Company Registration No. SC207740

Baker Energy Limited

Annual report and financial statements

for the year ended 31 December 2018

Baker Energy Limited
Annual report and financial statements for the year ended 31 December 2018

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Officers and professional advisers

Directors
B McLeish
A Makram-Ebeid

Company Secretary
L Dunlop

Registered Office
Kirkhill Road
Kirkhill Industrial Estate
Dyce
Aberdeen
AB21 0GQ

Independent Auditor
KPMG LLP
Statutory Auditor
37 Albyn Place
Aberdeen
AB10 1JB

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2018.

The directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption. No strategic report is presented as the directors have taken exemption under section 414B of the Companies Act 2006.

Principal activities
The principal activity of the company during the year was that of a holding company. The principal activities of the subsidiary company is the provision of sub-surface consultancy and operations management expertise to the oil and gas industry and oil and gas recovery.

Directors
The present membership of the Board is set out on page 3.

The directors of the company who held office during the year and to the date of this report were:
B McLeish (appointed 12 June 2018)
A Makram-Ebeid (appointed 12 March 2019)
M Rasmuson (resigned 12 June 2018)
O Onabolu (resigned 26 March 2019)

Directors' indemnities
The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Results and dividends
The loss after tax for the year was £5,000 (2017: £5,000 loss). There were no dividends paid or proposed in either year.

Going concern
The company made a loss of £5,000 for the year and had net current assets of £2,423,000 as at 31 December 2018.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Further details regarding the adoption of the going concern basis can be found within note 1 to the financial statements.

Principal risks and uncertainties
The United Kingdom European Union membership referendum that took place on 23 June 2016 resulted in an overall vote to leave the European Union. In the short-term, the directors do not expect the significant effect of such on the company and its operations. However the longer term political and economic effects of this event will depend on the arrangements negotiated between the United Kingdom and European Union. The directors continue to monitor the situation closely and review potential risks to the company.

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the 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.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

KPMG LLP have indicated their willingness to be re-appointed for another term and appropriate arrangements have been put in place for them to be deemed to be re-appointed in the absence of an Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board.

A Makram-Ebeid
Director
26 September 2019

Directors' responsibilities statement

The directors are responsible for preparing the Directors' 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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

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 Baker Energy Limited

Opinion
We have audited the financial statements of Baker Energy Limited ("the company") for the year ended 31 December 2018 which comprise of the Profit and Loss account, Balance sheet and Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; 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.

The impact of uncertainties due to the UK exiting the European Union on our audit
Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as the valuation of debtors and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern
The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

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 a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Independent auditor's report to the members of Baker Energy Limited (continued)

Directors' report
The directors are responsible for the directors' report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

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; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Directors' responsibilities
As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities
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 Baker Energy Limited (continued)

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.

Andrew Williamson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
37 Albyn Place
Aberdeen,
AB10 1JB

27 September 2019

Baker Energy Limited
Profit and loss account
For the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Administrative expenses and operating loss	3	(5)	(5)
Loss before taxation		(5)	(5)
Tax on loss	5	-	-
Loss for the financial year and total comprehensive loss attributable to the shareholders of the company		(5)	(5)

The company has not recognised gains and losses for the current and prior year other than as included in the results above. Accordingly no statement of comprehensive income is presented. The results for the current and prior year are derived from continuing operations.

The notes on 13 to 19 form an integral part of these financial statements.

Baker Energy Limited
Balance sheet
As at 31 December 2018

	Note	2018 £'000	2017 £'000
Fixed assets			
Investments	6	-	-
Current assets			
Debtors			
- due within one year	7	2,443	2,434
		2,443	2,434
Creditors: amounts falling due within one year	8	(20)	(6)
Net current assets		2,423	2,428
Total assets less current liabilities		2,423	2,428
Net assets		2,423	2,428
Capital and reserves			
Called-up share capital	9	750	750
Share premium		528	528
Profit and loss account		(2,535)	(2,530)
Capital redemption reserve		15	15
Capital contribution		3,665	3,665
Total shareholder's funds		2,423	2,428

The financial statements of Baker Energy Limited, company number SC207740, were approved by the Board of Directors and authorised for issue on 26 September 2019.

Signed on behalf of the Board of Directors by:

A Makram-Ebeid
Director

The notes on pages 13 to 19 form an integral part of these financial statements.

