2018 and signed on its behalf by:



M A Gregory
Director

DI U.K. Limited

Statement of Director's Responsibilities

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

Company law requires the director to prepare financial statements for each financial year. Under that law the director has 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 director must not approve the financial statements unless he is 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 director is 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 he either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The director is 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 him to ensure that the financial statements comply with the Companies Act 2006. He is responsible for such internal control as he determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and has general responsibility for taking such steps as are reasonably open to him to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent Auditor's Report to the Members of DI U.K. Limited

Opinion

We have audited the financial statements of DI U.K. 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 Director's Report

The director is responsible for the Strategic Report and the Director's 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 Director's 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 Director's 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 DI U.K. 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 his statement set out on page 4, the director is responsible for: the preparation of the financial statements and for being satisfied that he gives a true and fair view; such internal control as he determines 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 he either intends to liquidate the company or to cease operations, or has 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 DI U.K. 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.



Rachel Fleming (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

Quayside House
110 Quayside
Newcastle Upon Tyne
NE1 3DX

Date: 19 December 2018

DI U.K. Limited

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

		Continuing operations 2017 £ 000	Discontinued operations 2017 £ 000	Total £ 000	Continuing operations 2016 £ 000	Discontinued operations 2016 £ 000	Total £ 000
Turnover	Note 4	8,213	10,733	18,946	21,094	-	21,094
Cost of sales		(6,436)	(5,170)	(11,606)	(12,347)	-	(12,347)
Gross profit		1,777	5,563	7,340	8,747	-	8,747
Administrative expenses		(9,263)	(5,740)	(15,003)	(11,920)	1,274	(10,646)
Other operating income		-	-	-	1,370	-	1,370
Operating loss	5	(7,486)	(177)	(7,663)	(1,803)	1,274	(529)
Interest receivable and similar income		-	-	-	67	-	67
Interest payable and similar expenses	9	(242)	-	(242)	(109)	-	(109)
Loss before tax		(7,728)	(177)	(7,905)	(1,845)	1,274	(571)
Tax on loss	10	-	-	-	-	-	-
Loss for the year		(7,728)	(177)	(7,905)	(1,845)	1,274	(571)
Other comprehensive income		-	-	-	-	-	-
Total comprehensive loss for the year		<u>(7,728)</u>	<u>(177)</u>	<u>(7,905)</u>	<u>(1,845)</u>	<u>1,274</u>	<u>(571)</u>


DI U.K. Limited

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Balance Sheet as at 31 December 2017

	Note	2017 £ 000	2016 £ 000
Fixed assets			
Intangible assets	11	2,520	3,909
Tangible assets	12	<u>685</u>	<u>3,175</u>
		<u>3,205</u>	<u>7,084</u>
Current assets			
Stocks	13	3,210	4,188
Debtors: amounts falling due within one year	14	12,091	12,485
Cash at bank and in hand		<u>632</u>	<u>620</u>
		15,933	17,293
Creditors: Amounts falling due within one year	15	<u>(11,612)</u>	<u>(9,161)</u>
Net current assets		<u>4,321</u>	<u>8,132</u>
Total assets less current liabilities		7,526	15,216
Provisions for liabilities	16	<u>(2,689)</u>	<u>(2,474)</u>
Net assets including pension scheme liabilities		<u>4,837</u>	<u>12,742</u>
Capital and reserves			
Called up share capital	17	18,909	18,909
Share premium account		12,856	12,856
Capital contribution		12,207	12,207
Employee share based equity reserve		44	44
Profit and loss account		<u>(39,179)</u>	<u>(31,274)</u>
Shareholders' funds		<u>4,837</u>	<u>12,742</u>

Approved by the director on 13 December 2018


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M A Gregory
Director

DI U.K. Limited

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

	Called up share capital £ 000	Share premium account £ 000	Capital contribution £ 000	Employee share based equity reserve £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2017	18,909	12,856	12,207	44	(31,274)	12,742
Comprehensive income for the year						
Loss for the year	-	-	-	-	(7,905)	(7,905)
Total comprehensive income for the year	-	-	-	-	(7,905)	(7,905)
At 31 December 2017	<u>18,909</u>	<u>12,856</u>	<u>12,207</u>	<u>44</u>	<u>(39,179)</u>	<u>4,837</u>

