



Brønnøysundregistrene

Brønnøysundregistrene

Postadresse: 8910 Brønnøysund

Telefoner: Opplysningstelefonen 75 00 75 00 Telefaks 75 00 75 05

E-post: firmapost@brreg.no Internett: www.brreg.no

Organisasjonsnummer: 974 760 673



Resultatregnskap

| Beløp i: GBP | Note | 2023 | 2022 |
|---|------|-------------------|-------------------|
| RESULTATREGNSKAP | | | |
| Inntekter | | | |
| Revenue | 4 | 55 332 000 | 50 002 000 |
| Sum inntekter | | 55 332 000 | 50 002 000 |
| Kostnader | | | |
| Cost of sales | | 25 030 000 | 24 484 000 |
| Administrative costs | | 26 166 000 | 24 051 000 |
| Other operating income | 5 | 0 | -145 000 |
| Sum kostnader | | 51 196 000 | 48 390 000 |
| Driftsresultat | 6 | 4 136 000 | 1 612 000 |
| Financial expense | 9 | 1 404 000 | 724 000 |
| Sum finanskostnader | | 1 404 000 | 724 000 |
| Netto finans | | -1 404 000 | -724 000 |
| Resultat før skattekostnad | | 2 732 000 | 888 000 |
| Taxation | 10 | -1 824 000 | -4 000 |
| Årsresultat | | 4 556 000 | 892 000 |
| Re-measurement of defined benefit liability | 19 | -1 783 000 | 4 680 000 |
| Sum resultatkomponenter for IFRS-foretak | | -1 783 000 | 4 680 000 |
| Totalresultat | | 2 773 000 | 5 572 000 |



Balanse

| Beløp i: GBP | Note | 2023 | 2022 |
|--|------|--------------------|-------------------|
| BALANSE - EIENDELER | | | |
| Anleggsmidler | | | |
| Immaterielle eiendeler | | | |
| Intangible assets | 11 | 17 735 000 | 18 451 000 |
| Right-of-use-assets | 18 | 8 258 000 | 8 817 000 |
| Utsatt skattefordel | 14 | 2 779 000 | 2 779 000 |
| Sum immaterielle eiendeler | | 28 772 000 | 30 047 000 |
| Varige driftsmidler | | | |
| Plant property and equipment | 12 | 12 308 000 | 12 177 000 |
| Sum varige driftsmidler | | 12 308 000 | 12 177 000 |
| Finansielle anleggsmidler | | | |
| Investering i datterselskap | 13 | 18 125 000 | 18 125 000 |
| Sum finansielle anleggsmidler | | 18 125 000 | 18 125 000 |
| Sum anleggsmidler | | 59 205 000 | 60 349 000 |
| Omløpsmidler | | | |
| Varer | | | |
| Inventories | 15 | 3 468 000 | 3 371 000 |
| Sum varer | | 3 468 000 | 3 371 000 |
| Fordringer | | | |
| Trade and other receivables | 16 | 36 589 000 | 23 977 000 |
| Sum fordringer | | 36 589 000 | 23 977 000 |
| Bankinnskudd, kontanter og lignende | | | |
| Cash and cash equivalents | | 3 439 000 | 1 236 000 |
| Sum bankinnskudd, kontanter og lignende | | 3 439 000 | 1 236 000 |
| Sum omløpsmidler | | 43 496 000 | 28 584 000 |
| SUM EIENDELER | | 102 701 000 | 88 933 000 |



Balanse

| Beløp i: GBP | Note | 2023 | 2022 |
|--|------|--------------------|--------------------|
| BALANSE - EGENKAPITAL OG GJELD | | | |
| Egenkapital | | | |
| Innskutt egenkapital | | | |
| Share capital | 20 | 60 675 000 | 60 675 000 |
| Overkurs | | 1 322 000 | 507 000 |
| Sum innskutt egenkapital | | 61 997 000 | 61 182 000 |
| Opptjent egenkapital | | | |
| Retained earnings | | -12 810 000 | -15 583 000 |
| Sum opptjent egenkapital | | -12 810 000 | -15 583 000 |
| Sum egenkapital | | 49 187 000 | 45 599 000 |
| Gjeld | | | |
| Langsiktig gjeld | | | |
| Pensjonsforpliktelser | 19 | 18 767 000 | 18 031 000 |
| Sum avsetninger for forpliktelser | | 18 767 000 | 18 031 000 |
| Annen langsiktig gjeld | | | |
| Lease liabilities | 18 | 8 388 000 | 8 836 000 |
| Sum annen langsiktig gjeld | | 8 388 000 | 8 836 000 |
| Sum langsiktig gjeld | | 27 155 000 | 26 867 000 |
| Kortsiktig gjeld | | | |
| Trade and other payables | 17 | 25 769 000 | 15 925 000 |
| Lease Liabilities | 18 | 590 000 | 542 000 |
| Sum kortsiktig gjeld | | 26 359 000 | 16 467 000 |
| Sum gjeld | | 53 514 000 | 43 334 000 |
| SUM EGENKAPITAL OG GJELD | | 102 701 000 | 88 933 000 |



Brønnøysundregistrene

ÅRSREGNSKAP FOR REGNSKAPSÅRET 2023 - GENERELL INFORMASJON

Journalnummer: 2025 343603

Enheten

Organisasjonsnummer: 980 716 856
Organisasjonsform: Norskreg. utenlandsk foretak
Foretaksnavn: PII LTD
Forretningsadresse: Atley Way
North Nelson Industrial Estate
Cramlington
NORTHUMBERLAND NE23 9WW ENG

Regnskapsår

Årsregnskapets periode: 01.01.2023 - 31.12.2023

Konsern

Morselskap i konsern: Nei

Regnskapsregler

Regler for små foretak benyttet: Ja
Benyttet ved utarbeidelsen av
årsregnskapet til selskapet: Regnskapslovens alminnelige regler

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: Sanjeet Chadda
Dato for fastsettelse av årsregnskapet: 10.03.2025

Grunnlag for avgivelse

År 2023: Årsregnskap er elektronisk innlevert.
År 2022: Tall er hentet fra elektronisk innlevert årsregnskap fra 2023.

Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.

Brønnøysundregistrene, 24.03.2025



Organisasjonsnr: 980 716 856
PII LTD

RESULTATREGNSKAP

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Organisasjonsnr: 980 716 856
PII LTD

NOTEOPPLYSNINGER - SELSKAP - alle poster oppgitt i hele tall

Note

Antall årsverk i regnskapsåret
0.00

| <u>Sum</u> | <u>Beløp</u> |
|---------------------------------|--|
| <u>Balanseført verdi 31.12.</u> | <u>Varige driftsmidler Immaterielle eiend.</u> |

Konsernregnskap

Morselskapet sitt navn

Forretningskontor for morselskapet

Begrunnelse for at datterselskap er utelatt fra konsolideringen

| <u>Samlet beløp - tilknyttet selskap</u> | <u>Årets</u> | <u>Fjorårets</u> |
|--|--------------|------------------|
|--|--------------|------------------|

| | | |
|---|--------------|------------------|
| <u>Samlet beløp - foretak i samme konsern</u> | <u>Årets</u> | <u>Fjorårets</u> |
|---|--------------|------------------|

| | | |
|---|--------------|------------------|
| <u>Samlet beløp - foretak i samme konsern</u> | <u>Årets</u> | <u>Fjorårets</u> |
|---|--------------|------------------|

| | | |
|---|--------------|------------------|
| <u>Samlet beløp - felles kontrollert virksomhet</u> | <u>Årets</u> | <u>Fjorårets</u> |
|---|--------------|------------------|

| <u>Pantstillelse</u> | <u>Beløp</u> |
|----------------------|--------------|
|----------------------|--------------|

| | | | |
|----------------------------------|---------------|------------------|-------------------------|
| <u>Beholdning av egne aksjer</u> | <u>Antall</u> | <u>Pålydende</u> | <u>Andel av aksjek.</u> |
|----------------------------------|---------------|------------------|-------------------------|



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Registration number: 03424425

PII Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2023



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PII LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
For the year ended 31 DECEMBER 2023

| CONTENTS | PAGE |
|--|------|
| Strategic Report | 3 |
| Directors' Report | 9 |
| Statement of Directors' Responsibilities | 12 |
| Independent Auditor's Report to the members of PII Limited | 13 |
| Income Statement | 16 |
| Statement of Total Comprehensive Income | 17 |
| Balance Sheet | 18 |
| Statement of Changes in Equity | 19 |
| Notes to the Financial Statements | 20 |



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PII LIMITED STRATEGIC REPORT

Principal activities

The principal activity of the company is the provision of oil and gas pipeline maintenance 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 profit for the year after taxation amounting to £4,556,000 (2022: profit £892,000) and sales of £55,332,000 (2022: £50,002,000).

As at 31 December 2023 the company had net assets of £49,187,000 (2022: £45,599,000).

The directors cannot recommend the payment of a dividend.

The revenue increase in 2023 was due to PII Limited entering into synergy projects with other Baker Hughes companies. These projects had better margins which led to an overall increase in our gross profit.

The increase in Administrative costs was due to a Head Office allocation from the Ultimate Parent Company. This allocation increase follows a review from the Ultimate Parent Company of their head office expenses, and a new allocation method to push out a higher portion of head office costs to the operating units.

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:

| | 2023 | 2022 | Definition, method of calculation |
|---------------------------------|-------|-------|--|
| Growth/(Reduction) in sales (%) | 10.7% | 11.5% | Year on year sales movement expressed as a percentage. |
| Gross margin (%) | 54.8% | 51.0% | Gross margin is the ratio of gross profit before exceptional items and goodwill amortisation to sales expressed as a percentage. |
| Return on invested capital (%) | 8.4% | 3.5% | Operating profit on continuing operations expressed as a percentage of net assets. |



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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.

Covid slowed some parts of the business down, especially in some countries, but with the nature of pipeline safety meaning that work cannot be postponed indefinitely we saw a catch-up of the delayed work and from 2022/23 it was back to 'business as usual'.

There are no anticipated regulatory changes that should materially impact our business in Europe other than opportunities created by the Energy transition.

There are plans to move some of the work in a few countries out of PII Limited in the second half of 2025. This work will move to local legal entities as part of a Baker Hughes wide finance simplification project, however this is not expected to impact on our results.

Future outlook

During 2023, the focus was to continue to deliver a quality product for our customers whilst at the same time improving productivity and profitability.

Our future focus is to continue to deliver core magnetics and associated services to a stable customer base in the UK and Continental Europe, as demand for this is not expected to slow. Expansion into new geographies will be targeted through additional capacity created by investment and planned expansion of the MFL4 fleet through the capex commitments in 2025/26.

The Energy transition to combat climate change presents an opportunity for our business as customers repurpose older and decommissioned assets for Carbon Capture and Hydrogen. We are well positioned to take advantage of the Energy transition opportunities through building on our EMAT track record.

