

Registration number: SC057020

GE Oil & Gas Pressure Control Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2017

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GE Oil & Gas Pressure Control Limited

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GE Oil & Gas Pressure Control Limited

Strategic Report

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

Business review

The results for the company show a pre-tax loss of £5.1 million (2016: as restated £7.8 million) for the year and sales of £16.1 million (2016: £28.1 million).

The company has net liabilities of £12.3 million (2016: as restated £7.2 million) of which a net £42.2 million (2016: £41.3 million) due to fellow GE Group Companies. Refer to note 16 for details of the creditors balance.

As part of restructuring, the company sold fixed assets with a net book value of £2.1m to Factory of GE Oil & Gas Pressure Control Middle East Co. Ltd. in Q2 2017 for consideration of £2.2m.

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

By drawing from GE's technology expertise and Baker Hughes capabilities in oilfield services, the new company will provide best-in-class physical and digital technology solutions for customer productivity. Under the terms of the agreement, which has been unanimously approved by the boards of directors of both companies, GE owns 62.5% of the company. The transaction closed on 3 July 2017 and is not expected to have any immediate impact on the operations or financial results of GE Oil & Gas Pressure Control Limited.

Future outlook

The market seems to have reached some level of stability with Crude oil prices going up compared to 2016 and is showing early signs of recovery. Oil and Gas operators are making investment decisions with cautious optimism. Order intake is slow, however is expected to grow at small rate from the increased customer activity. While the equipment revenue for 2018 is estimated to be flat as customers are using assets purchased from previous years, the Services revenue will see an increase due to the new campaign activities driving higher requirement for services.

The company is also working on initiatives to improve its profitability by reducing costs and increasing efficiencies. The company moved its Repair operations from the shared Montrose facility under GE Oil & Gas UK LTD to its Hareness circle facility to have better oversight of its operations. Therefore, the company expects to achieve an increase in its profitability in the second half of 2018.

The company continues to invest in the development of its people and in its service offering to its customers. Considering the early signs of market recovery and change in operational strategy, the directors believe that the company will be more competitive in 2018.

GE Oil & Gas Pressure Control Limited

Strategic Report

Key performance indicators

The company continues to focus on key customers in its region whilst looking for cost reduction opportunities and for efficiencies.

The directors feel this is a key strategic element for future growth. Performance during the year, together with historical trend data is set out in the table below:

Key performance indicators (KPIs)

	2017	2016	Definition, method of calculation
Growth in sales (%)	(42.65%)	(40.15%)	Year on year sales movement. The decrease reflects the revenues eroded following the Crude Oil price drop, with both Equipment and Services Sales decreasing significantly.
Gross margin (%)	6.49%	As restated (2.07%)	Gross margin is the ratio of gross profit to sales expressed as a percentage. The company experienced slightly increased margins because of restructuring and other operational improvements.

Going concern

The directors believe it is appropriate to prepare the financial statements on that basis, based on the results attained since this date and their assessment of the future trade of the company. Please refer to note 2 for further details on the going concern assumption.

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 risk affecting the company is considered to be the current adverse market conditions.

Further discussion of risks and uncertainties, in the context of the group as a whole, will be provided in the group's annual report and accounts.

Environment risk

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

Competitive risk

The company operates in highly competitive markets around the world in the Oil and Gas environment. Due to the nature of our business we cannot directly influence this market and operate openly and competitively primarily through a transparent competitive bidding process.

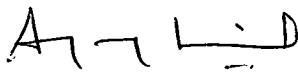
GE Oil & Gas Pressure Control Limited

Strategic Report

Liquidity and interest rate risk

In order to maintain liquidity, and to ensure that sufficient funds are available for on-going operations and future developments, the company uses intra-group funding arrangements. The company does not have any bank loans or overdrafts. Liquidity and interest rates are managed centrally by a dedicated treasury team within the BHGE group.

