

Registration number: SC260113

# Zenith Oilfield Technology Ltd

## Annual Report and Financial Statements

for the Year Ended 31 December 2016

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# Zenith Oilfield Technology Ltd

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# Zenith Oilfield Technology Ltd

## Strategic Report

The strategic report for the year ended 31 December 2016.

### **Business review and future outlook**

The results for the company show a pre tax loss of £0.56 million (pre tax profit 2015: £5.74 million) for the year and turnover of £22.85 million (2015: £29.55 million).

The company has net assets of £37.73 million (2015: £38.06 million) out of which £30.95 million net (2015: £29.37 million net) is due from fellow GE group companies.

2016 has been a difficult year for the business, trading is down 24% on 2015, this is due to the continued downturn in the Oil and Gas sector. The business is starting to see signs of improvements in all regional market, in particular the United States of America.

Market leading product development ensures that the company is involved in new and emerging programmes in its chosen fields of expertise.

During the year, several exceptional transactions occurred, consisting of; Turbimeca, a GE Legal entity in Venezuela being revalued at a fair market price resulting in a write off of 82.6% of their debt to the business causing a bad debt expense of £552K and the business was recharged HQ Assessment charges during the year of £1,108K.

### **Principal risks and uncertainties**

The company's activities expose it to a number of financial risks including cash flow risk, credit risk and liquidity risk.

#### **Cash flow risk**

In the year under review most of the company's turnover arose overseas, principally in US dollars, and the company is therefore exposed to the movement in US dollar to Sterling exchange rates. The exposure to this risk is monitored and forward contracts are used when considered appropriate.

#### **Credit risk**

The principal financial assets are trade debtors, amounts owed by group undertakings, and bank balances. The company's credit risk is primarily attributable to its trade debtors and is managed through maintaining good customer relationships and the monitoring of credit levels and settlement periods. The amounts presented in the balance sheet are net of allowances for doubtful receivables. The credit rating on liquid funds is considered limited because the counterparty is a bank with a credit rating assigned by international credit-rating agencies.

#### **Liquidity risk**

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company makes use of group cash pool facilities.

# Zenith Oilfield Technology Ltd

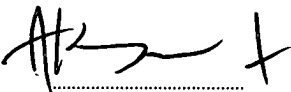
## Strategic Report (continued)

### Key performance indicators (KPI's)

Performance during the year, together with historical trend data is set out in the table below:

|                                | 31 December 2016 | 31 December 2015 | Commentary                                                                                                                            |
|--------------------------------|------------------|------------------|---------------------------------------------------------------------------------------------------------------------------------------|
| Growth in sales (%)            | (23%)            | (16%)            | Reduction in turnover due to general economic conditions affecting the oil and gas industry.                                          |
| Operating margin (%)           | (2.1%)           | 19%              | Reduction in operating margin percentage due to less favourable sales mix.                                                            |
| Return on invested capital (%) | (1.29%)          | 15%              | Operating profit expressed as a percentage of net assets. It is impacted by higher net assets at year end and lower operating profit. |

Approved by the Board on 25 September 2017 and signed on its behalf by:

  
A Khayyat  
Director

# Zenith Oilfield Technology Ltd

## Director's Report

The report and the financial statements for the year ended 31 December 2016.

### Principal activity

The principal activity of the company is the provision of downhole technology, data and services to the international oil and gas industry.

### Results and dividends

The loss for the year, after taxation, amounted to £330,000 (2015 profit: £5,720,000).

The directors do not recommend the payment of a dividend (2015: £nil).

### Directors of the company

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

R Holsey (resigned 17 October 2016)

E Gray (resigned 14 October 2016)

G Davie (resigned 31 August 2017)

A Khayyat (appointed 31 October 2016)

### Director's liabilities

One or more of the directors have benefited from qualifying third party indemnity provisions in place during the financial year and subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third party indemnity provisions remain in force as at the date of approving the directors' report.