Whilst we have seen inflation on our cost base over last few years, the commercial team are focussed on delivering strong price increases as a result of operational excellence, backed up by exceptional customer feedback.

Streamlined Energy and Carbon Reporting (SECR)

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.

Reporting Boundary

Streamlined Energy and Carbon Reporting (SECR) is presented in accordance with The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 which introduced energy and carbon reporting requirements for large unquoted companies in the UK. Large unquoted companies are obliged to report their UK energy use and associated GHG emissions as a minimum relating to gas, electricity, and transport fuel, as well as an intensity ratio and information relating to energy efficiency actions, through their annual reports. PII Limited meets the criteria of a large unquoted company.



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PII LIMITED
STRATEGIC REPORT

Streamlined Energy & Carbon Reporting (SECR)

| | 2023 | 2022 |
|--|--|--|
| | UK and offshore mandatory tCO ₂ e (unless otherwise stated) | UK and offshore mandatory tCO ₂ e (unless otherwise stated) |
| Energy consumption used to calculate emissions: /kWh – optional to provide separate figures for gas, electricity, transport fuel and other energy sources | 865,206.15 | 907,410.56 |
| Emissions from combustion of gas tCO ₂ e (Scope 1) | 22.57 | 19.18 |
| Emissions from combustion of fuel for transport purposes (Scope 1) | 8.49 | 9.55 |
| Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (Scope 3) | 5.41 | 7.23 |
| Emissions from purchased electricity (Scope 2, location-based) | 142.07 | 142.60 |
| Total gross CO ₂ e based on above | 178.54 | 178.57 |
| Intensity ratio: tCO ₂ e gross figure based from mandatory fields above tCO ₂ e/£M turnover | 3.22 | 3.57 |
| Emissions from purchased electricity (Scope 2, market-based factor) | 8.38 | 7.21 |
| Emissions from generation of electricity that is consumed in a transmission and distribution system for which the company does not own or control (Scope 3) / tCO ₂ e | 12.29 | 13.04 |
| Total gross ALL REPORTED Scope 1, Scope 2 & ALL REPORTED Scope 3 emissions / tCO ₂ e | 190.84 | 191.61 |
| Total gross ALL REPORTED Scope 1, Scope 2 & ALL REPORTED Scope 3 emissions / tCO ₂ e | 57.14 | 56.22 |

Year on Year Emissions Considerations

In 2023, total carbon emissions from PII Limited are consistent with 2022, however turnover has increased by 11%, resulting in an improved performance metric. The changes in gas emissions are due to typical fluctuations in operations, such as more energy usage during colder months, and changes in fuel use and business travel are due to decreased travel.

For electricity, market based emissions are lower because renewable energy was purchased for one of the sites.

Looking at Baker Hughes Globally, our 2023 Corporate Sustainability Report was prepared following the Global Reporting Initiative (GRI), the Task Force on Climate-Related Financial Disclosures (TCFD), and the Sustainability Accounting Standards Board (SASB). Baker Hughes is holding an AA ESG rating by MSCI, and a “silver” rating from EcoVadis. Furthermore, Baker Hughes was recognized as an “Industry Mover” - among over 7,800 companies - by the S&P Global Sustainability Yearbook 2023 and in the JUST Capital 2024 Rankings.



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Pii LIMITED STRATEGIC REPORT

We have committed to reducing Scope 1 and 2 emissions from our operations to net-zero by 2050 and already achieved a reduction of 28.3 percent since 2019. We have also expanded our Scope 3 emissions reporting to understand the full lifecycle emissions of our company. We also committed to an internal Scope 3 goal and have created the roadmap toward meeting that goal - for each of the ten categories of Scope 3 emissions that we have quantified. We have increased our share of renewable and zero carbon electricity from 26.1% in 2022 to 29.8% in 2023.

Methodology

The methodologies used in calculating total energy and greenhouse gas (GHG) emissions include the GHG Protocol Corporate Accounting and Reporting Standard, the 2019 HM Government Environmental Reporting Guidelines, and the 2023 UK Government's Conversion Factors for Company Reporting.

Data on fuel combustion in stationary and mobile equipment (including for transport) and purchased electricity were sourced from internal tracking systems.

Data for business travel mileage was sourced from hire car providers and internal tracking. The mileage data was provided for the total Baker Hughes Group, therefore the Pii Limited mileage was based on the total miles driven and pro-rata the number of staff in the organisation compared to the rest of the UK reporting entities in the Baker Hughes.

GHG emissions were calculated using the UK Government GHG Conversion Factors for Company Reporting 2023.

For unquoted companies, fugitive emissions from refrigerants do not require to be reported under SECR and these have not been included. Similarly, reporting on fuel combustion in stationary equipment other than gas combustion is not required under SECR and has not been included.

Energy Efficiency Measures

The Company had energy audits carried out as part of the ESOS reporting requirements in 2023, and we continue to implement energy efficiency actions resulting from these audits, including in 2023, the replacement of two gas-fuelled forklifts with two electric forklifts, with the project officially launched in 2024.

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.



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PII LIMITED STRATEGIC REPORT

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.

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 2021 and 2022, adopted 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 2024:

- 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.



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PII LIMITED
STRATEGIC REPORT

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.

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

Signed by:

6A468A6C95974C5...

S Chadda
Director

Atley Way
Cramlington
Northumberland
NE23 1WW

Date: 17 December 2024



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PII LIMITED
DIRECTORS' REPORT

The directors present their report together with the audited financial statements for the year ended 31 December 2023.

