



Brønnøysundregistrene

Brønnøysundregistrene

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Organisasjonsnummer: 974 760 673



Resultatregnskap

Beløp i: GBP	Note	2020	2019
RESULTATREGNSKAP			
Inntekter			
Revenue	4	45 234 000	46 884 000
Sum inntekter		45 234 000	46 884 000
Kostnader			
Cost of sales		26 675 000	28 747 000
Administrative costs		17 230 000	20 338 000
Other operatig income	5	0	-45 000
Sum kostnader		43 905 000	49 040 000
Driftsresultat		1 329 000	-2 156 000
Finansinntekter og finanskostnader			
Financial income	9	0	9 000
Sum finansinntekter		0	9 000
Financial expense	10	790 000	1 006 000
Sum finanskostnader		790 000	1 006 000
Netto finans		-790 000	-997 000
Resultat før skattekostnad		539 000	-3 153 000
Taxation	11	2 649 000	1 490 000
Årsresultat		-2 110 000	-4 643 000
Re-measurement of defined bnefit liability	20	-11 282 000	502 000
Sum resultatkomponenter for IFRS-foretak		-11 282 000	502 000
Totalresultat		-13 392 000	-4 141 000



Balanse

Beløp i: GBP	Note	2020	2019
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Intangible assets	12	20 376 000	19 976 000
Right-of-use asset	19	9 880 000	10 426 000
Utsatt skattefordel	15	2 112 000	1 890 000
Sum immaterielle eiendeler		32 368 000	32 292 000
Varige driftsmidler			
Plant property and equipment	13	12 517 000	12 868 000
Sum varige driftsmidler		12 517 000	12 868 000
Finansielle anleggsmidler			
Investering i datterselskap	14	18 125 000	18 125 000
Sum finansielle anleggsmidler		18 125 000	18 125 000
Sum anleggsmidler		63 010 000	63 285 000
Omløpsmidler			
Varer			
Inventories	16	3 632 000	4 356 000
Sum varer		3 632 000	4 356 000
Fordringer			
Trade and other receivables	17	28 352 000	26 404 000
Sum fordringer		28 352 000	26 404 000
Bankinnskudd, kontanter og lignende			
Cash and cash equivalents		6 249 000	4 477 000
Sum bankinnskudd, kontanter og lignende		6 249 000	4 477 000
Sum omløpsmidler		38 233 000	35 237 000
SUM EIENDELER		101 243 000	98 522 000



Balanse

Beløp i: GBP	Note	2020	2019
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Share capital	21	60 675 000	60 675 000
Overkurs		340 000	340 000
Sum innskutt egenkapital		61 015 000	61 015 000
Opptjent egenkapital			
Retained earnings		-30 035 000	-16 643 000
Sum opptjent egenkapital		-30 035 000	-16 643 000
Sum egenkapital		30 980 000	44 372 000
Gjeld			
Langsiktig gjeld			
Pensjonsforpliktelser	20	29 804 000	19 923 000
Sum avsetninger for forpliktelser		29 804 000	19 923 000
Annen langsiktig gjeld			
Obligations under finance leases	19	0	0
Lease liabilities	19	9 637 000	10 003 000
Sum annen langsiktig gjeld		9 637 000	10 003 000
Sum langsiktig gjeld		39 441 000	29 926 000
Kortsiktig gjeld			
Trade and other payables	18	30 392 000	23 828 000
Obligations under financial leases	19	0	0
Lease liabilities	19	430 000	396 000
Sum kortsiktig gjeld		30 822 000	24 224 000
Sum gjeld		70 263 000	54 150 000
SUM EGENKAPITAL OG GJELD		101 243 000	98 522 000



Registration number: 03424425

PII Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2020



PII LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

For the year ended 31 DECEMBER 2020

CONTENTS	PAGE
Strategic Report	3
Directors' Report	8
Statement of Directors' Responsibilities	11
Independent Auditor's Report to the members of PII Limited	12
Income Statement	15
Statement of Total Comprehensive Income	16
Balance Sheet	17
Statement of Changes in Equity	18
Notes to the Financial Statements	19



PII LIMITED STRATEGIC REPORT

Principal activities

The principal activity of the company is the provision of oil and gas pipeline maintenance technology to pipeline operators and owners in the oil and gas industries.

The directors anticipate no significant change in the company's activities in the foreseeable future.

Business model

The business invests in technology to provide assurance to oil and gas pipeline owners and operators. Primarily tools are developed to inspect pipelines allowing the business to provide an assessment over the integrity and condition of the pipelines. The business seeks to differentiate itself from competitors through the quality of their service.

Research and development activities

We continue to invest in the latest technological developments in the pipeline inspection field and integrity services. The directors regard the investment in research and development as key to driving the future success of the business.

Business review and results

There was a loss for the year after taxation amounting to £2,110,000 (2019: £4,643,000 loss) and sales of £45,234,000 (2019: £46,884,000).

As at 31 December 2020 the company had net assets of £30,980,000 (2019: £44,372,000).

The directors cannot recommend the payment of a dividend.

Key Performance Indicators (KPI's)

The company uses a range of KPI's to assess business performance. The principal financial KPI's are summarised below:

	2020	2019	Definition, method of calculation
Growth/(Reduction) in sales (%)	-3.5%	17.2%	Year on year sales movement expressed as a percentage. The reduction in sales is due to the impact of COVID-19 in the second half of 2020.
Gross margin (%)	41.0%	38.7%	Gross margin is the ratio of gross profit before exceptional items and goodwill amortisation to sales expressed as a percentage.
Return on invested capital (%)	4.3%	-6.1%	Operating profit on continuing operations expressed as a percentage of net assets.



PII LIMITED STRATEGIC REPORT

Principal risks and uncertainties

The management of the business and the execution of the group's strategy are subject to a number of risks. The key business risks and uncertainties affecting the company are considered to relate to competition from within the global service market, and new technology in the market that may drive prices down for the company. Under these circumstances, this may have a negative impact on the recoverability of investments and the ability to pay dividends.