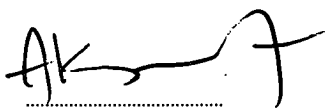
### Disclosure of information to the auditors

The director has taken steps that ought to have taken as a director in order to make 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 of and of which 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 25 September 2017 and signed on its behalf by:



A Khayyat  
Director

# Zenith Oilfield Technology Ltd

## 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 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 apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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 to ensure that the financial statements comply with the Companies Act 2006. General responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and prevent and detect fraud and other irregularities.

# Zenith Oilfield Technology Ltd

## Independent Auditor's Report to the members of Zenith Oilfield Technology Ltd

We have audited the financial statements of Zenith Oilfield Technology Ltd for the year ended 31 December 2016, set out on pages 7 to 23. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Statement of Director's Responsibilities set out on page 4, the director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

### **Opinion on the financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and Director's Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic Report and the Directors' Report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

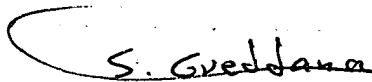
# Zenith Oilfield Technology Ltd

## Independent Auditor's Report to the members of Zenith Oilfield Technology Ltd (continued)

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us 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.



.....  
Slim Gueddana (Senior Statutory Auditor)

For and on behalf of KPMG LLP, Statutory Auditor

*Chartered Accountants*

37 Albyn Place  
Aberdeen  
AB10 1JB

Date: 28 September 2017

# Zenith Oilfield Technology Ltd

## Statement of Comprehensive Income for the Year Ended 31 December 2016

|                                                | Note | 2016<br>£ 000       | 2015<br>£ 000       |
|------------------------------------------------|------|---------------------|---------------------|
| <b>Turnover</b>                                | 4    | 22,846              | 29,546              |
| Cost of sales                                  |      | <u>(15,789)</u>     | <u>(18,150)</u>     |
| <b>Gross profit</b>                            |      | 7,057               | 11,396              |
| Distribution costs                             |      | (1,571)             | (2,019)             |
| Administrative expenses                        |      | (5,974)             | (3,769)             |
| Other operating income                         |      | <u>-</u>            | <u>62</u>           |
| <b>Operating (loss)/profit</b>                 | 5    | (488)               | 5,670               |
| Interest receivable and similar income         | 6    | 119                 | 72                  |
| Interest payable and similar expenses          | 7    | <u>(188)</u>        | <u>-</u>            |
| <b>(Loss)/profit before tax</b>                |      | (557)               | 5,742               |
| Tax on (loss)/profit                           | 11   | <u>227</u>          | <u>(22)</u>         |
| <b>(Loss)/profit for the year</b>              |      | (330)               | 5,720               |
| Other comprehensive income                     |      | -                   | -                   |
| <b>Total comprehensive income for the year</b> |      | <u><u>(330)</u></u> | <u><u>5,720</u></u> |

The above results were derived from continuing operations.

The notes on pages 10 to 23 form an integral part of these financial statements.

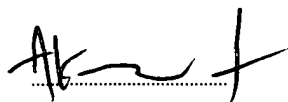
# Zenith Oilfield Technology Ltd

Registration number: SC260113

Balance Sheet  
as at 31 December 2016

|                                                       | Note | 2016<br>£ 000  | 2015<br>£ 000  |
|-------------------------------------------------------|------|----------------|----------------|
| <b>Fixed assets</b>                                   |      |                |                |
| Intangible assets                                     | 12   | -              | -              |
| Tangible assets                                       | 13   | 324            | 96             |
| Investments                                           | 14   | 244            | 244            |
|                                                       |      | <u>568</u>     | <u>340</u>     |
| <b>Current assets</b>                                 |      |                |                |
| Stocks                                                | 15   | 6,579          | 6,709          |
| Debtors                                               | 16   | 38,043         | 35,485         |
| Cash at bank                                          |      | 231            | 114            |
|                                                       |      | <u>44,853</u>  | <u>42,308</u>  |
| <b>Creditors: Amounts falling due within one year</b> | 17   | <u>(7,701)</u> | <u>(4,585)</u> |
| <b>Net current assets</b>                             |      | <u>37,152</u>  | <u>37,723</u>  |
| <b>Total assets less current liabilities</b>          |      | 37,720         | 38,063         |
| Provisions for liabilities                            | 18   | <u>6</u>       | <u>(7)</u>     |
| <b>Net assets</b>                                     |      | <u>37,726</u>  | <u>38,056</u>  |
| <b>Capital and reserves</b>                           |      |                |                |
| Called up share capital                               | 19   | 106            | 106            |
| Share premium account                                 |      | 14             | 14             |
| Profit and loss account                               |      | <u>37,606</u>  | <u>37,936</u>  |
| <b>Shareholders' funds</b>                            |      | <u>37,726</u>  | <u>38,056</u>  |