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 (2022: £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:



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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, 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>Most of our interactions with our customers and our colleagues happen virtually.</p> | <p>The Board is provided with regular reports on renewals of, and negotiations for new contracts by a dedicated contracts team. The information received supports effective decision making by the Board and considering long-term consequences on relationships with customers and their interests.</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> |



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PII LIMITED
DIRECTORS' REPORT

Disclosure of information to the auditor

The directors confirm that:

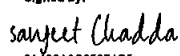
- so far as each of the directors are aware there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that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

Signed by:


6A468A8C95974C5...

S Chadda
Director

Atley Way
Cramlington
Northumberland
NE23 1WW

Date: 17 December 2024



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PII LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

For the year ended 31 DECEMBER 2023

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 2023 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 2023 and of its profit 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 and cash accounts with corresponding entry to unusual accounts.
- For a sample of revenue transactions around the period end, vouching to supporting external documentation to corroborate whether those items were recorded in the correct accounting period.

Identifying and responding to risks of material misstatement related to 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 12, 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.

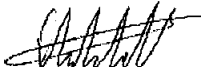
Auditor's responsibilities

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

17 December 2024



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PII LIMITED
INCOME STATEMENT
For the year ended 31 DECEMBER 2023

| | Note | 2023 £'000 | 2022 £'000 |
|-------------------------------|------|---------------------|-------------------|
| Revenue | 4 | 55,332 | 50,002 |
| Cost of sales | | <u>(25,030)</u> | <u>(24,484)</u> |
| Gross profit | | 30,302 | 25,518 |
| Administrative costs | | (26,166) | (24,051) |
| Other operating income | 5 | <u>-</u> | <u>145</u> |
| Operating profit | 6 | 4,136 | 1,612 |
| Financial expense | 9 | <u>(1,404)</u> | <u>(724)</u> |
| Profit before taxation | | 2,732 | 888 |
| Taxation | 10 | <u>1,824</u> | <u>4</u> |
| Profit for the year | | <u>4,556</u> | <u>892</u> |

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



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P11 LIMITED

STATEMENT OF TOTAL COMPREHENSIVE INCOME

For the year ended 31 DECEMBER 2023

| | Note | 2023 £'000 | 2022 £'000 |
|--|------|---------------------|---------------------|
| Profit for the year | | <u>4,556</u> | <u>892</u> |
| Other comprehensive income | | | |
| Re-measurement of defined benefit liability | 19 | (1,783) | 4,680 |
| Total other comprehensive income | | <u>(1,783)</u> | <u>4,680</u> |
| Total comprehensive income for the year | | <u><u>2,773</u></u> | <u><u>5,572</u></u> |

The accompanying notes form part of these financial statements.



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PII LIMITED
BALANCE SHEET
As at 31 DECEMBER 2023

| | Note | 2023 £'000 | 2022 £'000 |
|----------------------------------|------|-----------------|-----------------|
| Non-current assets | | | |
| Intangible assets | 11 | 17,735 | 18,451 |
| Plant property and equipment | 12 | 12,308 | 12,177 |
| Right-of-use asset | 18 | 8,258 | 8,817 |
| Investment in subsidiaries | 13 | 18,125 | 18,125 |
| Deferred taxes | 14 | 2,779 | 2,779 |
| | | <u>59,205</u> | <u>60,349</u> |
| Current assets | | | |
| Inventories | 15 | 3,468 | 3,371 |
| Trade and other receivables | 16 | 36,589 | 23,977 |
| Cash and cash equivalents | | 3,439 | 1,236 |
| | | <u>43,496</u> | <u>28,584</u> |
| Total assets | | <u>102,701</u> | <u>88,933</u> |
| Current liabilities | | | |
| Trade and other payables | 17 | (25,769) | (15,925) |
| Lease Liabilities | 18 | (590) | (542) |
| | | <u>(26,359)</u> | <u>(16,467)</u> |
| Non-current liabilities | | | |
| Lease Liabilities | 18 | (8,388) | (8,836) |
| Defined benefit scheme liability | 19 | (18,767) | (18,031) |
| | | <u>(27,155)</u> | <u>(26,867)</u> |
| Total liabilities | | <u>(53,514)</u> | <u>(43,334)</u> |
| Net assets | | <u>49,187</u> | <u>45,599</u> |
| Equity | | | |
| Share capital | 20 | 60,675 | 60,675 |
| Share based payment reserve | | 1,322 | 507 |
| Retained earnings | | (12,810) | (15,583) |
| Total equity | | <u>49,187</u> | <u>45,599</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.

Signed by:


6A48BA6C95974C5...

S Chadda

Director

Date: 17 December 2024

Company registration no. 03424425



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PII LIMITED
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 DECEMBER 2023

| | Share capital | Share based payment reserve | Retained earnings | Total |
|--|---------------|-----------------------------|-------------------|---------------|
| | £'000 | £'000 | £'000 | £'000 |
| At 1 January 2022 | 60,675 | 340 | (21,155) | 39,860 |
| Share based payment expense | - | (625) | - | (625) |
| Share based payment expense recharged by group | - | 792 | - | 792 |
| Total transactions with owners | - | 167 | - | 167 |
| Profit for the year | - | - | 892 | 892 |
| Other comprehensive income | - | - | 4,680 | 4,680 |
| Total comprehensive income for the year | - | - | 5,572 | 5,572 |
| At 31 December 2022 | <u>60,675</u> | <u>507</u> | <u>(15,583)</u> | <u>45,599</u> |
| At 1 January 2023 | 60,675 | 507 | (15,583) | 45,599 |
| Share based payment expense | - | (683) | - | (683) |
| Share based payment expense recharged by group | - | 1,498 | - | 1,498 |
| Total transactions with owners | - | 815 | - | 815 |
| Profit for the year | - | - | 4,556 | 4,556 |
| Other comprehensive income | - | - | (1,783) | (1,783) |
| Total comprehensive income for the year | - | - | 2,773 | 2,773 |
| At 31 December 2023 | <u>60,675</u> | <u>1,322</u> | <u>(12,810)</u> | <u>49,187</u> |

The accompanying notes form part of these financial statements.