	Called up share capital £ 000	Share premium account £ 000	Capital contribution £ 000	Employee share based equity reserve £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2016	18,909	12,856	-	44	(30,703)	1,106
Comprehensive income for the year						
Loss for the year	-	-	-	-	(571)	(571)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	(571)	(571)
Other movements in retained earnings	-	-	12,207	-	-	12,207
At 31 December 2016	<u>18,909</u>	<u>12,856</u>	<u>12,207</u>	<u>44</u>	<u>(31,274)</u>	<u>12,742</u>

The notes on pages 11 to 28 form an integral part of these financial statements.
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DI U.K. 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:

5 Fleet Place
London
EC4M 7RD
England

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).

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.

DI U.K. 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 paragraph 33(c) of IFRS 5 Non Current Assets Held For Sale and Discontinued Operations;
- 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; and
 - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

Going concern

Notwithstanding a loss for the year ended 31 December 2017 of £7.9 million, the financial statements have been prepared on a going concern basis which the director considers to be appropriate for the following reasons.

The director has prepared forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, through funding from its immediate company, Sondex Limited, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on Sondex Limited providing additional financial support during that period. Sondex Limited has indicated its intention to continue to make available such funds as are needed by the company for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the director acknowledges that there can be no certainty that this support will continue although, at the date of approval of these financial statements, he has no reason to believe that it will not do so.

Consequently, the director is confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and consequently has prepared the financial statements on a going concern basis.

DI U.K. Limited

Notes to the Financial Statements

2 Accounting policies (continued)

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 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 profit and loss account.

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 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
Plant & machinery	6%-33%

DI U.K. 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.

Patents

Patents acquired by the company are measured at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation

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

Asset class	Amortisation method and rate
Patents	10 years

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.

DI U.K. Limited

Notes to the Financial Statements

2 Accounting policies (continued)

Identification and measurement of impairment

At each reporting date the company assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, restricting of a loan or advance by the company on terms that the company would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the company.

The company considers evidence of impairment for loans and advances at both a specific asset and collective level. All individually significant loans and advances are assessed for specific impairment. All individually significant loans and advances found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances that are not individually significant are collectively assessed for impairment by grouping together loans and advances with similar risk characteristics. Collective allowances are established using statistical methods based on historic loss rate experience. The estimate of loss arrived at on the basis of historical information is then reviewed to ensure that it appropriately reflects the economic conditions and actual loss experience at the reporting date.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rate. In estimating these cash flows, the company makes judgements about a debtor's financial situation and the net realisable value of any underlying collateral. Losses are recognised in the profit and loss account and reflected in an allowance account against loans and advances. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through the profit and loss account.

The company writes off loans and advances when they are determined to be uncollectable.

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.

DI U.K. Limited

Notes to the Financial Statements

2 Accounting policies (continued)

Share based payments

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

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

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

Discontinued operations

The 2017 proposal to restructure the Valve business has seen the manufacture of the Valves moved to operations outside of the UK during 2018. The service of the Valve business remains in the UK.

Derivatives and hedging

The company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire.

Derivative financial instruments are recognised at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss.

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

DI U.K. Limited

Notes to the Financial Statements

3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires the director 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 director's 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.

Patents

Patents are 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 patents 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 patents 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. The reversal of any impairment of patents is recognised immediately within profit or loss.

DI U.K. Limited

Notes to the Financial Statements

4 Turnover

The analysis of the company's turnover for the year from continuing operations is as follows:

	2017 £ 000	2016 £ 000
Manufacture and sale of equipment	17,291	19,343
Service of equipment	1,655	1,751
	<u>18,946</u>	<u>21,094</u>

A geographical analysis of turnover is as follows:

	2017 £ 000	2016 £ 000
United Kingdom	7,517	9,270
Rest of European Union	6,298	8,108
Rest of world	5,131	3,716
	<u>18,946</u>	<u>21,094</u>

5 Operating loss

Operating loss is stated after charging/(crediting) :

	2017 £ 000	2016 £ 000
Impairment of intangible fixed assets	1,019	-
Difference on foreign exchange	(84)	(891)
Operating lease rentals - land and building	206	87
Operating lease expense - plant and machinery	<u>96</u>	<u>55</u>

DI U.K. Limited

Notes to the Financial Statements

6 Staff costs

Staff costs, including directors' remuneration, were as follows:

	2017 £ 000	2016 £ 000
Wages and salaries	3,912	4,537
Social security costs	455	500
Other pension costs	1,700	868
	<u>6,067</u>	<u>5,905</u>

In addition to the staff costs disclosed above were costs in respect of redundancy of £860,000 (2016: £99,000).