Approved by the Board on 25 September 2017 and signed on its behalf by:



A Khayyat  
Director

# Zenith Oilfield Technology Ltd

## Statement of Changes in Equity for the Year Ended 31 December 2016

|                                          | Called up<br>share capital<br>£ 000 | Share<br>premium<br>account<br>£ 000 | Profit and loss<br>account<br>£ 000 | Total<br>£ 000 |
|------------------------------------------|-------------------------------------|--------------------------------------|-------------------------------------|----------------|
| At 1 January 2016                        | 106                                 | 14                                   | 37,936                              | 38,056         |
| <b>Comprehensive income for the year</b> |                                     |                                      |                                     |                |
| Loss for the year                        | -                                   | -                                    | (330)                               | (330)          |
| Other comprehensive income               | -                                   | -                                    | -                                   | -              |
| Total comprehensive income               | -                                   | -                                    | (330)                               | (330)          |
| At 31 December 2016                      | <u>106</u>                          | <u>14</u>                            | <u>37,606</u>                       | <u>37,726</u>  |

|                                          | Called up<br>share capital<br>£ 000 | Share<br>premium<br>account<br>£ 000 | Profit and loss<br>account<br>£ 000 | Total<br>£ 000 |
|------------------------------------------|-------------------------------------|--------------------------------------|-------------------------------------|----------------|
| At 1 January 2015                        | 106                                 | 14                                   | 32,216                              | 32,336         |
| <b>Comprehensive income for the year</b> |                                     |                                      |                                     |                |
| Profit for the year                      | -                                   | -                                    | 5,720                               | 5,720          |
| Other comprehensive income               | -                                   | -                                    | -                                   | -              |
| Total comprehensive income               | -                                   | -                                    | 5,720                               | 5,720          |
| At 31 December 2015                      | <u>106</u>                          | <u>14</u>                            | <u>37,936</u>                       | <u>38,056</u>  |

The notes on pages 10 to 23 form an integral part of these financial statements.

# Zenith Oilfield Technology Ltd

## Notes to the Financial Statements

### 1 General information

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

The address of its registered office is:

Thainstone Business Park

Inverurie

Aberdeenshire

Leeds

AB51 5GT

### 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 (2014/15 Cycle) issued in July 2015 have been applied.

In preparing these financial statements, the company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the company's accounting policies (see note 3).

#### Exemption from preparing group accounts

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

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

# Zenith Oilfield Technology Ltd

## 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 IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73( e) of IAS 16 Property, Plant and Equipment;
  - paragraph 118( e) of IAS 38 Intangible Assets; and
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures; and
- 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

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

#### Revenue recognition

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

#### Foreign currency transactions and balances

The accounts are presented in sterling which is the company's functional and presentational currency.

Transactions in foreign currencies are recorded using a monthly average operating exchange rate. Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rate ruling at the balance sheet date. The gains or losses arising are included in the Statement of Comprehensive Income.

#### Tax

Tax is recognised in profit or loss account, 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.

# Zenith Oilfield Technology Ltd

## Notes to the Financial Statements

### 2 Accounting policies (continued)

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

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

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

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

Deferred tax assets and liabilities are not discounted.