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P11 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 IFRS 15 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;



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PII LIMITED NOTES TO THE FINANCIAL STATEMENTS

- 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.

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 performed a going concern assessment, covering a period not less than 12 months from the date of approval of these financial statements, which indicate that the company will have sufficient funds, including those funds held in the cashpool, to meet its liabilities as they fall due for that period. Whilst the nature of the Company's trade ensures a large degree of insulation from issues associated with the current economic climate, the directors have also considered severe but plausible downside sensitivities in their assessment, including a fall in activity levels from base expectations.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared 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.

The company also earns revenue from the sale of pre-commissioning 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. Services provided are of a short term nature.

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.

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.



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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.



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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 2021.

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.



Docusign Envelope ID: 18DC1CE7-5785-43E3-B6E3-0B6189C9E0AF

PII LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Leases

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.



Docusign Envelope ID: 18DC1CE7-5785-43E3-B6E3-0B6189C9E0AF

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.



DocuSign Envelope ID: 18DC1CE7-5785-43E3-B6E3-0B6189C9E0AF

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.



DocuSign Envelope ID: 18DC1CE7-5785-43E3-B6E3-0B6189C9E0AF

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

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.



Docusign Envelope ID: 18DC1CE7-5785-43E3-B6E3-0B6189C9E0AF

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:

| | 2023 | 2022 |
|-----------------------|---------------|---------------|
| | £'000 | £'000 |
| Rendering of services | 55,332 | 50,002 |
| | <u>55,332</u> | <u>50,002</u> |

A geographical analysis of revenue is as follows:

| | 2023 | 2022 |
|----------------|---------------|---------------|
| | £'000 | £'000 |
| United Kingdom | 5,305 | 4,723 |
| European Union | 7,401 | 7,188 |
| USA | 14,696 | 12,783 |
| Other | 27,930 | 25,308 |
| | <u>55,332</u> | <u>50,002</u> |

Assets and liabilities related to contracts with customers:

The company recognised £1.3m of contract liabilities at 31 Dec 2023 (2022: £1.1m). 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 2023 (2022: £1.4m). 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

| | 2023 | 2022 |
|-----------------------------------|----------|------------|
| | £'000 | £'000 |
| Profit on sale of tangible assets | - | 145 |
| | <u>-</u> | <u>145</u> |

6. Operating profit

The operating profit is stated after:

| | 2023 | 2022 |
|---|----------|----------|
| | £'000 | £'000 |
| Amortisation of intangibles | 536 | 704 |
| Depreciation of tangible fixed assets | 2,302 | 2,212 |
| Difference on foreign exchange | 240 | 692 |
| Profit on disposal of tangible assets | - | (145) |
| Auditor's remuneration | 120 | 121 |
| Royalties and management charges receivable | (12,100) | (11,056) |
| Research and development expenditure | 3,745 | 4,101 |



DocuSign Envelope ID: 18DC1CE7-5785-43E3-B6E3-0B6189C9E0AF

PH 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:

| | 2023 Number | 2022 Number |
|----------------|----------------|----------------|
| Operations | 107 | 139 |
| Administration | 90 | 83 |
| | <u>197</u> | <u>222</u> |

The aggregate payroll costs of these persons were as follows:

| | 2023 £'000 | 2022 £'000 |
|-------------------------------|---------------|---------------|
| Wages and salaries | 14,832 | 12,534 |
| Social security costs | 987 | 1,029 |
| Share based payment expense | 683 | 625 |
| Pension costs | 1,172 | 1,153 |
| Other pension costs (note 19) | 1,093 | 646 |
| | <u>18,767</u> | <u>15,987</u> |

8. Directors' remuneration

| | 2023 £'000 | 2022 £'000 |
|-------------------------------|---------------|---------------|
| Directors' emoluments | 857 | 931 |
| Company pension contributions | 47 | 39 |
| Share based payment expense | 391 | 561 |
| | <u>1,295</u> | <u>1,531</u> |

During the year retirement benefits were accruing to 3 directors (2022: 3) in respect of defined benefit pension schemes.

The highest paid Director received remuneration of £431,247 (2022: £530,174).

