

PII Limited

Directors' report and financial statements

For the year ended 31 December 2009

Registered number 3424425

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Pll Limited

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PIL Limited

Directors' report

The directors present their report and the financial statements for the year ended 31 December 2009

Principal activities

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

Business review

On 23 November 2009 the company issued 91,913,000 £1 ordinary shares to PIL Group Limited, the company's immediate parent undertaking, at nominal value for a total cash consideration of £91,913,000

On the same day the company received waivers for £75,412,889 of intercompany creditors. A further £93,460,000 of intercompany creditors was repaid at the same date

As a result of the above transactions, on 23 November 2009, the company has a reduction in creditors of £168,872,889, of which £158,844,000 were outstanding at 31 December 2008

On 30 December 2009 the company issued 16,561,465 £1 ordinary shares to PIL Group Limited, the company's immediate parent undertaking, at nominal value for a total cash consideration of £16,561,465

On the same day the company acquired the entire shareholding of PIL Pipetronix GmbH for a cash consideration of £16,561,465

The results for the company show a pre-tax loss of £19.8 million (2008 pre-tax loss of £2.6 million) for the year and sales of £34.4 million (2008 £39.4 million)

The company has net assets of £63.4 million (2008 net liabilities of £91.8 million) of which a net £4 million is due from fellow GE Group Companies

Research and development

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 integral to the continuing success of the business.

Future outlook

During 2009, the focus was to continue to deliver a quality product for our customers whilst at the same time improving productivity and profitability. We still feel that new technology will be the differentiator in the market and we have continued our focused approach to technology development. As we move forward, our focus will continue to be on quality and safety and on delivering new, cost effective products to the market.

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks. The key business 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.

	2009	2008	Definition, method of calculation
Fall/growth in sales (%)	(12.6%)	1.8%	Year on year sales growth expressed as a percentage. The fluctuation in sales is in line with our expectations due to the contract nature of the business.

PII Limited

Directors' report

Business review (continued)

	2009	2008	Definition, method of calculation
Gross margin (%)	41%	36.4%	Gross margin is the ratio of gross profit before exceptional items and goodwill amortization to sales expressed as a percentage
Return on invested capital (%)	16.5%	8%	Operating profit expressed as a percentage of net assets

Results and dividends

The loss for the year, after taxation, amounted to £20,583,000 (2008: loss £5,112,000)

The directors do not recommend the payment of a dividend (2008: £nil)

Directors

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

A Bathgate
J V Bucci
I Hornby
D S P Little (resigned 1 September 2009)
M R B Paparoni
A M C Sloan

Employees

The company is an equal opportunities employer and the importance of good communications with employees is recognised by the directors. The average number of employees for the year ended 31 December 2009 was 232 (2008: 230).

It is the company's policy to give full and fair consideration to the employment needs of disabled persons (and persons who become disabled whilst employed by the company) and to comply with any current legislation with regard to disabled persons. It is the policy of the company that training, career development and promotion opportunities should be available to all employees.

Research and development activities

The company is committed to developing innovative, cost-effective and practical solutions for providing high quality services to its customers. The primary objective is to focus investment in the development and application of technology so that the company has the right skills to employ technology to competitive advantage and that it continues to be alert to technological opportunities.

Pll Limited

Directors' report

Provision of information to auditors

Each of the persons who are directors at the time when this directors' report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information

Auditors

Under section 487 of the Companies Act 2006, KPMG Audit Plc will be deemed to have been reappointed as auditor(s) 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 on 30 June 2010 and signed on its behalf



Director

MRB Paparoni

Atley Way
Cramlington
Northumberland
NE23 1WW

PIL Limited

Statement of directors' responsibilities for the year ended 31 December 2009

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PII Limited

Independent auditors' report to the members of PII Limited

We have audited the financial statements of PII Limited for the year ended 31 December 2009, which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Pll Limited

Independent auditors' report to the members of Pll Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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

M.R. Thompson.