#### Tangible fixed assets

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

#### 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 and machinery   | 3 years                      |
| Motor vehicles        | 5 years                      |
| Fixtures and fittings | 2-3 years                    |

#### Intangible fixed assets and 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 |
|-----------------------|------------------------------|
| Intellectual property | 4 years                      |

#### Investments

Investments in subsidiaries are valued 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 is estimated based on its net asset value and value in use. Where the recoverable amount of the investment is less than the carrying value an impairment loss is recognised in profit or loss 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.

**2 Accounting policies (continued)**

**Operating leases**

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

**Pensions**

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

The company 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.

**Financial Instruments**

**Classification**

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. The company's accounting policies in respect of financial instruments transactions are explained below:

**Financial assets**  
The company recognises its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. Other than the financial assets in a qualifying hedging relationship, the company's accounting policy for each category is as follows:

**Fair value through profit or loss**  
This category comprises only in-the-money derivatives. These are carried in the balance sheet at fair value with changes in fair value recognised in the profit and loss account.

**Loans and receivables**  
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.\

# Zenith Oilfield Technology Ltd

## Notes to the Financial Statements

### 2 Accounting policies (continued)

#### Financial liabilities

The company classifies its financial liabilities into one of the categories discussed below, depending on the purpose for which the liability was acquired.

#### Fair value through profit or loss

The company holds only out-of-the-money derivatives. They are carried in the balance sheet at fair value recognised in the profit and loss account.

#### At amortised cost

Financial liabilities at amortised cost including bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried into the balance sheet.

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

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

#### Stock provisioning

The company designs, manufactures and sells advanced technical products and is subject to changing consumer demands and technological advances. As a result it is necessary to consider the recoverability of the cost of stock and the associated provisioning required. When calculating the stock provision, management considers the nature and condition of the stock, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials. See note 15 for the net carrying amount of stock

#### Impairment of trade debtors

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the credit rating of the debtor, the ageing profile of the debtors and historical experience. See note 16 for the net carrying amount of the receivables.

# Zenith Oilfield Technology Ltd

## Notes to the Financial Statements

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

#### Useful economic lives of fixed assets

In the application of the company's accounting policy, judgement is exercised by management in the determination of residual values and useful lives.

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

They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 13 for the carrying amount of fixed assets and note 2 for the useful economic lives for each class of assets.

### 4 Turnover

A geographical analysis of turnover is as follows:

|                        | 2016<br>£ 000 | 2015<br>£ 000 |
|------------------------|---------------|---------------|
| United Kingdom         | 122           | 109           |
| Rest of European Union | 498           | 194           |
| USA                    | 2,919         | 5,813         |
| Rest of world          | 19,307        | 23,430        |
|                        | <u>22,846</u> | <u>29,546</u> |

All revenue is from the sale of goods.

### 5 Operating profit

Operating profit/(loss) is stated after charging:

|                                               | 2016<br>£ 000 | 2015<br>£ 000 |
|-----------------------------------------------|---------------|---------------|
| Depreciation expense                          | 115           | 144           |
| Difference on foreign exchange                | 820           | 74            |
| Operating lease expense - land and buildings  | 166           | 150           |
| Operating lease expense - plant and machinery | 96            | -             |

### 6 Interest receivable and similar income

|                                          | 2016<br>£ 000 | 2015<br>£ 000 |
|------------------------------------------|---------------|---------------|
| Interest receivable from group companies | <u>119</u>    | <u>72</u>     |

# Zenith Oilfield Technology Ltd

## Notes to the Financial Statements

### 7 Interest payable and similar expenses

|                                  | 2016<br>£ 000 | 2015<br>£ 000 |
|----------------------------------|---------------|---------------|
| On loans from group undertakings | 188           | -             |

### 8 Staff costs

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

|                       | 2016<br>£ 000 | 2015<br>£ 000 |
|-----------------------|---------------|---------------|
| Wages and salaries    | 5,265         | 5,804         |
| Social security costs | 289           | 462           |
| Other pension costs   | 221           | 184           |
|                       | <u>5,775</u>  | <u>6,450</u>  |