Approved by the Board on 30 October 2018 and signed on its behalf by:



.....
A J O Vattampoil
Director

GE Oil & Gas Pressure Control Limited

Directors' Report

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

Principal activities

The principal activity of the company is the manufacturing and supply of oilfield equipment. The company is also engaged in the repair and refurbishment of valves and wellhead equipment, and the management of customers' offshore valve systems.

Results and Dividends

The loss for the year, after taxation, amounted to £5,028,000 (2016 as restated: £7,791,000).

The director does 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 director's report were as follows:

A R Floridi (resigned 5 April 2018)

K Sorheim (resigned 5 April 2018)

L M Fraser (appointed 18 July 2018)

A Andrezza (appointed 5 April 2018 and resigned 18 July 2018)

A J O Vattampoil (appointed 21 August 2018)

O Onobolu (appointed 5 April 2018 and resigned 18 July 2018)

Directors' liabilities

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.

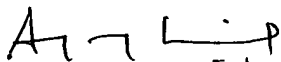
Disclosure of information to the auditor

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 30 October 2018 and signed on its behalf by:



.....
A J O Vattampoil
Director

GE Oil & Gas Pressure Control Limited

Statement of Directors' Responsibilities

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

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

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent ;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent Auditor's Report to the Members of GE Oil & Gas Pressure Control Limited

Opinion

We have audited the financial statements of GE Oil & Gas Pressure Control 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 directors are 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 GE Oil & Gas Pressure Control 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.

Director's 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

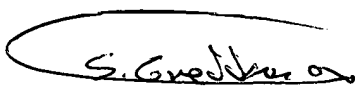
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit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

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

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



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

37 Albyn Place
Aberdeen
AB10 1JB, UK

Date: 12 November 2018

GE Oil & Gas Pressure Control Limited

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

	Note	2017 £ 000	As restated* 2016 £ 000
Turnover	4	16,092	28,057
Cost of sales		<u>(15,047)</u>	<u>(28,637)</u>
Gross profit/(loss)		1,045	(580)
Distribution costs		(758)	-
Administrative expenses		(4,807)	(6,548)
Other operating expenses		<u>-</u>	<u>(233)</u>
Operating loss	5	(4,520)	(7,361)
Net fair value (losses)/gains on financial instruments		(18)	103
Profit on disposal of fixed assets		<u>43</u>	<u>-</u>
Loss before interest		(4,495)	(7,258)
Interest payable and similiar expenses	6	<u>(533)</u>	<u>(533)</u>
Loss before tax		(5,028)	(7,791)
Tax on loss	10	<u>-</u>	<u>-</u>
Loss for the year		(5,028)	(7,791)
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive loss for the year		<u><u>(5,028)</u></u>	<u><u>(7,791)</u></u>

The above results were derived from continuing operations.

*Refer to note 2

GE Oil & Gas Pressure Control Limited

Registration number: SC057020

Balance Sheet
as at 31 December 2017

	Note	2017 £ 000	As restated* 2016 £ 000
Fixed assets			
Intangible assets	12	-	6
Tangible assets	11	961	3,220
Investments	13	21,305	21,305
		<u>22,266</u>	<u>24,531</u>
Current assets			
Stocks	14	7,040	8,494
Debtors: Amounts falling due within one year	15	7,572	27,232
		14,612	35,726
Creditors: Amounts falling due within one year	16	<u>(49,110)</u>	<u>(67,426)</u>
Net current liabilities		<u>(34,498)</u>	<u>(31,700)</u>
Total assets less current liabilities		(12,232)	(7,169)
Provisions for liabilities	17	<u>(19)</u>	<u>(42)</u>
Net liabilities		<u><u>(12,251)</u></u>	<u><u>(7,211)</u></u>
Capital and reserves			
Called up share capital	18	9,000	9,000
Other reserves		16	28
Profit and loss account		<u>(21,267)</u>	<u>(16,239)</u>
Shareholders' deficit		<u><u>(12,251)</u></u>	<u><u>(7,211)</u></u>