Mick Thompson (senior statutory auditor)

for and on behalf of
KPMG Audit Plc

Statutory Auditor
Chartered Accountants

Quayside House
110 Quayside
Newcastle Upon Tyne
NE1 3DX

Date *30 June 2010*

PIL Limited

Profit and loss account for the year ended 31 December 2009

	Note	2009 £000	2008 £000
Turnover	1,2	34,445	39,437
Cost of sales		(20,346)	(25,068)
Gross profit	3	14,099	14,369
Administrative expenses		(26,616)	(8,186)
Other operating income		2,018	1,244
Operating (loss)/profit	3	(10,499)	7,427
Interest receivable and similar income	7	78	2,542
Interest payable and similar charges	8	(9,139)	(13,228)
Other finance income	22	(205)	645
Loss on ordinary activities before taxation		(19,765)	(2,614)
Tax on loss on ordinary activities	9	(818)	(2,498)
Loss for the financial year	19	(20,583)	(5,112)

All amounts relate to continuing operations

The notes on pages 10 to 27 form part of these financial statements

PII Limited

Statement of total recognised gains and losses for the year ended 31 December 2009

	Note	2009 £000	2008 £000
Loss for the financial year		(20,583)	(5,112)
Actuarial loss related to defined benefit pension scheme	22	(8,165)	(5,465)
Deferred tax attributable to actuarial loss	17	-	1,531
Total recognised gains and losses relating to the year		(28,748)	(9,046)

The notes on pages 10 to 27 form part of these financial statements

PIL Limited

Registered number 3424425

Balance sheet as at 31 December 2009

	Note	£000	2009 £000	2008 £000
Fixed assets				
Intangible fixed assets	10		29,616	30,978
Tangible fixed assets	11		19,313	25,249
Fixed asset investments	12		16,561	-
			<u>65,490</u>	<u>56,227</u>
Current assets				
Stocks	13	9,018		5,859
Debtors amounts falling due after more than one year	14	20,202		29,919
Debtors amounts falling due within one year	14	14,104		30,958
Cash at bank and in hand		97		64
		<u>43,421</u>		<u>66,800</u>
Creditors amounts falling due within one year	15	(39,559)		(128,901)
Net current assets/(liabilities)			<u>3,862</u>	<u>(62,101)</u>
Total assets less current liabilities			<u>69,352</u>	<u>(5,874)</u>
Creditors amounts falling due after more than one year	16		-	(87,537)
Net assets/(liabilities) excluding pension scheme assets/(liabilities)			<u>69,352</u>	<u>(93,411)</u>
Defined benefit pension scheme (liability)/asset	22		(5,986)	1,544
Net assets/(liabilities) including pension scheme assets/(liabilities)			<u>63,366</u>	<u>(91,867)</u>
Capital and reserves				
Called up share capital	18		109,474	1,000
Capital contribution reserve	19		75,413	-
Other reserves	19		146	52
Profit and loss account	19		(121,667)	(92,919)
Shareholders' funds/(deficit)	20		<u>63,366</u>	<u>(91,867)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 30/6/2010

Director

MRB Paparoni

The notes on pages 10 to 27 form part of these financial statements

PIL Limited

Notes to the financial statements

1 Accounting policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

The company is itself a subsidiary company and is exempt from the requirement to prepare group accounts by virtue of section 400 of the Companies Act 2006. These financial statements therefore present information about the company as an individual undertaking and not about its group.

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

1.2 Cash flow

The company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1.

1.3 Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied, exclusive of Value Added Tax and trade discounts.

1.4 Intangible fixed assets and amortisation

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities. It is amortised to the profit and loss account over its estimated economic life.

Other intangible assets include development costs which are amortised over their useful economic life of 3 to 10 years.

1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is not charged on freehold land. Depreciation on other tangible fixed assets 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 bases:

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

Freehold land is not depreciated.

1.6 Investments

Investments held as fixed assets are shown at cost less provision for impairment.

Pll Limited

Notes to the financial statements

1 Accounting policies (continued)

1.7 Operating leases

Rentals under operating leases are charged on a straight line basis over the lease term

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate

1.8 Research and development expenditure

Revenue expenditure on research and development is written off to the profit and loss account in the period in which it is incurred. Assets used in research and development activities are capitalised with other tangible fixed assets and depreciated over their estimated useful economic lives

1.9 Stocks and work in progress

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

1.10 Taxation

Taxation for the year is based on the loss for the year

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

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

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

Deferred tax assets and liabilities are not discounted

1.11 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction

Exchange gains and losses are recognised in the profit and loss account.