Key management personnel emoluments:

| | 2023 £'000 | 2022 £'000 |
|---|---------------|---------------|
| Salaries | 209 | 200 |
| Other compensation, including short-term benefits | 108 | 113 |
| | <u>317</u> | <u>313</u> |



DocuSign Envelope ID: 18DC1CE7-5785-43E3-B6E3-0B6189C9E0AF

PII LIMITED
NOTES TO THE FINANCIAL STATEMENTS

9. Financial expense

| | 2023 | 2022 |
|---|--------------|------------|
| | £'000 | £'000 |
| Interest on lease liabilities under IFRS 16 | 256 | 272 |
| Interest expense from group undertakings | 327 | 20 |
| Interest on pension | 821 | 432 |
| | <u>1,404</u> | <u>724</u> |

10. Taxation

Recognised in the income statement:

| | 2023 | 2022 |
|---|----------------|--------------|
| | £'000 | £'000 |
| Current year tax charge | (724) | 370 |
| Foreign tax on income for the year | 882 | 183 |
| Adjustments in respect of prior periods | <u>(1,982)</u> | <u>(557)</u> |
| Current tax credit | <u>(1,824)</u> | <u>(4)</u> |

Deferred tax

| | | |
|---|----------------|------------|
| Effect of changes in tax rates | - | - |
| Adjustments in respect of prior periods | - | - |
| Total tax credit | <u>(1,824)</u> | <u>(4)</u> |

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

| | 2023 | 2022 |
|---|----------------|------------|
| | £'000 | £'000 |
| Profit/(loss) before taxation | 2,732 | 888 |
| Tax using the United Kingdom corporation tax rate of 23.52% (2022: 19%) | 643 | 169 |
| Effects of: | | |
| Adjustments in respect of prior periods | (1,982) | (557) |
| Expenses disallowable/(income not taxable) | (577) | 201 |
| Overseas tax | 882 | 183 |
| Effect of unrecognised deferred tax on timing differences | (790) | - |
| Total tax credit | <u>(1,824)</u> | <u>(4)</u> |



Docusign Envelope ID: 18DC1CE7-5785-43E3-B6E3-0B6189C9E0AF

PII LIMITED
NOTES TO THE FINANCIAL STATEMENTS

Factors that may affect future tax charges

In October 2022, the government announced changes to the Corporation Tax rate from 1 April 2023, increasing the main rate of Corporation Tax from 19% to 25%. In addition, a new 19% small profits rate of corporation tax was introduced for companies whose profits do not exceed 50,000 pounds sterling (GBP).

11. Intangible fixed assets

| | Other £'000 | Purchased goodwill £'000 | Software assets £'000 | Total £'000 |
|---|----------------|--------------------------------|-----------------------------|----------------|
| Cost | | | | |
| At 1 January 2023 | 11,008 | 57,005 | 10,512 | 78,525 |
| Additions | - | - | 364 | 364 |
| Disposals | - | - | (544) | (544) |
| At 31 December 2023 | <u>11,008</u> | <u>57,005</u> | <u>10,332</u> | <u>78,345</u> |
| Amortisation | | | | |
| At 1 January 2023 | 11,008 | 40,246 | 8,820 | 60,074 |
| Charge for the year | - | - | 536 | 536 |
| At 31 December 2023 | <u>11,008</u> | <u>40,246</u> | <u>9,356</u> | <u>60,610</u> |
| Net book value at 31 December 2023 | <u>-</u> | <u>16,759</u> | <u>976</u> | <u>17,735</u> |
| Net book value at 31 December 2022 | - | 16,759 | 1,692 | 18,451 |

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.

| | 2023 | 2022 |
|---|---------|---------|
| Period on which management approved forecasts are based | 4 years | 4 years |
| Growth rate applied beyond approved forecast period | 6% | 6% |
| Discount rate | 11% | 11% |

Assumptions

The Growth rate is calculated using the terminal revenue increase percentage based on the company's 4 year forecast.

The Discount rate is calculated using the 2024 UK Weighted Average Cost of Capital (WACC) for Baker Hughes.

Amortisation and impairment charge

The amortisation and impairment charge is recognised in administrative costs.



DocuSign Envelope ID: 18DC1CE7-5785-43E3-B6E3-0B6189C9E0AF

PII LIMITED
NOTES TO THE FINANCIAL STATEMENTS

12. Property, plant and equipment

| | Tools, machinery equipment £'000 | Total £'000 |
|---|---|----------------------|
| Cost | | |
| At 1 January 2023 | 39,010 | 39,010 |
| Additions | 2,508 | 2,508 |
| Disposals | (1,236) | (1,236) |
| At 31 December 2023 | <u>40,282</u> | <u>40,282</u> |
| Depreciation | | |
| At 1 January 2023 | 26,833 | 26,833 |
| Charge for the year | 2,302 | 2,302 |
| Disposals | (1,161) | (1,161) |
| At 31 December 2023 | <u>27,974</u> | <u>27,974</u> |
| Net book value at 31 December 2023 | <u>12,308</u> | <u>12,308</u> |
| Net book value at 31 December 2022 | <u>12,177</u> | <u>12,177</u> |

13. Investment in subsidiaries

| | 2023 £'000 | 2022 £'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 |



DocuSign Envelope ID: 18DC1CE7-5785-43E3-B6E3-0B6189C9E0AF

PII LIMITED
NOTES TO THE FINANCIAL STATEMENTS

14. Deferred tax

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

| | 2023 | 2022 |
|-----------------------|--------------|----------|
| | £'000 | £'000 |
| Current period credit | <u>-</u> | <u>-</u> |

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

| | 2023 | 2022 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Capital allowances in excess of depreciation | <u>2,779</u> | <u>2,779</u> |

Potential deferred tax assets not recognised:

| | 2023 | 2022 |
|--|--------------|----------|
| | £'000 | £'000 |
| Capital allowances in excess of depreciation | 3,316 | 6,898 |
| Pension liability | 5,069 | 4,682 |
| Share based payments | <u>-</u> | <u>-</u> |
| | 8,385 | 11,580 |