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

|                             | 2016<br>No. | 2015<br>No. |
|-----------------------------|-------------|-------------|
| Production                  | 17          | 19          |
| Management and office staff | 26          | 30          |
| Sales and operations        | 53          | 53          |
|                             | <u>96</u>   | <u>102</u>  |

### 9 Director remuneration

The directors' remuneration for the year was as follows:

|                                                                       | 2016<br>£ 000 | 2015<br>£ 000 |
|-----------------------------------------------------------------------|---------------|---------------|
| Remuneration                                                          | 631           | 522           |
| Company pension contributions to defined contribution pension schemes | 26            | 26            |
|                                                                       | <u>657</u>    | <u>548</u>    |

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

# Zenith Oilfield Technology Ltd

## Notes to the Financial Statements

### 9 Director remuneration (continued)

|                                                              | 2016<br>No.   | 2015<br>No.   |
|--------------------------------------------------------------|---------------|---------------|
| Accruing benefits under defined contribution pension scheme  | <u>2</u>      | <u>2</u>      |
| In respect of the highest paid director:                     |               |               |
|                                                              | 2016<br>£ 000 | 2015<br>£ 000 |
| Remuneration                                                 | 551           | 445           |
| Company contribution to defined contribution pension schemes | <u>22</u>     | <u>21</u>     |

### 10 Auditor's remuneration

|                                   | 2016<br>£ 000 | 2015<br>£ 000 |
|-----------------------------------|---------------|---------------|
| Audit of the financial statements | <u>33</u>     | <u>30</u>     |

### 11 Taxation

Tax charged/(credited) in the statement of comprehensive income

|                                                                | 2016<br>£ 000 | 2015<br>£ 000 |
|----------------------------------------------------------------|---------------|---------------|
| <b>Current taxation</b>                                        |               |               |
| UK corporation tax adjustment to prior periods                 | <u>(227)</u>  | <u>12</u>     |
| Foreign tax                                                    | -             | 2             |
| Foreign tax adjustment to prior periods                        | <u>-</u>      | <u>8</u>      |
|                                                                | -             | 10            |
| Total current tax                                              | <u>(227)</u>  | <u>22</u>     |
| <b>Deferred taxation</b>                                       |               |               |
| Origination and reversal of temporary differences              | (23)          | (29)          |
| Effect of changes to tax rates                                 | 7             | 8             |
| Adjustment in respect of prior year                            | -             | (15)          |
| Movement on deferred tax not provided                          | <u>16</u>     | <u>36</u>     |
| Total deferred taxation                                        | <u>-</u>      | <u>-</u>      |
| Tax (receipt)/expense in the statement of comprehensive income | <u>(227)</u>  | <u>22</u>     |

# Zenith Oilfield Technology Ltd

## Notes to the Financial Statements

### 11 Taxation (continued)

The tax assessed for the year is higher than the standard rate of corporation tax in the UK (2015 - higher than the standard rate of corporation tax in the UK) of 20% (2015 - 20.25%).

The differences are reconciled below:

|                                                                                | 2016<br>£ 000 | 2015<br>£ 000 |
|--------------------------------------------------------------------------------|---------------|---------------|
| (Loss)/profit before tax                                                       | (557)         | 5,742         |
| Corporation tax at standard rate                                               | (111)         | 1,162         |
| Adjustment to tax charge in respect of prior year/periods                      | (226)         | 20            |
| Non-taxable income                                                             | -             | (2)           |
| Group relief for £nil consideration                                            | 87            | (1,187)       |
| Deferred tax credit from unrecognised temporary difference from a prior period | -             | (15)          |
| Effect of changes to tax rates                                                 | 7             | 8             |
| Movement on deferred tax not provided                                          | 16            | 36            |
| Total tax (credit)/charge                                                      | (227)         | 22            |

### Factors that may affect future tax charges

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

Deferred tax assets and liabilities on all timing differences have been calculated at 17%, including those expected to reverse in the years ending 31 December 2017 to 31 December 2020 (the overall average rate ranging from 19.25% to 17.5%).