PIL Limited

Notes to the financial statements

1 Accounting policies (continued)

1.12 Long-term contracts

Profit on long-term contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit included is calculated on a prudent basis to reflect the proportion of the work carried out at the year end, by recording turnover and related costs as contract activity progresses. Turnover is calculated as that proportion of total contract value which costs incurred to date bear to total expected costs for that contract. Revenues derived from variations on contracts are recognised only when they have been accepted by the customer. Full provision is made for losses on all contracts in the year in which they are first foreseen.

1.13 Share based payments

Share options and restricted units over the shares of General Electric Company, the ultimate parent entity are granted to certain employees and executives of the company. The fair value of options and units granted is recognised as an employee expense with a corresponding increase in equity, the 'other reserve'.

The fair value is measured at grant date using the Black-Scholes option pricing model, and is recognised as an expense over the period the employees become unconditionally entitled to the options/units. The amount recognised as an expense is adjusted to reflect the actual number of options/units expected to vest.

Any recharges by the ultimate parent entity are offset against the 'other reserves'.

In addition the company has established an employee share ownership scheme, under which employees are able to acquire a number of shares in the ultimate parent company, General Electric Company, with the company matching the employees' purchases. The company's costs of these purchases are charged to the profit and loss account as incurred.

1.14 Pensions

The company operates a defined benefit pension scheme, Pipeline Integrity International Group Pension Scheme and the pension charge is based on a full actuarial valuation dated 31 December 2005.

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 the statement of total recognised gains and losses, actuarial gains and losses.

The company is also a member of a larger group pension scheme providing benefits based on final pensionable pay. The group pension scheme, GE Pension Plan, covers a number of United Kingdom subsidiary companies of General Electric Company. Because the company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17 'Retirement benefits', the scheme has been accounted for, in these financial statements as if the scheme was a defined contribution scheme.

PIL Limited

Notes to the financial statements

1 Accounting policies (continued)

1.15 Transactions with related parties

The company, as a wholly owned subsidiary undertaking of General Electric Company, has taken advantage of an exemption contained in FRS 8, "Related Party Disclosures", in preparing its financial statements. This exemption allows the company not to disclose details of transactions with other group companies or investees of the group qualifying as related parties as the consolidated financial statements of General Electric Company, in which the company is included, are publicly available.

2 Turnover

A geographical analysis of turnover has not been given, as, in the opinion of the directors, the provision of such sensitive information could be seriously prejudicial to the commercial interests of the company.

3 Operating (loss)/profit

The operating (loss)/profit is stated after charging/(crediting)

	2009 £000	2008 £000
Amortisation - intangible fixed assets	3,489	3,310
Depreciation of tangible fixed assets		
- owned by the company	4,463	4,456
Operating lease rentals		
- plant and machinery	136	126
- buildings	181	210
Difference on foreign exchange	(600)	- (10,210)
Loss on sale of tangible assets	4,408	4,025
Royalties receivable	(2,018)	(2,735)
Research and development expenditure (net of third party contributions)	755	623
Impairment of tangible fixed assets	-	808
Impairment of intangible fixed assets	-	1,127
	<u> </u>	<u> </u>

4 Auditors' remuneration

	2009 £000	2008 £000
Fees payable to the company's auditor for the audit of the company's annual accounts	73	78
Fees payable to the company's auditor and its associates in respect of		
All other services	8	8
	<u> </u>	<u> </u>

Pll Limited

Notes to the financial statements

5 Staff costs

Staff costs, including directors' remuneration, were as follows

	2009 £000	2008 £000
Wages and salaries	14,334	13,107
Social security costs	923	1,018
Other pension costs (note 22)	903	1,037
	<u>16,160</u>	<u>15,162</u>

The average monthly number of employees, including the directors, during the year was as follows

	2009 No	2008 No
Operations	126	108
Administration and selling	106	122
	<u>232</u>	<u>230</u>

6 Directors' remuneration

	2009 £000	2008 £000
Emoluments	<u>693</u>	<u>694</u>

During the year retirement benefits were accruing to 4 directors (2008 4) in respect of defined benefit pension schemes

The highest paid director received remuneration of £305,000 (2008 £275,000)

PIL Limited

Notes to the financial statements

7 Interest receivable and similar income

	2009 £000	2008 £000
On amounts owed from group undertakings	75	2,532
Bank interest receivable	3	10
	<u>78</u>	<u>2,542</u>