When the first wave of Covid-19 hit in late Q1 2020 a lot of our customers immediately pushed back infield operations due to Health and Safety concerns and travel restrictions. However, as a lot of the pipeline inspection runs that related to the Q2 revenue had already been completed before this, the Q2 revenue was not badly affected. We saw the main impact on revenue in Q3.

Due to the nature of the service we provide, and it being key to our customers Oil and Gas pipeline maintenance which is an area of high importance due to risk of potential pipeline failure and associated environmental and reputational damage, this work cannot be delayed for long, so the company have seen a return to more normal run volumes in the second half of 2020. This will translate to better revenues in Q4 and through to 2021.

Given that the North American market has not slowed at all in 2020 due to heavy regulation and mandated inspections that need to take place, the support and intercompany services the company supply to those areas has not been affected and will not be affected in 2021 and 2022.

Future outlook

During 2020, the focus was to continue to deliver a quality product for our customers whilst at the same time improving productivity and profitability. We still feel that new technology will be the differentiator in the market and we have continued our focused approach to technology development. As we move forward, our focus will continue to be on quality and safety whilst delivering cost effective products to the market.

Carbon Reporting

Managing carbon emissions is a fundamental priority for the Oil and Gas industry and a strategic focus for our business.

Baker Hughes Company have committed to:

- reduce CO₂ equivalent emissions 50% by 2030,
- achieve net-zero carbon emissions by 2050, and
- invest in new technologies to help customers reduce their emissions.

The latest energy report produced for the company showed the energy usage (in kWh) at the Cramlington site in the year ended 31st December 2019 was as below. An updated report was not obtained in 2020 due to COVID-19. However, the number of employees working in the office in 2020 significantly reduced and it is therefore expected that the energy usage will have also subsequently reduced.

Electricity	853,310
Natural Gas	182,230
Propane	19,866
Red Diesel	6,380
Total	1,061,786

The associated CO₂ emissions amounted to 276 tonnes.

Red diesel is used to power a forklift on site and also a winch located in the external yard. Propane is used to power an additional two forklifts.



PII LIMITED STRATEGIC REPORT

Emission Conversion Factors (in kgCO₂e/kWh) are as follows:

Electricity	0.2773
Natural Gas	0.1839
Propane	0.21447
Red Diesel	0.25676

Recommended energy efficiency measures which have been considered by the business include switching off the air compressor overnight and at weekends when the site is unoccupied, switching off the electric storage heaters in stairwell over summer months, increasing the setpoint temperature in the Ground and First floor server rooms, switching off heater battery serving the air handling unit during summer, recirculating the air in the air handling unit, and optimising the variable refrigerant flow system serving the offices.

Section 172(1) Statement

The Companies (Miscellaneous Reporting) Regulations 2018 (the “Regulations”) have been in force with effect from 1 January 2019. The Regulations aim to extend sustainable and responsible governance practice beyond listed companies to private limited companies. The Regulations require the Company to report how the directors of the Company have considered their duties under section 172 (of the Companies Act 2006 (the “Act”)) (“Section 172”) during the reporting period.

Section 172 is owed by the directors to the Company. In the context of a group, being the Baker Hughes group of companies, the Company’s directors owe their duty to the Company and not the parent company. The Board recognises that the overall framework that Section 172 promotes is to drive the long-term success and economic viability of the Company for the benefit of its sole shareholder and other key stakeholders.

The directors are mindful of corporate governance and seek to demonstrate understanding of their accountability and statutory responsibilities, including application of their Section 172 duties under the Act. The Board are provided periodic updates to governance as part of their wider business roles within the Company. Our directors always consider whether the decision they are about to take leads to a positive long-term increase in the value of the Company for the benefit of the shareholder and the Company’s wider stakeholder base.

For details of the issues, factors and stakeholders the directors consider relevant in complying with Section 172 of the Act, and the main methods the directors have used to engage with stakeholders and understand the issues to which they must have regard, refer to the Engagement with Employees, Suppliers, Customers and Others Statement in the Directors’ Report.

The long-term

The Company and the Board strive to create value for its shareholders in the medium and long-term and to take into account interests of their wider stakeholder base and the impact of their decisions on these stakeholders and their interests. In order to achieve this objective the Company implements and makes decisions which are aligned with the core values of Baker Hughes. In line with its purpose of providing oil and gas pipeline inspection and maintenance to pipeline operators and owners in the oil and gas industries, the Company’s aim is to build a successful and sustainable business for the benefit of its direct and ultimate shareholders and other stakeholders.

The Board of directors of the Company have delegated risk management arrangements informally throughout the relevant functions of the Company. Oversight is maintained via a number of informal channels. The directors are supported by management who conduct risk assessments and ensure that matters passed to the Board to consider have been subject to required approvals and have gone through the appropriate channels. Such assessments, which include detailed financial information, the key risk reporting and the relevant approvals obtained, form part of the board packs circulated to the directors in advance of the quarterly board meetings and support the directors in making informed decisions with the interests of the key stakeholders of the Company in mind.



PH LIMITED STRATEGIC REPORT

The Board of directors recognise the need to have appropriate levels of governance as part of their approach to risk mitigation and wider stakeholder engagement strategy. The Company maintains strong levels of governance and as a result of increased regulation the Board recognise the need to move to a more structured approach and formalise key governance standards. The Company engaged in a review of their corporate governance arrangements during the course of 2020 and intends to, during the course of 2021, adopt a UK subsidiary governance policy (the "Policy"), which provides detailed guidance for directors and management on the application and execution of Section 172 duties formalising a number of established governance processes and controls already in operation.

Board composition and decision making

The Board of the Company is composed of the Chief Executive Officer, Chief Finance Officer and Senior Operational Manager. The Board delegates authority to their cross functional management team to support the directors in carrying out their function in relation to shareholders, employees, suppliers, customers and other key stakeholders.