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

### Deferred tax

There are £83,000 of deductible temporary differences (2015 - £68,000) for which no deferred tax asset is recognised in the balance sheet.

# Zenith Oilfield Technology Ltd

## Notes to the Financial Statements

### 12 Intangible assets

|                       | Intellectual<br>property<br>£ 000 |
|-----------------------|-----------------------------------|
| <b>Cost</b>           |                                   |
| At 1 January 2016     | 848                               |
| At 31 December 2016   | 848                               |
| <b>Amortisation</b>   |                                   |
| At 1 January 2016     | 848                               |
| At 31 December 2016   | 848                               |
| <b>Net book value</b> |                                   |
| At 31 December 2016   | -                                 |
| At 31 December 2015   | -                                 |

### 13 Tangible assets

|                       | Fixtures and<br>fittings<br>£ 000 | Motor vehicles<br>£ 000 | Plant and<br>machinery<br>£ 000 | Total<br>£ 000 |
|-----------------------|-----------------------------------|-------------------------|---------------------------------|----------------|
| <b>Cost</b>           |                                   |                         |                                 |                |
| At 1 January 2016     | 108                               | 45                      | 995                             | 1,148          |
| Additions             | 49                                | 2                       | 291                             | 342            |
| Disposals             | (62)                              | (3)                     | (696)                           | (761)          |
| At 31 December 2016   | 95                                | 44                      | 590                             | 729            |
| <b>Depreciation</b>   |                                   |                         |                                 |                |
| At 1 January 2016     | 104                               | 20                      | 928                             | 1,052          |
| Charge for the year   | 10                                | 8                       | 97                              | 115            |
| On disposals          | (62)                              | (4)                     | (696)                           | (762)          |
| At 31 December 2016   | 52                                | 24                      | 329                             | 405            |
| <b>Net book value</b> |                                   |                         |                                 |                |
| At 31 December 2016   | 43                                | 20                      | 261                             | 324            |
| At 31 December 2015   | 4                                 | 25                      | 67                              | 96             |

# Zenith Oilfield Technology Ltd

## Notes to the Financial Statements

### 14 Fixed asset investments

|                       | Investments in subsidiary companies<br>£ 000 |
|-----------------------|----------------------------------------------|
| <b>Cost</b>           |                                              |
| At 1 January 2016     | 244                                          |
| At 31 December 2016   | 244                                          |
| <b>Provision</b>      |                                              |
| At 1 January 2016     | -                                            |
| At 31 December 2016   | -                                            |
| <b>Net book value</b> |                                              |
| At 31 December 2016   | 244                                          |
| At 31 December 2015   | 244                                          |

The directors of the company have undertaken a review of the company's investment in subsidiary undertaking as at 31 December 2016. There are no indications of impairment and the carrying value of the investment is correct.

Details of the subsidiary undertaking as at 31 December 2016 are as follows:

| Name of subsidiary             | Registered office                                       | Class of shares held | Proportion of ownership interest |
|--------------------------------|---------------------------------------------------------|----------------------|----------------------------------|
| Zenith Oilfield Technology LLC | Governorate of Muscat, Muttrah, Ruwi, Muscat, 112, Oman | Ordinary             | 70%                              |

# Zenith Oilfield Technology Ltd

## Notes to the Financial Statements

### 15 Stock

|                                     | 2016<br>£ 000 | 2015<br>£ 000 |
|-------------------------------------|---------------|---------------|
| Raw materials and consumables       | 4,017         | 2,362         |
| Work in progress                    | 523           | 378           |
| Finished goods and goods for resale | 2,039         | 3,969         |
|                                     | <u>6,579</u>  | <u>6,709</u>  |

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £11,425,000 (2015: £13,399,000).