Docusign Envelope ID: 18DC1CE7-5785-43E3-B6E3-0B6189C9E0AF

PII LIMITED
NOTES TO THE FINANCIAL STATEMENTS

15. Inventories

| | 2023 | 2022 |
|---|--------------|--------------|
| | £'000 | £'000 |
| Inspection vehicle spares and consumables | 4,034 | 3,942 |
| Less: provision for obsolescence | (566) | (571) |
| | <u>3,468</u> | <u>3,371</u> |

16. Trade and other receivables

| | 2023 | 2022 |
|------------------------------------|---------------|---------------|
| | £'000 | £'000 |
| Trade receivables | 5,432 | 7,308 |
| Contract asset | 1,859 | 1,419 |
| Amounts owed by group undertakings | 20,961 | 13,661 |
| Other receivables | 1,676 | 1,216 |
| Prepayments and accrued income | 6,661 | 373 |
| | <u>36,589</u> | <u>23,977</u> |

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

£5,773,647 of the Prepayments and accrued income balance relates to the accrued income on a pre-commissioning synergy contract that is new to 2023. In prior years we have not had contracts of this nature.



DocuSign Envelope ID: 18DC1CE7-5785-43E3-B6E3-0B6189C9E0AF

PII LIMITED
NOTES TO THE FINANCIAL STATEMENTS

17. Trade and other payables

| | 2023 | 2022 |
|------------------------------------|---------------|---------------|
| | £'000 | £'000 |
| Trade payables | 2,749 | 2,399 |
| Contract liability | 1,349 | 1,115 |
| Amounts owed to group undertakings | 15,276 | 5,319 |
| Social security and other taxes | 2,630 | 2,363 |
| Other payable and accrued expenses | 3,765 | 4,729 |
| | <u>25,769</u> | <u>15,925</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.

18. 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 2023 is 14 years.

| 2023 | £'000 |
|----------------------------------|--------------|
| Balance at 1 January | 8,817 |
| Depreciation charge for the year | (559) |
| Balance at 31 December | <u>8,258</u> |

| Lease Liabilities | 2023 | 2022 |
|--|---------------|---------------|
| | £'000 | £'000 |
| Maturity analysis (contractual undiscounted cash flows) | | |
| Less than one year | 698 | 686 |
| One to five years | 2,833 | 2,792 |
| More than five years | 7,319 | 8,057 |
| Total undiscounted lease liability at 31 December | <u>10,850</u> | <u>11,535</u> |

Lease Liabilities included in the Balance Sheet at 31 December

| | | |
|-------------|-------|-------|
| Current | 590 | 542 |
| Non-current | 8,388 | 8,836 |

| Amounts recognised in Income Statement | 2023 | 2022 |
|--|-------|-------|
| | £'000 | £'000 |
| Interest on lease liability | 256 | 272 |
| Expenses relating to short-term leases, and leases accounted for in accordance with IFRS 16 p. 6 | 238 | 336 |



Docusign Envelope ID: 18DC1CE7-5785-43E3-B6E3-0B6189C9E0AF

PII LIMITED
NOTES TO THE FINANCIAL STATEMENTS

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

| | 2023 | 2022 |
|--|-------|-------|
| Discount rate at 31 December | 4.50% | 4.80% |
| Retail price index inflation (pre-retirement) | 3.30% | 3.40% |
| Retail price index inflation (post-retirement) | 3.30% | 3.40% |

Other actuarial assumptions

| | 2023 | 2022 |
|--|-------|-------|
| Future pension increases - pensions accrued before 1 May 2009 | 3.30% | 3.40% |
| Future pension increases - pensions accrued after 30 April 2009 | 3.20% | 3.30% |
| Future pension increases - pensions accrued after 1 January 2012 | 2.20% | 2.30% |
| Rate of increase for deferred pensioners | 3.30% | 3.40% |

| Description | 2023 | 2022 |
|------------------|--|--|
| Mortality | S3PMA_L / S3PFA_L CMI 2022 model with a long-term rate of improvement of 1.00% | S3PMA_L / S3PFA_L CMI 2021 model with a long-term rate of improvement of 1.00% |
| Cash commutation | Members are assumed to commute 20% of their pension | Members are assumed to commute 20% of their pension |



DocuSign Envelope ID: 18DC1CE7-5785-43E3-B6E3-0B6189C9E0AF

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 60 year old to live for a number of years as follows:

- current pensioner aged 60: 27.2 years (male), 29.1 years (female);
- future retiree upon reaching 60 in 20 years: 28.4 years (male), 30.2 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:

| | 2023 | | 2022 | |
|--------------------------|-------------------|--------------------------|-------------------|--------------------------|
| | Market Value £000 | % of total scheme assets | Market Value £000 | % of total scheme assets |
| Equities | 26,663 | 40% | 33,877 | 52% |
| Diversified Credit Funds | 9,485 | 14% | 11,753 | 18% |
| Bonds | - | 0% | - | 0% |
| Gilts | 28,293 | 43% | 18,068 | 28% |
| Insurance policies | 470 | 1% | 740 | 1% |
| Cash | 999 | 2% | 660 | 1% |
| Total | <u>65,910</u> | <u>100%</u> | <u>65,098</u> | <u>100%</u> |
| Actual return on assets | <u>3,546</u> | | <u>(30,687)</u> | |

The insurance policies are classed as level 3 assets, with a fair value equal to the corresponding liabilities. The cash is a level 1 asset, and the remaining assets are all level 2 assets, as they are not directly quoted in an active market, rather based on prices for similar assets