Directors are informally apprised of the decisions taken by the relevant functions. Product Line leaders provide information to employees, in the form of written newsletters, covering various aspects of the company's current and future activities along with certain financial information. In addition, there are regular formal and informal meetings, notice board postings and employee representatives are consulted regularly on matters affecting their current and future interests.

When the Board makes a decision they are provided sufficient information from the function leads to ensure they are able to make an informed decision.

Baker Hughes has an internal corporate governance policy, as well as various other internal policies such as a Code of Conduct.

Training

Directors undergo induction training on being appointed as a director. They are provided with a board pack that includes details of their responsibilities and liabilities as well as directors' and officers' liability insurance. Directors also complete ongoing training as required by the compliance process of Baker Hughes. The directors have extensive experience having been on the board for several years and as part of the review of the Company's corporate governance arrangements, the Company Secretary, intends to include the following refresher training for the board of directors in 2021:

- Governance expectations of directors as well as their legal duties.
- Support to directors in accordance with the Policy.
- Role of the board
- Board papers and getting the right management information to facilitate decision-making.

Culture

At Baker Hughes, we work for a company that impacts the global community. We share a common Purpose, Core Values and Code of Conduct that describe our role in the world and guide our actions. Our business strategy aims to create value for our company, for the energy industry, for our shareholders, and for the communities in which we work. Together, these are at the heart of what makes us Baker Hughes.

Principal Decisions

Principal decisions include significant commercial and operational decisions. The Board of Directors are responsible for making principal decisions with informal delegation to various functions. The Board composition is such that it has the necessary skills and experience required to identify the impacts of its decisions on the key stakeholders, and where relevant, the likely consequences of the decisions in the long-term. For details of how the Company engages with its key stakeholders, please refer to the Employee Engagement Statement and Stakeholder Engagement Statement respectively.

Having regard to the Regulations and FRC guidance, the directors confirmed that no principal decisions were made during the reporting period.



PII LIMITED
STRATEGIC REPORT

This report was approved by the board and signed on its behalf.

S Chadda
Director

Atley Way
Cramlington
Northumberland
NE23 1WW

Date: 17th December 2021



PH LIMITED DIRECTORS' REPORT

The directors present their report together with the audited financial statements for the year ended 31 December 2020.

Directors

The present membership of the Board is set out below:

M Bellamy

S Chadda

K Johnson

Political contributions

The company made no political donations or incurred any political expenditure during the year (2019: £nil).

Engagement with Employees, Suppliers, Customers and Others in a Business Relationship with the Company Statement

The Baker Hughes group aims to build and develop enduring relationships with its employees, customers, suppliers and our shareholder.

In accordance with the Regulations (as defined in the Section 172(1) Statement), the Company is required to disclose a statement on behalf of the group, of how the directors have engaged with key stakeholders of the group and have taken account of their interests during the financial year.

The table below describes how the group has had regard to the need to foster relationships with its key stakeholders, and the effect of that regard, including on the decisions taken during the reporting period:



PII LIMITED
DIRECTORS' REPORT

Stakeholder Group	Importance	What Engagement took place?	What influence did this have on the Board's decisions?
Employees	<p>Our employees rely on us for job satisfaction, career development, payment of salary and other benefits as well as job security.</p> <p>Without our dedicated and committed team, we would be unable to successfully manage our portfolio of companies or provide high quality levels of service.</p> <p>The multi-disciplinary skills of our team ensures we are able to rapidly respond to changing market conditions.</p>	<p>Examples:</p> <ul style="list-style-type: none"> - intranet site - newsletter - regular briefings - Q&A sessions - information cascaded through management structure - employee survey - employee meetings - 1-2-1s - opportunities for employees to engage with the Executive Directors 	<p>Due to the downturn in Oil & Gas, and the consequent of the global Covid-19 pandemic, the Company has unfortunately taken steps to reduce its headcount numbers.</p>
Customers	<p>The business includes developing and maintaining existing customer relationships and monitoring, winning new and replacement contracts.</p>	<p>The COVID-19 pandemic has changed the way we live and work by transforming the way we interact with one another and how we deliver for our customers. Most of our interactions with our customers and our colleagues happen virtually.</p>	<p>The board is provided with regular reports from Baker Hughes Europe Crisis team on best ways to interact with customers during the COVID-19 pandemic.</p>
Suppliers	<p>Our suppliers want to ensure that they are part of a fair and transparent tender process, are engaged on fair terms and conditions and paid promptly. They want to partner with a reputable company.</p> <p>Working well with our suppliers is critical to each project's success and our long-term success, as they enable us to continue to deliver high-quality products to our customers.</p>	<p>Examples:</p> <ul style="list-style-type: none"> - project meetings - tendering processes - annual events and conferences - questionnaires 	<p>The Board is provided with regular reports on renewals of, and negotiations for new, supplier agreements by a dedicated supply chain team. The information received supports effective decision making by the Board and considering long-term consequences on relationships with suppliers and their interests.</p>
Shareholders	<p>The Company is 100% owned by PII Group Limited.</p>	<p>The Company reports to its shareholder in the form of its financial statements.</p>	<p>No dividend payments were made this year.</p>



PII LIMITED
DIRECTORS' REPORT

Disclosure of information to the auditor

The directors confirm that:

- so far as each of the directors are aware there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

Under section 487 of the Companies Act 2006, KPMG LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

This report was approved by the board and signed on its behalf.

S Chadda
Director

Atley Way
Cramlington
Northumberland
NE23 1WW

Date: 17th December 2021



PII LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

For the year ended 31 DECEMBER 2020

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 judgments and accounting 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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PII LIMITED

Opinion

We have audited the financial statements of PII Limited ("the company") for the year ended 31 December 2020 which comprise the Income Statement, Statement of Total 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 2020 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

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").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

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 above conclusions are not a guarantee that the company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and management as to the company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading board meeting minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.