*Refer to note 2

Approved by the Board on 30 October 2018 and signed on its behalf by:



A J O Vattampoil
Director

The notes on pages 12 to 27 form an integral part of these financial statements.
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GE Oil & Gas Pressure Control Limited

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

	Called up share capital £ 000	Other reserves £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2017 (As restated)	9,000	28	(16,239)	(7,211)
Comprehensive income for the year				
Loss for the year	-	-	(5,028)	(5,028)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	-	-	(5,028)	(5,028)
Equity share based payment expense	-	2	-	2
Recharges made by GE company in respect of share options exercised during the year	-	(14)	-	(14)
At 31 December 2017	<u>9,000</u>	<u>16</u>	<u>(21,267)</u>	<u>(12,251)</u>

	Called up share capital £ 000	Other reserves £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2016	9,000	19	(8,448)	571
Comprehensive income for the year				
Loss for the year (As restated)	-	-	(7,791)	(7,791)
Other comprehensive income	-	-	-	-
Total comprehensive loss (As restated)	-	-	(7,791)	(7,791)
Equity share based payment expense	-	9	-	9
At 31 December 2016 (As restated)	<u>9,000</u>	<u>28</u>	<u>(16,239)</u>	<u>(7,211)</u>

The notes on pages 12 to 27 form an integral part of these financial statements.

GE Oil & Gas Pressure Control Limited

Notes to the Financial Statements

1 General information

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

The address of its registered office is:

Stoneywood Park North

Dyce

Aberdeen

AB21 7EA

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' 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 Oil & Gas Pressure Control 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;

Going concern

The financial statements have been prepared on a going concern basis, notwithstanding net liabilities of £12,251,000 (2016: as restated £7,211,000).

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

The directors have a reasonable expectation, based on a letter indicating support from the parent company, that the Company will not be required by its parent companies to repay the amounts owed to group undertaking as per note 16, to enable it to continue to meet its financial obligations as they fall due for the foreseeable future. Hence the company continues to adopt the going concern basis of accounting in preparing the annual financial statements.

GE Oil & Gas Pressure Control Limited

Notes to the Financial Statements

2 Accounting policies (continued)

Prior period adjustments

The prior year comparatives have been restated to reflect correction of prior year material errors. Carrying value of Stocks as at 31 December 2016 were understated by £805,000 due to duplicated write-offs. Therefore, an adjustment is recorded for £805,000 which has the effect of crediting Cost of sales and debiting Stocks balance, in the comparative financial information for the year ended 31 December 2016.

The tax impact of this adjustment is to decrease the tax on loss in the year by £161,000 which is calculated as twenty percent of £805,000. The full tax on loss in the year is used for group relief for £nil consideration. As a result of the restatement, the group relief available for £nil consideration reduced by £161,000 from £1,623,000 to £1,462,000. The total tax charge for the period is unaffected.

This adjustment has the effect of reducing net liabilities in the comparative financial information for the year ended 31 December 2016, by £805,000 and decreasing the brought forward loss as at 1 January 2017 by the same amount.

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.

GE Oil & Gas Pressure Control Limited

Notes to the Financial Statements

2 Accounting policies (continued)

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 property	25-30 years
Plant & machinery	4-10 years

Intangible assets

Software acquired by the company is measured at cost less accumulated amortisation and any accumulated impairment losses.

Expenditure on internally developed software is recognised as an asset when the company is able to demonstrate its intention and ability to complete the development and use the software to generate future economic benefits and the costs to complete the development can be reliably measured. Internally developed software is stated at capitalised cost less accumulated amortisation and impairment.

Software is amortised over its useful life usually not exceeding 5 years.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

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
Software	4 years straight line

GE Oil & Gas Pressure Control Limited

Notes to the Financial Statements

2 Accounting policies (continued)

Investments

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

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

Stocks

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

Leases

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

Pension

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.