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

| | 2023 £'000 | 2022 £'000 |
|-------------------------------------|-----------------|-----------------|
| Fair value of scheme assets | 65,910 | 65,098 |
| Present value of funded obligations | <u>(84,677)</u> | <u>(83,129)</u> |
| Net liability | <u>(18,767)</u> | <u>(18,031)</u> |



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P11 LIMITED NOTES TO THE FINANCIAL STATEMENTS

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

| | 2023 £'000 | 2022 £'000 |
|--|---------------|---------------|
| Opening defined benefit obligation | 83,129 | 122,218 |
| Current service cost | - | - |
| Past service cost | - | - |
| Interest cost | 3,852 | 2,221 |
| Contributions by scheme participants | - | - |
| Actuarial (gains)/losses: experience differing from that assumed | 1,117 | 12,351 |
| Actuarial (gains)/losses: changes in demographic assumptions | (1,282) | 169 |
| Actuarial (gains)/losses: changes in financial assumptions | 2,193 | (49,676) |
| Benefits paid | (4,332) | (4,154) |
| Curtailement | - | - |
| Closing defined benefit obligation | <u>84,677</u> | <u>83,129</u> |

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

| | 2023 £'000 | 2022 £'000 |
|---------------------------------------|---------------|---------------|
| Opening fair value of scheme assets | 65,098 | 98,018 |
| Interest income | 3,031 | 1,789 |
| Actual return on assets less interest | 245 | (32,476) |
| Contributions by employer | 2,140 | 2,135 |
| Contributions by scheme participants | - | - |
| Benefits paid | (4,332) | (4,154) |
| Administration costs | (272) | (214) |
| Closing fair value of scheme assets | <u>65,910</u> | <u>65,098</u> |

The amounts recognised in profit or loss are as follows:

| | 2023 £'000 | 2022 £'000 |
|-----------------------------------|---------------|---------------|
| Current service cost | - | - |
| Past service cost | - | - |
| Administration costs | 272 | 214 |
| Net interest cost | 821 | 432 |
| Curtailement | - | - |
| Amount charged to profit and loss | <u>1,093</u> | <u>646</u> |



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PII LIMITED NOTES TO THE FINANCIAL STATEMENTS

Amounts recognised in other comprehensive income:

| | 2023 | 2022 |
|--|---------|-------|
| | £'000 | £'000 |
| Remeasurement of defined benefit asset/liability | (1,783) | 4,680 |
| Amount recognised in other comprehensive income | (1,783) | 4,680 |

Sensitivity analysis

| Assumption | Change in assumption | Change in defined benefit obligation |
|-------------------------|----------------------|--------------------------------------|
| Discount rate | +/- 0.5% pa | -6%/+7% |
| RPI Inflation | +/- 0.5% pa | +6%/-6% |
| Assumed life expectancy | + 1 year | +3% |

Limitations of the sensitivity analysis

These assumptions provide an approximate guide to the sensitivity of results and may not be as accurate as a full valuation carried out on these assumptions. Each assumption change is considered in isolation, which in practice is unlikely to occur, as changes in some of the assumptions are correlated.

Future contributions

The Company will pay contributions of £140k pa in respect of the expenses of administering the Scheme and an additional £2.0m per annum to remove the shortfall from 1 January 2023 to 1 January 2026 inclusive, payable in January each year; and £1.2m during January 2027.

Scheme duration

The approximate overall duration of the Scheme's defined benefit obligation as at 31 December 2023 was around 13 years.

Virgin media disclosure

In June 2023, the High Court handed down a decision in the case of Virgin Media Limited v NTL Pension Trustees II Limited and others relating to the validity of certain historical pension changes due to the lack of actuarial confirmation required by law. This case may have implications for other plans that were contracted-out and made changes between 1997 and 2016. The outcome was appealed, but the appeal was dismissed by the Court of Appeal on 25 July 2024. Therefore, as the law currently stands, a plan amendment to a contracted-out scheme without appropriate actuarial confirmation could be void. The Trustees of the pension scheme have undertaken an investigation with their legal adviser to establish whether the PII Group Pension Scheme is impacted by this ruling. The investigation is currently ongoing and no potential impact has been identified to date.

Actuarial risks

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.



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PH LIMITED NOTES TO THE FINANCIAL STATEMENTS

Investment risk

The plan assets at 31 December 2023 are predominantly equity and diversified credit funds. 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.

20. Share capital

| | 2023 | 2022 |
|---|---------------|---------------|
| | £'000 | £'000 |
| Allotted, called up and fully paid 60,675,140 ordinary shares of £1 each | <u>60,675</u> | <u>60,675</u> |

21. Share based payments charge

Certain employees of the company are selected to participate in share options and restricted stock units of Baker Hughes. Share options expire 10 years from the grant date and vest over a period ranging from one to five years. The option price is usually set as the closing day share price on the grant date. Restricted stock units give the participants the right to receive shares in Baker Hughes for no consideration. Restricted stock units vest over various service periods beginning three years from the grant date through to grantee retirement.

The total number of restricted stock units granted during the year was 22,566 (2022: 27,282).

The fair value of each restricted stock unit is the market price of the stock on the date of grant, which was \$30.15 in 2023 (2022: \$27.93).

The share based payment charge recognised in the period in respect of the above is £683,000 (2022: £625,000).

22. Contingent liabilities

In the course of business the company has provided guarantee bonds to certain customers. £2,459,223 was outstanding under these bonds at the end of the financial year (2022: £2,610,979).



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PII LIMITED
NOTES TO THE FINANCIAL STATEMENTS

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.