### 16 Debtors

|                                    | 2016<br>£ 000 | 2015<br>£ 000 |
|------------------------------------|---------------|---------------|
| Trade debtors                      | 3,732         | 4,221         |
| Amounts owed by group undertakings | 33,708        | 30,214        |
| Derivative financial instruments   | 57            | 27            |
| Prepayments and accrued income     | 226           | 88            |
| Corporation tax receivable         | 227           | 558           |
| Other debtors                      | 93            | 377           |
|                                    | <u>38,043</u> | <u>35,485</u> |

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

|                                     | 2016<br>£ 000 | 2015<br>£ 000 |
|-------------------------------------|---------------|---------------|
| Trade creditors                     | 3,056         | 2,221         |
| Accruals and deferred income        | 1,539         | 1,402         |
| Amounts owed to group undertakings  | 2,763         | 840           |
| Other taxation and social security  | -             | 81            |
| Derivative financial instruments    | 182           | -             |
| Other creditors                     | -             | 41            |
| Corporation tax payable             | 66            | -             |
| Other current financial liabilities | 95            | -             |
|                                     | <u>7,701</u>  | <u>4,585</u>  |

# Zenith Oilfield Technology Ltd

## Notes to the Financial Statements

### 18 Provision for liabilities

|                          | Warranty<br>Provision<br>£ 000 | EHS Provision<br>£ 000 | Total<br>£ 000 |
|--------------------------|--------------------------------|------------------------|----------------|
| At 1 January 2016        | -                              | 7                      | 7              |
| Utilised during the year | (10)                           | (3)                    | (13)           |
| At 31 December 2016      | (10)                           | 4                      | (6)            |

The Environment Health & Safety (EHS) provision was created in 2014 and the adequacy of this provision is reviewed annually. The provision covers the cost of any site clean up costs expected during the normal course of business.

The Warranty Provision is a periodic accrual of costs for replacements and modifications performed to correct product defects within the defined warranty period.

### 19 Share capital

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

|                            | No. 000 | 2016<br>£ 000 | No. 000 | 2015<br>£ 000 |
|----------------------------|---------|---------------|---------|---------------|
| Ordinary shares of £1 each | 106     | 106           | 106     | 106           |

### 20 Operating lease commitments

At 31 December 2016 the company had total future minimum lease commitments under non-cancellable operating leases as follows:

|                      | 2016<br>£ 000 | 2015<br>£ 000 |
|----------------------|---------------|---------------|
| Within one year      | 166           | 165           |
| In two to five years | 664           | 660           |
| In over five years   | 1,328         | 1,485         |
|                      | 2,158         | 2,310         |

# Zenith Oilfield Technology Ltd

## Notes to the Financial Statements

### 21 Pension commitments

The company is a member of a larger group pension scheme providing benefits based on final pensionable pay. The group pension scheme, GE Pension Plan, covers a number of United Kingdom subsidiary companies of General Electric Company. Because the company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by IAS 19 'Employee Benefits', the scheme had been accounted for in the financial statements as if the scheme was a defined contribution scheme. The funding surplus/deficit in respect of this scheme is disclosed in the financial statements of GEH Holdings, a company registered in England and Wales.

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

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

The pension charge for the year was £221,000 (2015: 184,000), including £221,000 (2015: £184,000) 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 Contingent liabilities

No performance guarantees were issued during the financial year 2016 (2015: £136,000), this was a result of all existing performance guarantees being canceled on 6 August 2016.

### 23 Ultimate parent undertaking and controlling party

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

The smallest and largest group in which the results of the company are consolidated is that headed by GE Italia Holding S.p.A., a company incorporated in Italy. The largest group in which the results of the company are consolidated is that headed by the company's ultimate parent undertaking, General Electric Company, a company registered at 41 Farnsworth Street, Boston, Massachusetts, 02210, USA. The consolidated financial statements of General Electric Company are available to the public and may be obtained from 41 Farnsworth Street, Boston, Massachusetts, 02210, USA or at [www.ge.com](http://www.ge.com).