GE Oil & Gas Pressure Control 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 '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 directors consider there are no critical accounting estimates or judgments identified in preparation of the financial statements in compliance with FRS 101.

4 Turnover

A geographical analysis of turnover is as follows:

	2017	2016
	£ 000	£ 000
United Kingdom	14,429	26,502
Rest of Europe	988	1,029
USA	326	56
Rest of world	349	470
	<u>16,092</u>	<u>28,057</u>

GE Oil & Gas Pressure Control Limited

Notes to the Financial Statements

5 Operating loss

Operating loss is stated after charging/(crediting)

	2017 £ 000	2016 £ 000
Difference on foreign exchange	340	1,153
Operating lease expense - property	-	279
Operating lease expense - plant and machinery	326	132
	<u>326</u>	<u>132</u>

6 Interest payable and similar expenses

	2017 £ 000	2016 £ 000
On loans from group undertakings	533	533
	<u>533</u>	<u>533</u>

7 Staff costs

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

	2017 £ 000	2016 £ 000
Wages and salaries	6,252	9,348
Social security costs	1,024	944
Other pension costs	528	746
Employee share based payments expense	2	9
	<u>7,806</u>	<u>11,047</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	79	119
Administration and support	14	31
	<u>93</u>	<u>150</u>

GE Oil & Gas Pressure Control Limited

Notes to the Financial Statements

8 Auditor's remuneration

	2017 £ 000	2016 £ 000
Audit of the financial statements	<u>25</u>	<u>26</u>

9 Directors' remuneration

The directors' remuneration for the year was as follows:

	2017 £ 000	2016 £ 000
Remuneration	212	159
Company pension contributions to defined contribution pension scheme	<u>8</u>	<u>30</u>
	<u>220</u>	<u>189</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 contribution pension scheme	<u>2</u>	<u>2</u>

GE Oil & Gas Pressure Control 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	-	-
Total current tax	<u>-</u>	<u>-</u>
Deferred taxation		
Origination and reversal of temporary differences	(10)	(94)
Effect of changes to tax rates	1	28
Adjustment in respect of prior year/period	-	(6)
Movement on deferred tax not provided	9	72
Total deferred taxation	<u>-</u>	<u>-</u>
Tax expense/(receipt) in the Profit and Loss Account	<u>-</u>	<u>-</u>

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	As restated* 2016 £ 000
Loss before tax	<u>(5,028)</u>	<u>(7,791)</u>
Corporation tax at standard rate	(968)	(1,558)
Adjustment to tax charge in respect of prior year/periods	-	(6)
Effect of changes to tax rates	1	28
Expenses not deductible for tax purposes	-	2
Movement on deferred tax not provided	9	72
Group relief for £nil consideration	958	1,462
Total tax charge/(credit)	<u>-</u>	<u>-</u>

*For explanation of restated figures please see note 2.

GE Oil & Gas Pressure Control Limited

Notes to the Financial Statements

10 Taxation (continued)

Factors affecting current tax charge for the year

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 £334,433 of deductible temporary differences (2016: £324,973) for which no deferred tax asset is recognised in the balance sheet.

GE Oil & Gas Pressure Control Limited

Notes to the Financial Statements

11 Tangible fixed assets

	Freehold property £ 000	Plant & machinery £ 000	Total £ 000
Cost			
At 1 January 2017	959	4,928	5,887
On disposals	(45)	(4,188)	(4,233)
At 31 December 2017	<u>914</u>	<u>740</u>	<u>1,654</u>
Depreciation			
At 1 January 2017	131	2,536	2,667
Charge for the year	12	85	97
Disposals	(20)	(2,051)	(2,071)
At 31 December 2017	<u>123</u>	<u>570</u>	<u>693</u>
Net book value			
At 31 December 2017	<u>791</u>	<u>170</u>	<u>961</u>
At 31 December 2016	<u>828</u>	<u>2,392</u>	<u>3,220</u>

During the year, the company sold tangible fixed assets with a net book value of £2,162,000 for £2,205,000 to fellow group companies, recognising a gain of £43,000 which is included in loss before interest.