INDEPENDENT AUDITOR'S REPORT

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that revenue is recorded in the wrong period and the risk that management may be in a position to make inappropriate accounting entries.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to revenue, deferred income, accrued income or pensions with a corresponding entry to unusual accounts.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law, regulatory capital and liquidity and certain aspects of company legislation recognising the nature of the company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.



INDEPENDENT AUDITOR'S REPORT

Strategic report and directors' report

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

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

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 11, 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.

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

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

David Mitchell (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

KPMG LLP
Quayside House
110 Quayside
Newcastle Upon Tyne
NE1 3DX

20th December 2021



PII LIMITED
INCOME STATEMENT
For the year ended 31 DECEMBER 2020

	Note	2020 £'000	2019 £'000
Revenue	4	45,234	46,884
Cost of sales		<u>(26,675)</u>	<u>(28,747)</u>
Gross profit		18,559	18,137
Administrative costs		(17,230)	(20,338)
Other operating income	5	<u>-</u>	<u>45</u>
Operating profit/(loss)	6	1,329	(2,156)
Financial income	9	-	9
Financial expense	10	<u>(790)</u>	<u>(1,006)</u>
Profit/(loss) before taxation		539	(3,153)
Taxation	11	<u>(2,649)</u>	<u>(1,490)</u>
Loss for the year		<u>(2,110)</u>	<u>(4,643)</u>

The accompanying notes form part of these financial statements.
All transactions arise from continuing operations.

**PII LIMITED****STATEMENT OF TOTAL COMPREHENSIVE INCOME**

For the year ended 31 DECEMBER 2020

	Note	2020 £'000	2019 £'000
Loss for the year		<u>(2,110)</u>	<u>(4,643)</u>
Other comprehensive income			
Re-measurement of defined benefit liability	20	(11,282)	502
Total other comprehensive income		<u>(11,282)</u>	<u>502</u>
Total comprehensive income for the year		<u>(13,392)</u>	<u>(4,141)</u>

The accompanying notes form part of these financial statements.



P11 LIMITED

BALANCE SHEET

As at 31 DECEMBER 2020

	Note	2020 £'000	2019 £'000
Non-current assets			
Intangible assets	12	20,376	19,976
Plant property and equipment	13	12,517	12,868
Right-of-use asset	19	9,880	10,426
Investment in subsidiaries	14	18,125	18,125
Deferred taxes	15	2,112	1,890
		<u>63,010</u>	<u>63,285</u>
Current assets			
Inventories	16	3,632	4,356
Trade and other receivables	17	28,352	26,404
Cash and cash equivalents		6,249	4,477
		<u>38,233</u>	<u>35,237</u>
Total assets		<u>101,243</u>	<u>98,522</u>
Current liabilities			
Trade and other payables	18	(30,392)	(23,828)
Obligations under finance leases	19	-	-
Lease Liabilities	19	(430)	(396)
		<u>(30,822)</u>	<u>(24,224)</u>
Non-current liabilities			
Obligations under finance leases	19	-	-
Lease Liabilities	19	(9,637)	(10,003)
Defined benefit scheme liability	20	(29,804)	(19,923)
		<u>(39,441)</u>	<u>(29,926)</u>
Total liabilities		<u>(70,263)</u>	<u>(54,150)</u>
Net assets		<u>30,980</u>	<u>44,372</u>
Equity			
Share capital	21	60,675	60,675
Share based payment reserve		340	340
Retained earnings		(30,035)	(16,643)
		<u>30,980</u>	<u>44,372</u>
Total equity		<u>30,980</u>	<u>44,372</u>

The accompanying notes form part of these financial statements.

The financial statements were approved and authorised for issue by the board and were signed on its behalf.

S Chadda

Director

Date: 17th December 2021

Company registration no. 03424425



PII LIMITED
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 DECEMBER 2020

	Share capital	Share based payment reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000
At 1 January 2019	60,675	343	(12,502)	48,516
Share based payment expense	-	(3)	-	(3)
Total transactions with owners	-	(3)	-	(3)
Loss for the year	-	-	(4,643)	(4,643)
Other comprehensive income	-	-	502	502
Total comprehensive income for the year	-	-	(4,141)	(4,141)
At 31 December 2019	<u>60,675</u>	<u>340</u>	<u>(16,643)</u>	<u>44,372</u>
At 1 January 2020	60,675	340	(16,643)	44,372
Share based payment expense	-	-	-	-
Total transactions with owners	-	-	-	-
Loss for the year	-	-	(2,110)	(2,110)
Other comprehensive income	-	-	(11,282)	(11,282)
Total comprehensive income for the year	-	-	(13,392)	(13,392)
At 31 December 2020	<u>60,675</u>	<u>340</u>	<u>(30,035)</u>	<u>30,980</u>

The accompanying notes form part of these financial statements.



PII LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. General information

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

The address of its registered office is:

Atley Way, North Nelson Industrial Estate, Cramlington, Northumberland, NE23 1WW.

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 in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006.

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.

Basis of measurement

The financial statements have been prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value:

Certain financial assets and financial liabilities (including derivatives) measured at fair value.

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 requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS15 Revenue from Contracts with Customers;
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment, and
 - paragraph 118(e) of IAS 38 Intangible Assets.
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;



PII LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
 - the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
 - the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
 - the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report.

Notwithstanding a loss in the period of £2,110,000, the financial statements have been prepared on a going concern basis which the directors believe to be appropriate for the following reasons.

The company meets its day to day working capital requirements through its positive cash balances. The company also has access to a substantial group wide cash pool arrangement which it can draw down on should the results and cash position require it to do so to meet its liabilities as they fall due.

The directors have prepared cash flow forecasts to 31 December 2022 which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, through funding from its ultimate parent company, Baker Hughes, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on Baker Hughes providing additional financial support during that period by means of allowing continued access to funds via the group cash pooling facility. Baker Hughes has indicated its intention to continue to make available such funds as are needed by the company for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Further information on the ultimate parent company's financial position can be found in the financial statements of Baker Hughes which can be obtained from the address given in note 24.