The average monthly number of employees, including the director, during the year was as follows:

	2017 No.	As restated 2016 No.
Production & engineering	103	106
Administration	8	8
Selling & distribution	6	11
	<u>117</u>	<u>125</u>

7 Directors' remuneration

The directors' remuneration for the year was as follows:

	2017 £ 000	2016 £ 000
Remuneration	216	432
Sums paid to third parties for directors' services	-	24
	<u>216</u>	<u>456</u>

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

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

DI U.K. Limited

Notes to the Financial Statements

7 Directors' remuneration (continued)

In respect of the highest paid director:

	2017 £ 000	2016 £ 000
Remuneration	100	208
Contributions paid to defined contribution pension scheme	<u>14</u>	<u>6</u>

8 Auditor's remuneration

	2017 £ 000	2016 £ 000
Audit of the financial statements	<u>111</u>	<u>106</u>

9 Interest payable and similar expenses

	2017 £ 000	2016 £ 000
On loans from group undertakings	87	97
Other interest payable	-	12
Net gain on financial instruments designated as fair value through profit or loss	<u>155</u>	<u>-</u>
	<u>242</u>	<u>109</u>

DI U.K. Limited

Notes to the Financial Statements

10 Taxation

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

	2017 £ 000	2016 £ 000
Current taxation		
UK corporation tax	-	-
Deferred taxation		
Origination and reversal of temporary differences	(1,444)	1,788
Effect of changes to tax rates	168	-
Adjustment in respect of prior year	20	-
Movement on deferred tax not provided	1,256	(1,788)
Total deferred taxation	-	-
Tax expense in the statement of comprehensive income	-	-

Factors affecting current tax charge

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	(7,905)	(571)
Corporation tax at standard rate	(1,521)	(114)
Adjustment to tax charge in respect of prior year	20	-
Effect of changes to tax rates	168	-
Expenses not deductible for tax purposes	77	38
Movement on deferred tax not provided	1,256	(1,789)
Effect of transfer of pension scheme	-	1,865
Total tax charge/(credit)	-	-

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Notes to the Financial Statements

10 Taxation (continued)

Factors that may affect future tax charges

The UK corporation tax rate was reduced from 20% to 19% on 1 April 2017. A further reduction to 17% (effective 1 April 2020) was substantively enacted at 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 £1,182,440 of deductible temporary differences (2016: £1,536,032) and £1,609,708 of unused tax losses (2016: £Nil) for which no deferred tax asset is recognised in the balance sheet.

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Notes to the Financial Statements

11 Intangible fixed assets

	Goodwill £ 000	Patents £ 000	Total £ 000
Cost			
At 1 January 2017	1,133	3,700	4,833
At 31 December 2017	1,133	3,700	4,833
Amortisation			
At 1 January 2017	739	185	924
Charge for the year	-	370	370
At 31 December 2017	739	555	1,294
Impairment			
At 1 January 2017	-	-	-
Impairment charge	394	625	1,019
At 31 December 2017	394	625	1,019
Net book value			
At 31 December 2017	-	2,520	2,520
At 31 December 2016	394	3,515	3,909

Patents

In accordance with IAS 36 requirements, patents were assessed for impairment during the year. Following an assessment by management over their recoverable amount, an impairment loss of £625,000 arose and was recognised in the current year's profit and loss account.

Goodwill

In accordance with IAS 36 requirements, goodwill were assessed for impairment during the year. Following an assessment by management over their recoverable amount, an impairment loss of £394,000 arose and was recognised in the current year's profit and loss account.