8 Interest payable and similar charges

	2009 £000	2008 £000
On loans from group undertakings	8,463	12,867
Other interest payable	676	361
	<u>9,139</u>	<u>13,228</u>

9 Taxation

	2009 £000	2008 £000
Analysis of tax charge in the year		
Current tax (see note below)		
UK corporation tax charge on loss for the year	-	-
Foreign tax on income for the year	818	968
Total current tax	<u>818</u>	<u>968</u>
Deferred tax		
Origination and reversal of timing differences	147	1,092
Movement in deferred tax not provided	(136)	3,946
Effect of decreased tax rate	-	(19)
Adjustment in respect of prior years	(11)	(3,489)
Total deferred tax	<u>-</u>	<u>1,530</u>
Tax on loss on ordinary activities	<u>818</u>	<u>2,498</u>

PII Limited

Notes to the financial statements

9 Taxation (continued)

Factors affecting current tax charge for the year

The current tax assessed for the year is higher than (2008 higher than) the standard rate of corporation tax in the UK of 28% (2008 28.5%). The differences are explained below

	2009 £000	2008 £000
Loss on ordinary activities before tax	(19,765)	(2,614)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2008 28.5%)	(5,534)	(745)
<i>Effects of</i>		
Expenses not deductible for tax purposes	2,038	692
Capital allowances for year in excess of depreciation not recognised	(300)	(913)
Short term timing differences not recognised	152	(179)
Group relief surrendered	3,644	1,145
Overseas taxation	818	968
<i>Current tax charge for the year (see note above)</i>	818	968

Factors that may affect future tax charges

There were no factors that may affect future tax charges

PIL Limited

Notes to the financial statements

10 Intangible fixed assets

	Others £000	Purchased goodwill £000	Total £000
Cost			
At 1 January 2009	6,658	57,005	63,663
Additions	2,127	-	2,127
At 31 December 2009	8,785	57,005	65,790
Amortisation			
At 1 January 2009	716	31,969	32,685
Charge for the year	730	2,759	3,489
At 31 December 2009	1,446	34,728	36,174
Net book value			
At 31 December 2009	7,339	22,277	29,616
At 31 December 2008	5,942	25,036	30,978

11 Tangible fixed assets

	Freehold land and buildings £000	Plant, machinery, computer equipment & inspection vehicles £000	Total £000
Cost			
At 1 January 2009	3,218	59,877	63,095
Additions	-	2,934	2,934
Disposals	(139)	(9,414)	(9,553)
At 31 December 2009	3,079	53,397	56,476
Depreciation			
At 1 January 2009	1,369	36,477	37,846
Charge for the year	180	4,283	4,463
On disposals	(60)	(5,086)	(5,146)
At 31 December 2009	1,489	35,674	37,163
Net book value			
At 31 December 2009	1,590	17,723	19,313
At 31 December 2008	1,849	23,400	25,249

PII Limited

Notes to the financial statements

11 Tangible fixed assets (continued)

Included in land and buildings is freehold land at net book value of £890,000 (2008 £890,000) which is not depreciated

12 Fixed asset investments

	Shares in group undertakings £000
<i>Cost or valuation</i>	
At 1 January 2009	-
Additions	16,561
At 31 December 2009	<u>16,561</u>

On 30 December 2009 the company acquired the entire shareholding of PII Pipetronix GmbH for a cash consideration of £16,561,465

Details of the company's subsidiary, registered in Germany, is listed below

Name and nature of business	Class of shares held	Percentage of shares held
PII Pipetronix GmbH Pipeline inspection & reporting	Ordinary	100%

13 Stocks

	2009 £000	2008 £000
Work in progress	3,983	2,351
Inspection vehicle spares and consumables	5,035	3,508
	<u>9,018</u>	<u>5,859</u>

PIL Limited

Notes to the financial statements

14 Debtors

	2009 £000	2008 £000
<i>Due after more than one year</i>		
Amounts owed by group undertakings	20,202	29,319
Deferred tax asset (note 17)	-	600
	<u>20,202</u>	<u>29,919</u>
<i>Due within one year</i>		
Trade debtors	6,306	9,419
Amounts owed by group undertakings	5,129	18,065
Other taxes and social security	-	130
Other debtors	1,987	2,148
Prepayments and accrued income	70	96
Amounts recoverable on long term contracts	612	1,100
	<u>14,104</u>	<u>30,958</u>