The potential impact of COVID-19 on the Company has been considered in the preparation of the financial statements including sensitivity analysis over the base case forecasts for a severe but plausible scenario. After making enquiries, including a review of forecasts, budgets and banking facilities, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future even within the severe but plausible scenario through access to the group cash pooling facility. The Directors have considered, among other factors, the potential impact of Brexit and the recent trading experience. Accordingly, they continue to prepare the Financial Statements on a going concern basis.

Revenue

The company earns revenue from the sale of Inline Inspection services. This revenue is recognised in the accounting period when control of the service has transferred to the customer, at an amount that reflects the consideration to which the entity expects to be entitled in exchange for fulfilling its performance obligations with customers. Revenue is stated exclusive of Value Added Tax and trade discounts.

Revenue is recognised on the following basis, in line with IFRS 15 Revenue from Contracts with Customers:

- Revenue from fixed price contracts is recognised at a point in time, when control of the service is passed to the customer. For inline inspection, this is as reports are delivered to the customer.
- Revenue from licensing technology is recognised in the same accounting period as when the assets are utilised by the customer. This is also shown as service revenue in the accounts.

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.



PII LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Tax

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

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

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

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

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

Deferred tax assets and liabilities are not discounted.

Tangible fixed assets

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

Depreciation and amortisation of tangible and intangible assets

Depreciation and amortisation is provided to write down the assets to their residual values over their useful estimated lives as set out below.

Property, plant and equipment

Property, plant and equipment is stated at cost less depreciation. Depreciation on other property, plant and equipment is provided at rates calculated to write off the cost of those assets, less their estimated residual value over their expected useful lives on the following basis:

Buildings	- 50 years
Plant and machinery	- 5 to 20 years
Computer equipment	- 3 years
Inspection vehicles	- 3 to 10 years

Freehold land is not depreciated.

Intangible assets and amortisation

An intangible asset, which is an identifiable non-monetary asset without physical substance, is recognised to the extent that it is probable that the expected future economic benefits attributable to the asset will flow to the company and that its cost can be measured reliably. The asset is deemed to be identifiable when it is separable or when it arises from contractual or other legal rights.

Goodwill

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities. Goodwill is stated at cost less any accumulated impairment loss. As per IFRS3 Business Combination, goodwill is not amortised but is tested annually for impairment. Although this is not in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, which requires that all goodwill be amortised, the directors consider that this would fail to give a true and fair view of the profit for the year and that the economic measure of performance in any period is properly made by reference only to any impairment that may have arisen. It is not practicable to quantify the effect on the financial statements of this departure.



PII LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Other intangible assets

Other intangible assets include development costs, internal software and purchased intangibles which are amortised over their useful economic life of 3 to 10 years.

Expenditure on the research phase of projects to develop new customised software for use in revenue generating activities is recognised as an expense as incurred.

Costs that are directly attributable to a project's development phase are recognised as intangible assets, provided they meet the following recognition requirements:

- the development costs can be measured reliably;
- the project is technically and commercially feasible;
- the company intends to and has sufficient resources to complete the project;
- the company has the ability to use or sell the software;
- the software will generate probable future economic benefits;
- development costs not meeting these criteria for capitalisation are expensed as incurred.

Directly attributable costs include employee costs incurred on software development along with an appropriate portion of relevant overheads and borrowing costs.

Amortisation charges are allocated to administrative expenses.

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.

Inventory and works in progress

Inventory 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. The cost of inventories is based on the weighted average cost method and includes all direct costs and an appropriate proportion of fixed and variable overheads.

Pensions

The company operates a UK defined benefit pension scheme - Pipeline Integrity International Group Pension Scheme and the pension charge is based on a full actuarial valuation dated 31 December 2017.

The assets of the scheme are held separately from those of the company. Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and in other comprehensive income, actuarial gains and losses.

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.



PII LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Leases (policy applicable from 1 January 2019)

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17.

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. IFRS 16.

As a lessee

At commencement or on modification of a contract that contains a lease component, along with one or more other lease or non-lease components, the Company accounts for each lease component separately from the non-lease components. The Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price and the aggregate stand-alone price of the non-lease components.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise,
- lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and
- penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, to the extent that the right-of-use asset is reduced to nil, with any further adjustment required from the remeasurement being recorded in profit or loss.

The Company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and 'lease liabilities' in the statement of financial position.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for lease of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.



PII LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Derivative financial instruments and hedging activities

The company has not applied hedge accounting and any derivatives are measured at fair value through profit and loss.

Non-derivative financial instruments

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

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

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

Identification and measurement of impairment

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

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

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

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

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



PII LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques.

The company uses a variety of methods and makes assumptions that are based on market conditions existing at balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for any long term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on terms and maturity of each contract using market interest rates for a similar instrument at measurement date.

The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date.

The fair value of loans and other receivables is estimated by discounting the expected future cash flows at current market interest rates net of the impairment provision.

The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the company for similar financial instruments.



PII LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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:

Goodwill

Goodwill is subject to impairment testing on an annual basis and at any time during the year if an indicator of impairment is considered to exist. The impairment testing process requires management to make significant judgements and estimates regarding the future cash flows expected to be generated by the use of and, if applicable, the eventual disposal of goodwill as well as other factors to determine the fair value. Management periodically evaluates and updates the estimates based on the conditions which influence these variables.

Where the carrying value exceeds the estimated recoverable amount (being the greater of fair value less costs of disposal and value-in-use), an impairment loss is recognised by writing down the goodwill to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. The estimates of future cash flows exclude cash inflows or outflows attributable to financing activities and income tax. Impairment losses arising in respect of goodwill are not reversed once recognised.

Impairment of investments

The principal activity of the company is to act as a holding company for underlying subsidiaries. As a result the main risk facing the company is the underlying trade of the investments not supporting the carrying value.

Investments are subject to impairment when there are indicators, such as, the net assets of the underlying company being less than the carrying value of the investments, adverse trade conditions in the underlying investments, cessation of trade in the underlying investments, significant losses in the year in the underlying investments and impairment of fixed assets in the underlying investments in the year.