GE Oil & Gas Pressure Control Limited

Notes to the Financial Statements

12 Intangible fixed assets

	Software £ 000
Cost	
At 1 January 2017	<u>16</u>
At 31 December 2017	<u>16</u>
Amortisation	
At 1 January 2017	10
Charge for the year	<u>6</u>
At 31 December 2017	<u>16</u>
Carrying amount	
At 31 December 2017	<u><u>-</u></u>
At 31 December 2016	<u><u>6</u></u>

13 Fixed asset investments

	Investments in subsidiary companies £ 000
Cost	
At 1 January 2017	<u>21,305</u>
At 31 December 2017	<u>21,305</u>
Net book value	
At 31 December 2017	<u><u>21,305</u></u>
At 31 December 2016	<u><u>21,305</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 investment is correct.

GE Oil & Gas Pressure Control Limited

Notes to the Financial Statements

13 Fixed asset investments (continued)

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

Name of subsidiary	Registered office	Class of shares held	Proportion of ownership interest
Factory of GE Oil & Gas Pressure Control Middle East Co. Ltd	P.O. Box 1258, Dammam, 31952, Saudi Arabia	Ordinary	90%

14 Stock

	2017 £ 000	(As restated) 2016 £ 000
Raw materials	713	1,030
Work in progress	170	1,999
Finished goods and goods for resale	6,157	5,465
	<u>7,040</u>	<u>8,494</u>

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £6,897,000 (2016: as restated £18,190,000). The write down of stocks to net realisable value amounted to £436,000 (2016: £nil). The write down and reversal are included in cost of sales. Refer to note 2 for explanation of restated figures.

15 Debtors

	2017 £ 000	2016 £ 000
Trade debtors	3,037	3,738
Amounts owed by group undertakings	768	20,098
Derivative financial assets	6	-
Prepayments and accrued income	-	27
Other debtors	3,761	3,369
	<u>7,572</u>	<u>27,232</u>

GE Oil & Gas Pressure Control Limited

Notes to the Financial Statements

16 Creditors: Amounts falling due within one year

	2017	2016
	£ 000	£ 000
Trade creditors	1,061	903
Accruals and deferred income	2,863	2,583
Amounts owed to group undertakings	42,946	61,406
Other taxation and social security	2,213	2,493
Other creditors	-	41
Derivative financial liabilities	27	-
	<u>49,110</u>	<u>67,426</u>

17 Provision for liabilities

	Warranties £ 000
At 1 January 2017	42
Release to profit and loss account	<u>(23)</u>
At 31 December 2017	<u>19</u>

Warranty provision

The warranty provision is in respect of warranties provided in the normal course of business relating to contract performance. The balance provided represents the directors' estimate of future expenditure based on the expected level of claims and the history of such claims received by the company.

18 Share capital

Allotted, called up and fully paid shares

	No. 000	2017 £ 000	No. 000	2016 £ 000
Ordinary shares of £1 each	<u>9,000</u>	<u>9,000</u>	<u>9,000</u>	<u>9,000</u>

GE Oil & Gas Pressure Control Limited

Notes to the Financial Statements

19 Operating lease commitments

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

	2017 £ 000	2016 £ 000
Within one year	35	255
In two to five years	-	27
	<u>35</u>	<u>282</u>

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 \$28.25 (2016: \$29.50).

The options outstanding at the year end have an exercise price in the range of \$21.59 to \$26.10 and a weighted average contractual life of 6.13 years.

GE Oil & Gas Pressure Control Limited

Notes to the Financial Statements

21 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 £528,000 (2016: £746,000), including £528,000 (2016: £215,000) 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.

22 Ultimate parent undertaking and controlling party

The company's immediate parent is GE Oil & Gas ESP, Inc., a company registered at 5500 SE 59th Street, Oklahoma City, OK, 73135, United States America.

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.