15 Creditors

Amounts falling due within one year

	2009 £000	2008 £000
Trade creditors	1,253	1,193
Amounts owed to group undertakings	20,996	109,602
Overseas tax payable	2,710	2,612
Social security and other taxes	61	-
Other creditors and accruals	14,539	15,494
	<u>39,559</u>	<u>128,901</u>

On 23 November 2009 the company was refinanced, which has resulted in a significant reduction in the level of intercompany creditors, as described in note 19

16 Creditors

Amounts falling due after more than one year

	2009 £000	2008 £000
Amounts owed to group undertakings	-	87,537

On 23 November 2009 the company was refinanced, which has resulted in a significant reduction in the level of intercompany creditors, as described in note 19

PIL Limited

Notes to the financial statements

17 Deferred taxation

	2009 £000	2008 £000
At beginning of year	600	1,790
(Charge)/credit for the year	-	(1,531)
Amount relating to deferred tax liability on pension scheme asset	(600)	341
At end of year	-	600

The amounts recognised and unrecognised in respect of the deferred taxation asset are set out as below

	Recognised 2009 £000	Potential asset 2009 £000	Recognised 2008 £000	Potential asset 2008 £000
Difference between accumulated depreciation and capital allowances	-	4,371	600	4,671
Short term timing differences	-	2,775	-	325
	-	7,146	600	4,996

The pension surplus in note 22 is stated after providing for a deferred tax liability of £nil (2008 £600,000). A deferred tax asset of £nil (2008 £600,000) has also been recognised in debtors. The overall deferred tax asset at 31 December 2009 is £7,146,000 (2008 £4,996,000) this has not been recognised on the basis that the company does not anticipate that future taxable profits will be sufficient for these timing differences to reverse.

18 Share capital

	2009 £000	2008 £000
Allotted, called up and fully paid		
109,474,465 (2008 1,000,000) ordinary shares of £1 each	109,474	1,000

On 23 November 2009 the company issued 91,913,000 £1 ordinary shares to PIL Group Limited, the company's immediate parent undertaking, at nominal value for a total cash consideration of £91,913,000.

On 30 December 2009 the company issued 16,561,465 £1 ordinary shares to PIL Group Limited, the company's immediate parent undertaking, at nominal value for a total cash consideration of £16,561,465.

PII Limited

Notes to the financial statements

19 Reserves

	Capital contribution reserve £000	Other reserves £000	Profit and loss account £000
At 1 January 2009	-	52	(92,919)
Loss for the year	-	-	(20,583)
Pension reserve movement	-	-	(8,165)
Intercompany loan waivers as a part of refinancing	75,413	-	-
Equity compensation expense recognised during the year	-	102	-
Recharges made by GE Company in respect of share options exercised during the year	-	(8)	-
At 31 December 2009	<u>75,413</u>	<u>146</u>	<u>(121,667)</u>

The closing balance on the profit and loss account includes a £5,986,000 (2008 £1,544,000) debit/credit, stated after deferred taxation of £nil (2008 £600,000), in respect of pension scheme liabilities of the company pension scheme

On 23 November 2009 the company received waivers for £75,412,889 of intercompany creditors

20 Reconciliation of movement in shareholders' funds

	2009 £000	2008 £000
Opening shareholders' deficit	(91,867)	(82,824)
Loss for the year	(20,583)	(5,112)
Shares issued during the year	108,474	-
Other recognised gains and losses during the year	(8,165)	(3,934)
Equity compensation expense recognised during the year	102	3
Recharges made by GE Company in respect of share options exercised during the year	(8)	-
Intercompany loan waivers as a part of refinancing	75,413	-
Closing shareholders' funds/(deficit)	<u>63,366</u>	<u>(91,867)</u>

21 Capital commitments and contingencies

At 31 December 2009 the company had capital commitments as follows

	2009 £000	2008 £000
Contracted for but not provided in these financial statements	<u>-</u>	<u>220</u>

In the normal course of business the company has entered into guarantees in respect of export finance, performance bonds and minor miscellaneous items totaling £nil (2008 £220,000)

PIL Limited

Notes to the financial statements

22 Pension commitments

The company operates a defined benefit pension scheme, Pipeline Integrity International Group Pension Scheme, providing benefits based on final pensionable pay. The scheme commenced on 1 January 1999 and is now closed to new entrants.