Where the carrying value exceeds the estimated recoverable amount (being the greater of fair value less costs of disposal and value-in-use), an impairment loss is recognised by writing down the investments to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. The estimates of future cash flows exclude cash inflows or outflows attributable to financing activities and income tax. Impairment losses arising in respect of investments are not reversed once recognised.



PII LIMITED

NOTES TO THE FINANCIAL STATEMENTS

4. Revenue

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

	2020	2019
	£'000	£'000
Rendering of services	45,234	46,884
	<u>45,234</u>	<u>46,884</u>

A geographical analysis of revenue is as follows:

	2020	2019
	£'000	£'000
United Kingdom	4,507	6,380
European Union	8,637	8,204
USA	13,685	9,804
Other	18,405	22,496
	<u>45,234</u>	<u>46,884</u>

Assets and liabilities related to contracts with customers:

The company recognised £1.4m of contract liabilities at 31 Dec 2020 (2019: £1.6m). Contract liabilities for services have remained stable in the period due to maintained levels of operations and milestone billing on point in time contracts.

The company recognised £1.9m of assets from costs to fulfil a contract at 31 Dec 2020 (2019: £4.6m). Revenue for all services is recognised at a point in time, and therefore costs to fulfil a contract are expensed at the point in time when control transfers to the customer.

5. Other operating income

	2020	2019
	£'000	£'000
Office space rental income	-	45
	<u>-</u>	<u>45</u>

6. Operating profit

The operating profit is stated after:

	2020	2019
	£'000	£'000
Amortisation of intangibles	1,134	1,064
Depreciation of tangible fixed assets	2,647	2,346
Operating lease payments	377	-
Difference on foreign exchange	263	278
Loss on disposal of tangible assets	-	-
Auditor's remuneration	106	89
Royalties and management charges receivable	(11,474)	(6,414)
Research and development expenditure	3,072	3,598
	<u>3,072</u>	<u>3,598</u>



PII LIMITED NOTES TO THE FINANCIAL STATEMENTS

7. Staff numbers and costs

The average number of employees of the company (including directors) during the year analysed by category, was as follows:

	2020 Number	2019 Number
Operations	145	136
Administration	92	83
	<u>237</u>	<u>219</u>

The aggregate payroll costs of these persons were as follows:

	2020 £'000	2019 £'000
Wages and salaries	13,171	12,301
Social security costs	981	949
Other pension costs (note 20)	999	1,702
	<u>15,151</u>	<u>14,952</u>

8. Directors' remuneration

	2020 £'000	2019 £'000
Directors' emoluments	937	716
Company pension contributions	50	101
	<u>987</u>	<u>817</u>

During the year retirement benefits were accruing to 3 directors (2019: 3) in respect of defined benefit pension schemes.

The highest paid Director received remuneration of £488,694 (2019: £410,519).

The total accrued pension provision of the highest paid director at 31 December 2020 amounted to zero (2019: £30,034).

Key management personnel emoluments:

	2020 £'000	2019 £'000
Salaries	868	825
Other compensation, including short-term benefits	947	761
	<u>1,815</u>	<u>1,586</u>



PII LIMITED
NOTES TO THE FINANCIAL STATEMENTS

9. Financial income

	2020	2019
	£'000	£'000
Interest income from group undertakings	-	9
	<u>-</u>	<u>9</u>

10. Financial expense

	2020	2019
	£'000	£'000
Interest on lease liabilities under IFRS 16	293	273
Interest expense from group undertakings	135	180
Interest on pension	362	553
	<u>790</u>	<u>1,006</u>

11. Taxation

Recognised in the income statement:

	2020	2019
	£'000	£'000
Current year tax charge	2,364	(189)
Foreign tax on income for the year	479	1,194
Adjustments in respect of prior periods	28	485
Current tax expense	<u>2,871</u>	<u>1,490</u>

Deferred tax

Effect of changes in tax rates	<u>(222)</u>	-
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Total tax expense	<u>2,649</u>	<u>1,490</u>
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PII LIMITED

NOTES TO THE FINANCIAL STATEMENTS

The income tax expense is reconciled to the standard corporation tax rate applicable in the United Kingdom as follows:

	2020	2019
	£'000	£'000
Profit/(loss) before taxation	539	(3,153)
Tax using the United Kingdom corporation tax rate of 19% (2019: 19%)	102	(599)
Effects of:		
Adjustments in respect of prior periods	28	485
Expenses disallowable/(income not taxable)	10	(51)
Group relief claim	-	-
Overseas tax	479	1,184
Research & development enhanced deduction	-	-
Effect of unrecognised deferred tax on timing differences	2,252	471
Tax rate changes	(222)	-
Total tax expense	2,649	1,490

Factors that may affect future tax charges

In the 3 March 2021 Budget, it was announced that the UK tax rate will increase to 25% from 1 April 2023. This will have a consequential effect on the Company's future tax charge. This rate has now been substantially enacted.



PII LIMITED
NOTES TO THE FINANCIAL STATEMENTS

12. Intangible fixed assets

	Other	Purchased	Software	Total
	£'000	goodwill	assets	£'000
Cost				
At 1 January 2020	11,008	57,005	9,129	77,142
Additions	-	-	1,534	1,534
At 31 December 2020	<u>11,008</u>	<u>57,005</u>	<u>10,663</u>	<u>78,676</u>
Amortisation				
At 1 January 2020	10,672	40,246	6,248	57,166
Charge for the year	204	-	930	1,134
At 31 December 2020	<u>10,876</u>	<u>40,246</u>	<u>7,178</u>	<u>58,300</u>
Net book value at 31 December 2020	<u>132</u>	<u>16,759</u>	<u>3,485</u>	<u>20,376</u>
Net book value at 31 December 2019	<u>336</u>	<u>16,759</u>	<u>2,881</u>	<u>19,976</u>

Other assets comprise of labour costs from 2006 to 2011 that were capitalised as an intangible asset under IFRS. From 2012 onwards labour costs were no longer capitalised.