Baker Energy Limited
Statement of changes in equity
For the year ended 31 December 2018

	Called-up share capital (note 9) £'000	Share premium £'000	Profit and loss account £'000	Capital redemption reserve £'000	Capital contribution £'000	Total £'000
At 1 January 2017	750	528	(2,525)	15	3,665	2,433
Loss for the financial year	-	-	(5)	-	-	(5)
Total comprehensive loss	-	-	(5)	-	-	(5)
At 31 December 2017	750	528	(2,530)	15	3.665	2,428
Loss for the financial year	-	-	(5)	-	-	(5)
Total comprehensive loss	-	-	(5)	-	-	(5)
At 31 December 2018	750	528	(2,535)	15	3,665	2,423

The notes on pages 13 to 19 form an integral part of these financial statements.

Baker Energy Limited
Notes to the financial statements
For the year ended 31 December 2018

1. Accounting policies

The principal accounting policies adopted are described below. They have been applied consistently throughout the current and preceding year.

General information and basis of accounting
Baker Energy Limited is a private limited company, limited by shares which is incorporated in Scotland and registered in the United Kingdom. The address of the registered office is given on page 3. The financial statements are prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of the company is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates. All financial information presented in pounds sterling has been rounded to the nearest thousand.

The company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. The company is consolidated in the financial statements of its ultimate parent, General Electric Company, which may be obtained from the address in note 11. Exemptions have been taken in these separate company financial statements in relation to financial instruments, presentation of cash flow statement, disclosure of related party transactions, share-based payments and remuneration of key management personnel.

Going concern
After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Consolidation
The company has taken advantage of the exemption conferred by s401 of the Companies Act 2006 not to prepare consolidated accounts. The company is a wholly owned subsidiary undertaking of Baker Hughes, a GE company, which is incorporated in the USA. The company and all of its subsidiary undertakings are included in the Baker Hughes, a GE company consolidated financial statements which are prepared in accordance with US GAAP and are drawn up to 31 December 2018.

These financial statements therefore present information about the company as an individual undertaking and not as a group.

Investments
Fixed and current asset investments are included in the balance sheet of the company at cost less provision for any impairment in value.

Financial instruments
Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

1. Accounting policies (continued)

Financial instruments (continued)
(i) Financial assets and liabilities
All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified at fair value through profit and loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financial transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the balance sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and the company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments that are classified as payable or receivable within one year on initial recognition and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Financial assets are derecognised when and only when (a) the contractual rights to the cash flows from the financial asset expire or are settled, (b) the company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or (c) the company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

(ii) Investments
In the company balance sheet, investments in subsidiaries and associates are measured at cost less impairment. For investments in subsidiaries acquired for consideration including the issue of shares qualifying for merger relief, cost is measured by reference to the nominal value of the shares issued plus fair value of other consideration. Any premium is ignored.

(iii) Equity instruments
Equity instruments issued by the company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

Taxation
Current tax including United Kingdom corporation tax and foreign tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Baker Energy Limited
Notes to the financial statements (continued)
For the year ended 31 December 2018

1. Accounting policies (continued)

Taxation (continued)
A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying tax differences can be deducted.

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affect both current and future periods.

Intercompany recoverability
In respect to intercompany receivables (as described in note 7), a review has been completed regarding the recoverability of the outstanding balances. Based on the details available, management consider there is little or no risk in terms of recoverability and conclude no bad debt provision is required.

3. Operating loss

Fees payable to the company's auditor and associates of £5,044 (2017: £5,044) for the audit of the company's annual financial statements in 2018.

4. Information regarding directors and employees

Directors' emoluments:
Disclosures of directors' remuneration are not required under the small companies reporting regulations.

Employee information
The company had nil employees in 2018 (2017: nil).

5. Tax on loss

The standard rate of tax for the year, based on the average UK standard rate of corporation tax, is 19% (2017: 19.25%). The actual current tax charge for the current year and charge for the preceding year differs for the reasons set out in the following reconciliation.

The differences between the total tax charge shown above and the amount calculated by applying the average standard rate of UK corporation tax to the loss before tax are as follows:

Baker Energy Limited
Notes to the financial statements (continued)
For the year ended 31 December 2018

5. Tax on loss (continued)

	2018 £'000	2017 £'000
Loss before tax	(5)	(5)
Tax on loss at average UK corporation tax rate of 19% (2017: 19.25%)	(1)	(1)
Effects of:		
Deferred tax not provided	1	1
Total tax charge for the year	-	-

A reduction in the corporation tax rate was announced in Finance (No 2) Act 2015, which was substantively enacted on 18 November 2015. As a consequence, the tax rate reduced to 19% for the years starting 1 April 2017, 2018 and 2019. Finance Act 2016, which was substantively enacted on 15 September 2016, included a further reduction in the tax rate to 17% with effect from 1 April 2020.

Deferred taxation asset
Deferred tax asset of £5,476 (2017: £4,575) has not been recognised in respect of tax losses carried forward. In the opinion of the directors it is uncertain whether there will be suitable taxable profits available in the foreseeable future against which it would be recovered.