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Notes to the Financial Statements

12 Tangible fixed assets

	Plant & machinery £ 000
Cost	
At 1 January 2017	5,999
Additions	<u>45</u>
At 31 December 2017	<u>6,044</u>
Depreciation	
At 1 January 2017	2,824
Charge for the year	<u>2,535</u>
At 31 December 2017	<u>5,359</u>
Net book value	
At 31 December 2017	<u>685</u>
At 31 December 2016	<u>3,175</u>

13 Stock

	2017 £ 000	2016 £ 000
Raw materials and consumables	2,335	2,402
Work in progress	430	789
Finished goods and goods for resale	<u>445</u>	<u>997</u>
	<u>3,210</u>	<u>4,188</u>

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £10,940,000 (2016: £12,229,000). The write down of stocks to net realisable value amounted to £783,000 (2016: £264,000).

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Notes to the Financial Statements

14 Debtors

	2017 £ 000	2016 £ 000
Due within one year		
Trade debtors	4,611	520
Amounts owed by group undertakings	7,012	11,658
Prepayments and accrued income	97	114
Other debtors	371	193
	<u>12,091</u>	<u>12,485</u>

15 Creditors: Amounts falling due within one year

	2017 £ 000	2016 £ 000
Trade creditors	1,379	1,972
Accruals and deferred income	2,093	1,096
Amounts owed to group undertakings	7,456	5,319
Other taxation and social security	427	230
Other creditors	-	54
Payments received on account	257	490
	<u>11,612</u>	<u>9,161</u>

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Notes to the Financial Statements

16 Provisions for liabilities

	Provisions for warranty and installation £ 000	Provision for dilapidations £ 000	Total £ 000
At 1 January 2017	112	2,362	2,474
Additions during the year	-	275	275
Unused provision reversed	(60)	-	(60)
At 31 December 2017	<u>52</u>	<u>2,637</u>	<u>2,689</u>

Provisions for warranty and installation

The provision for possible warranty costs is made dependent on the nature of the products sold, the obligations for which may crystallise over the warranty period.

Provision for dilapidations

The provision for dilapidations relates to two leases within Skelmersdale. The lease for the old site expired in December 2014. The dilapidations have not been agreed with the landlord and provision is therefore held for this site. The lease for the new site is due to expire 2024 and as such a third party review of costs has been utilised.

17 Share capital

Allotted, called up and fully paid shares

	No. 000	2017 £ 000	No. 000	2016 £ 000
Ordinary shares of £1 each	<u>18,909</u>	<u>18,909</u>	<u>18,909</u>	<u>18,909</u>

18 Operating leases

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

	2017 £ 000	2016 £ 000
Within one year	362	364
In two to five years	<u>1,256</u>	<u>1,308</u>
	<u>1,618</u>	<u>1,672</u>

DI U.K. Limited

Notes to the Financial Statements

19 Pension commitments

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

The last full actuarial valuation was carried out as at 31 March 2015 by a qualified independent actuary. At this date there was a funding deficit of £164 million and a funding level of 96.2%.

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

The pension charge for the year was £1,700,000 (2016: £868,000), including £nil (2016: £nil) 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.

20 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 \$nil (2016: \$30.74).

The options outstanding at the year end have an exercise price in the range of \$18.58 to \$21.59 and a weighted average contractual life of 1.47 years.

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Notes to the Financial Statements

21 Contingent liabilities

The company has, in the normal course of business, entered into guarantees and counter-indemnities in respect of various contracts in particular it has a contingent liability in respect of a bank guarantee of £3,587,000 (2016: £3,631,000).

22 Ultimate parent undertaking and controlling party

The company's immediate parent is Sondex Limited, a company registered at Cody Technology Park, Building X107 Range Road, Farnborough, GU14 0FG, United Kingdom.

The smallest group in which the results are consolidated is that headed by Baker Hughes, a GE company, LLC, a company registered at 17021 Aldine Westfield Road, Houston, Texas, 77073, USA.

The 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.

23 Post balance sheet event

On 17 July 2018, it was noted that Baker Hughes, A GE Company, LLC, had entered into an Equity Purchase Agreement pursuant to which NGS US Finco, LLC would acquire through its UK subsidiary, UK Bidco Limited the issued and outstanding shares in Natural Gas Solutions (UK) Ltd. This new entity was subsequently sold in 2018.