Impairment testing

Goodwill and indefinite life intangible assets considered significant in comparison to the Company's total carrying amount of such assets are recovered through the income and cash generated by multiple companies across the PII group. As the assets are used globally across all the entities within the PII Group then the group itself is considered to be the smallest cash generating unit for the purposes of impairment testing.

Goodwill and intangible assets are tested annually for impairment with the recoverable amount being determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rate, growth rates and forecasted income and costs.

	2020	2019
Period on which management approved forecasts are based	4 years	4 years
Growth rate applied beyond approved forecast period	2%	2%
Discount rate	10%	10%

Amortisation and impairment charge

The amortisation and impairment charge is recognised in administrative costs.



PII LIMITED

NOTES TO THE FINANCIAL STATEMENTS

13. Property, plant and equipment

	Freehold land £'000	Tools, machinery equipment £'000	Total £'000
Cost			
At 1 January 2020	462	32,890	33,352
Additions	-	1,752	1,752
Disposals	-	(11)	(11)
At 31 December 2020	<u>462</u>	<u>34,631</u>	<u>35,093</u>
Depreciation			
At 1 January 2020	-	20,484	20,484
Charge for the year	-	2,101	2,101
Disposals	-	(9)	(9)
At 31 December 2020	<u>-</u>	<u>22,576</u>	<u>22,576</u>
Net book value at 31 December 2020	<u>462</u>	<u>12,055</u>	<u>12,517</u>
Net book value at 31 December 2019	<u>462</u>	<u>12,406</u>	<u>12,868</u>

14. Investment in subsidiaries

	2020 £'000	2019 £'000
Cost		
At 1 January	18,125	18,125
Acquisitions	-	-
Net book value at 31 December	<u>18,125</u>	<u>18,125</u>

Details of the company's subsidiary are listed below:

Company	Registered office address	Principal activity	Class and percentage of shares held
PII Pipetronix GmbH	AG Mannheim, HRB 702297, Germany.	Pipeline inspection and reporting	100% Ordinary
PII Pipeline Science & Technology (Beijing) Co., Ltd.	No. 5, 1st Xingmao Street, Tongzhou Logistics Base, Beijing, China.	Pipeline inspection and reporting	100% Ordinary



PII LIMITED
NOTES TO THE FINANCIAL STATEMENTS

15. Deferred tax

The movement in the company's deferred taxation during the year was:

	2020	2019
	£'000	£'000
Current period (charge)/credit	<u>222</u>	<u>-</u>

The provision for deferred taxation consists of the tax effect of temporary differences in respect of:

	2020	2019
	£'000	£'000
Capital allowances in excess of depreciation	<u>2,112</u>	<u>1,890</u>

Potential deferred tax assets not recognised:

	2020	2019
	£'000	£'000
Capital allowances in excess of depreciation	4,277	3,444
Pension liability	5,853	3,534
Share based payments	-	-
	<u>10,130</u>	<u>6,978</u>



PH LIMITED
NOTES TO THE FINANCIAL STATEMENTS

16. Inventories

	2020	2019
	£'000	£'000
Inspection vehicle spares and consumables	4,166	4,762
Less: provision for obsolescence	<u>(534)</u>	<u>(406)</u>
	<u>3,632</u>	<u>4,356</u>

17. Trade and other receivables

	2020	2019
	£'000	£'000
Trade receivables	5,335	6,875
Contract asset	1,884	4,628
Amounts owed by group undertakings	17,335	9,739
Other receivables	3,032	3,409
Prepayments and accrued income	<u>766</u>	<u>1,753</u>
	<u>28,352</u>	<u>26,404</u>

Amounts owed by group undertakings consist purely of intercompany trading and are repayable on demand.

18. Trade and other payables

	2020	2019
	£'000	£'000
Trade payables	1,347	2,690
Contract liability	1,436	1,622
Amounts owed to group undertakings	21,182	14,946
Social security and other taxes	1,806	1,015
Other payable and accrued expenses	<u>4,621</u>	<u>3,555</u>
	<u>30,392</u>	<u>23,828</u>

Amounts owed to group undertakings consist of monies due to the Baker Hughes cash pool including accrued interest, an interest bearing loan from a subsidiary and intercompany trading which are repayable on demand.



PII LIMITED

NOTES TO THE FINANCIAL STATEMENTS

19. Leases

Right-of-use assets and Lease liabilities relate solely to PII Limited's head office facility in the United Kingdom. The remaining lease term at 31 December 2020 is 17 years.

2020	£'000
Balance at 1 January	10,426
Depreciation charge for the year	(546)
Balance at 31 December	<u>9,880</u>

Lease Liabilities	2020	2019
	£'000	£'000
Maturity analysis (contractual undiscounted cash flows)		
Less than one year	648	648
One to five years	2,730	2,680
More than five years	<u>9,453</u>	<u>10,152</u>
Total undiscounted lease liability at 31 December	<u>12,831</u>	<u>13,480</u>

Lease Liabilities included in the Balance Sheet at 31 December

Current	430	396
Non-current	9,637	10,003

Amounts recognised in Income Statement	2020	2019
	£'000	£'000
Interest on lease liability	293	273
Expenses relating to short-term leases, and leases accounted for in accordance with IFRS 16 p. 6	409	253



PII LIMITED
NOTES TO THE FINANCIAL STATEMENTS

20. Defined benefit pension scheme liability

The company operates a defined benefit pension scheme, namely the Pipeline Integrity International Group Pension Scheme, providing benefits based on final pensionable pay.

Pensions benefits are linked to the members' final pensionable salaries and service at their retirement (or date of leaving if earlier). The scheme commenced on 1 January 1999 and is now closed to new entrants.