6. Fixed assets: investments

	Subsidiaries £'000
Net book value	
At 31 December 2018 and 31 December 2017	-

The company has a subsidiary undertaking in Baker RDS Limited. The subsidiary is wholly owned and incorporated in the United Kingdom. Baker RDS Limited's principal business is the provision of sub-surface consultancy and operations management expertise to the oil and gas industry and it's registered office is at Kirkhill Road, Kirkhill Industrial Estate, Dyce, Aberdeen, AB21 0GQ.

7. Debtors

Amounts falling due within one year	2018 £'000	2017 £'000
Amounts owed by group undertakings	2,443	2,434

Amounts due from group undertakings are interest free and repayable on demand.

8. Creditors

Amounts falling due within one year	2018 £'000	2017 £'000
Amounts owed to group undertakings	10	1
Accruals and deferred income	10	5
	20	6

Amounts due to group undertakings are interest free and payable on demand.

9. Called-up share capital and reserves

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

	2018		2017	
Called-up, allotted and fully paid	Number of shares	£'000	Number of shares	£'000
£0.10 ordinary shares	6,650,161	665	6,650,161	665
£0.1,0 B ordinary shares	24,000	2	24,000	2
£0.10 C ordinary shares	454,593	46	454,593	46
£0.10 D ordinary shares	371,250	37	371,250	37
		750		750

The rights of the 'B' ordinary shares are as follows:

- The 'B' ordinary shares rank pari passu with the ordinary shares and 'C' ordinary shares in entitlement to dividends at a set percentage where certain conditions arise.
- On distribution of the company assets, 'B' ordinary shares rank after the ordinary shares and 'C' ordinary shares.

'B' ordinary shares carry the same voting rights as ordinary and 'C' ordinary shares

9. Called-up share capital and reserves (continued)

The rights of the 'C' ordinary shares are as follows:

1) The 'C' ordinary shares rank pari passu with the ordinary shares and 'B' ordinary shares in entitlement to dividends at a set percentage when certain conditions arise.
2) When calculating dividends payable in respect of 'C' ordinary shares, special provisions exist to exclude profit of certain group companies and related disposal proceeds.
3) On distribution of the company assets, 'C' ordinary shares rank pari passu with the ordinary shares but ahead of the 'B' ordinary shares.
4) 'C' ordinary shares carry the same voting rights as 'B' ordinary and ordinary shares.

The D Ordinary shares have no voting rights and are subject to special provisions excluding them from the participation in the profit of certain group companies and related disposal proceeds.

The company's other reserves are as follows:
The share premium reserve contains the premium arising on issue of equity shares, net of issue expenses.
The profit and loss reserve represents cumulative profit or losses.
The capital redemption reserve represents the nominal value of redeemed shares.
The capital contribution reserve represents the contributions without consideration in exchange.

10. Related party transactions

The company has taken advantage of FRS 102.33.1A 'Related Party Disclosures' and hence has not disclosed details of transactions with other group companies in which Baker Hughes, a GE company and General Electric Company ultimately own 100% of the share capital.

Baker Energy Limited
Notes to the financial statements (continued)
For the year ended 31 December 2018

11. Immediate and ultimate parent company and related undertakings

The company's immediate parent and controlling party is Baker Hughes Limited, a company incorporated in England & Wales. Copies of the financial statements of the immediate parent can be requested from the Company Secretary at The Ark, 201 Talgarth Road, Hammersmith, London, W6 8BJ.

The company's ultimate parent company is General Electric Company, which is incorporated in the USA and has its registered office at 1 River Road, Schenectady, New York 12345-6999. It is the largest entity consolidating the results of this company. The smallest entity consolidating the results of the company is Baker Hughes, a GE company, which is incorporated in the USA and has its registered office at 1209 Orange Street, Wilmington, Delaware 19801.

Copies of the financial statements of General Electric Company and Baker Hughes, a GE company, may be requested from the Company Secretary at The Ark, 201 Talgarth Road, Hammersmith, London, W6 8BJ.

In June 2018, General Electric ("GE"), the ultimate holding company, announced its intention for a separation from Baker Hughes, a GE company ("BHGE"), the intermediate holding company, in an orderly fashion over the next three years.

GE since then has gradually reduced their stake in the resulting company BHGE from an initial 62.5% in July 2017, down to 50.4% in November 2018 and 36.8% in September 2019.

Subsequently, in September 2019, BHGE announced the full separation from GE, renamed to be 'Baker Hughes Company' and will be granted a new stock ticker in the NYSE ("BKR") starting October 2019.

The changes above are not expected to have any impact on the operations or financials results of Baker Energy Limited.

The company's only other related undertaking is disclosed in note 6.