The most recent formal actuarial valuation was carried out as at 31 December 2017. An actuarial valuation for IAS 19 purposes was carried out as at 31 December 2020. The significant assumptions used were as follows:

	2020	2019
Discount rate at 31 December	1.33%	1.90%
Retail price index inflation (pre-retirement)	2.90%	2.70%
Retail price index inflation (post-retirement)	2.90%	2.70%

Other actuarial assumptions

	2020	2019
Future salary increases	2.90%	2.70%
Future pension increases - pensions accrued before 1 May 2009	2.90%	2.70%
Future pension increases - pensions accrued after 30 April 2009	2.90%	2.60%
Future pension increases - pensions accrued after 1 January 2012	2.20%	2.10%
Rate of increase for deferred pensioners	2.90%	2.70%

Description	2020	2019
	S3PMA/ S3PFA CMI 2019 model with long term rate of improvement of 1.25%	S2PMA/ S2PFA CMI 2018 model with long term rate of improvement of 1.25%
Mortality		
Cash commutation	Members are assumed to commute 20% of their pension	Members are assumed to commute 20% of their pension



PII LIMITED

NOTES TO THE FINANCIAL STATEMENTS

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65 year old to live for a number of years as follows:

- current pensioner aged 65: 21.9 years (male), 24.3 years (female);
- future retiree upon reaching 65 in 20 years: 23.3 years (male), 25.7 years (female).

These assumptions were developed by management with the assistance of independent actuaries. Discount factors are determined close to each year-end by reference to market yields of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

The assets of the scheme are invested as follows:

	2020		2019	
	Market Value £000	% of total scheme assets	Market Value £000	% of total scheme assets
Equities	43,239	46%	45,006	50%
Bonds	10,971	11%	9,499	10%
Gilts	39,369	42%	35,042	39%
Insurance policies	784	1%	779	1%
Cash	395	0%	339	0%
Total	<u>94,758</u>	<u>100%</u>	<u>90,665</u>	<u>100%</u>
Actual return on assets	<u>7,810</u>		<u>7,764</u>	

The amounts recognised in the statement of financial position are as follows:

	2020	2019
	£'000	£'000
Fair value of scheme assets	94,758	90,665
Present value of funded obligations	<u>(124,562)</u>	<u>(110,588)</u>
Net liability	<u>(29,804)</u>	<u>(19,923)</u>



PII LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Changes in the present value of the defined benefit obligation are as follows:

	2020	2019
	£'000	£'000
Opening defined benefit obligation	110,588	104,975
Current service cost	541	949
Past service cost	5	-
Interest cost	2,035	2,782
Contributions by scheme participants	-	8
Actuarial (gains)/losses: experience differing from that assumed	(695)	(399)
Actuarial (gains)/losses: changes in demographic assumptions	2,816	(1,117)
Actuarial (gains)/losses: changes in financial assumptions	15,298	6,549
Benefits paid	(5,786)	(3,159)
Curtailement	(240)	-
Closing defined benefit obligation	<u>124,562</u>	<u>110,588</u>

Changes in the fair value of scheme assets are as follows:

	2020	2019
	£'000	£'000
Opening fair value of scheme assets	90,665	83,939
Interest income	1,673	2,229
Actual return on assets less interest	6,137	5,535
Contributions by employer	2,400	2,313
Contributions by scheme participants	-	8
Benefits paid	(5,786)	(3,159)
Administration costs	(331)	(200)
Closing fair value of scheme assets	<u>94,758</u>	<u>90,665</u>

The amounts recognised in profit or loss are as follows:

	2020	2019
	£'000	£'000
Current service cost	541	949
Past service cost	5	-
Administration costs	331	200
Net interest cost	362	553
Curtailement	(240)	-
Amount charged to profit and loss	<u>999</u>	<u>1,702</u>



PII LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Amounts recognised in other comprehensive income:

	2020	2019
	£'000	£'000
Remeasurement of defined benefit asset/liability	(11,282)	502
Amount recognised in other comprehensive income	<u>(11,282)</u>	<u>502</u>

The plan exposes the company to actuarial risks such as interest rate risk, investment risk, longevity risk and inflation risk.

Interest rate risk

The present value of the defined benefit liability is calculated using a discount rate determined by reference to market yields of high quality corporate bonds. The estimated term of the bonds is consistent with the estimated term of the defined benefit obligation and is denominated in sterling. A decrease in market yield on high quality corporate bonds will increase the company's defined benefit liability, although it is expected that this would be offset partially by an increase in the fair value of the plan assets.

Investment risk

The plan assets at 31 December 2020 are predominantly equity and debt instruments. The fair value of the plan assets are therefore directly exposed to movements in associated markets.

Longevity risk

The company is required to provide benefits for life for the members of the defined benefit liability. Increase in the life expectancy of the members will increase the defined benefit liability, as pension payments are linked to CPI.

Inflation risk

A significant proportion of the defined benefit liability is linked to inflation. An increase in the inflation rate will increase the company's liability.

Closure of pension scheme in 2020

The pension scheme was closed to future accruals on 30th June 2020.



PII LIMITED

NOTES TO THE FINANCIAL STATEMENTS

21. Share capital

	2020	2019
	£'000	£'000
Allotted, called up and fully paid		
60,675,140 ordinary shares of £1 each	<u>60,675</u>	<u>60,675</u>

22. Contingent liabilities

In the course of business the company has provided guarantee bonds to certain customers. £4,250,303 was outstanding under these bonds at the end of the financial year (2019: £4,524,987).

23. Related parties

Related parties represent the shareholders and key management personnel of the company, and companies of which they are principal owners. Pricing policies and terms of transactions with related parties are approved by the company's management.

None of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

24. Ultimate parent company

The Company is a subsidiary of PII Group Limited, incorporated in the United Kingdom. The company's ultimate parent company is Baker Hughes Company, incorporated in Delaware. Related companies in these financial statements refer to members of the ultimate parent company's group of companies.

The financial information of the Company has been recorded in the consolidated financial statements of Baker Hughes Company. The financial statements of Baker Hughes Company can be found on the website <http://www.bakerhughes.com> under Investor.

The company has no other related undertakings requiring disclosure.