The amounts in the financial statements for the year ended 31 December 2009, relating to pensions, are based on a full actuarial valuation dated 31 December 2005 and updated to 31 December 2009 by a qualified independent actuary.

The main financial assumptions used in the actuarial valuation were:

	2009 %	2008 %	2007 %
Inflation	3.55	2.75	3.25
Rate of increase in salaries	4.80	4.00	4.50
Rate of increase for pensions	3.55	2.75	3.25
Discount rate for liabilities	5.70	6.00	5.75

The assets in the scheme and the expected rates of return were:

	Long-term rate of return expected at 2009 %	Fair value at 2009 £000	Long-term rate of return expected at 2008 %	Fair value at 2008 £000	Long-term rate of return expected at 2007 %	Fair value at 2007 £000
Equities	67.00	35,878	6.75	30,422	7.00	37,519
Bonds	-	32	4.00	15,188	4.50	16,339
Gilts	32.00	17,367	2.00	138	4.25	178
Cash	1.00	277	-	-	-	-
Total market value of assets		53,554		45,748		54,036
Present value of scheme liabilities		(59,540)		(43,604)		(47,643)
(Deficit)/surplus in the scheme		(5,986)		2,144		6,393
Related deferred tax liability		-		(600)		(1,790)
Net pension (liability)/asset		(5,986)		1,544		4,603

PIL Limited

Notes to the financial statements

22 Pension commitments (continued)

The following amounts have been recognised in the financial statements in the year to 31 December 2009 and 31 December 2008 under the requirements of FRS 17

	2009 £000	2008 £000
Operating (loss)/profit		
Current service cost	887	1,014
Total operating charge	<u>887</u>	<u>1,014</u>
Other finance income		
Expected return on pension scheme assets	2,386	3,394
Interest on pension scheme liabilities	(2,591)	(2,749)
Net return	<u>(205)</u>	<u>645</u>
Analysis of amount recognised in the Statement of Total Recognised Gains and Losses (STRGL)		
Actual return less expected return on pension scheme assets	6,027	(12,524)
Experience gains and losses arising on the scheme liabilities	-	(126)
Changes in assumptions underlying the present value of the scheme liabilities	(14,192)	7,185
Actuarial loss recognised in STRGL	<u>(8,165)</u>	<u>(5,465)</u>
	2009 £000	2008 £000
Movements in (deficit)/surplus during the year		
Surplus in scheme at beginning of year	2,144	6,393
Current year service cost	(887)	(1,014)
Contributions	1,127	1,585
Net return on assets	(205)	645
Actuarial loss recognised in STRGL	(8,165)	(5,465)
(Deficit)/surplus in scheme at end of year	<u>(5,986)</u>	<u>2,144</u>

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Notes to the financial statements

22 Pension commitments (continued)

History of experience gains and losses in the scheme

	2009	2008	2007
Difference between the expected and actual return on scheme assets			
Amount (£)	6,027	(12,524)	371
Percentage of scheme assets	11.25 %	(27.38)%	0.69 %
Experience gains and losses on scheme liabilities			
Amount (£)	-	(126)	67
Percentage of the present value of the scheme liabilities	-	(0.29)%	0.14 %
Total amount recognised in Statement of Total Recognised Gains and Losses (STRGL)			
Amount (£)	(8,165)	(5,465)	2,765
Percentage of the present value of the scheme liabilities	(13.71)%	(12.53)%	5.80 %

The company is also a member of a larger group wide pension scheme providing benefits based on final pensionable pay. The group pension scheme, GE Pension Plan, covers a number of United Kingdom subsidiary companies of General Electric Company. Because the company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17 'Retirement benefits', the scheme has been accounted for, in these financial statements as if the scheme was a defined contribution scheme. The funding surplus/deficit in respect of the scheme is disclosed in the financial statements of IGE USA Investments, a company registered in England & Wales.

The latest full actuarial valuation was carried out at 5 April 2006 by a qualified independent actuary. At this date there was a funding deficit of £100.4 million and a funding level of 80%.

During the year the company contributed £16,000 (2008: £23,000) to the scheme.

23 Operating lease commitments

At 31 December 2009 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2009	2008	2009	2008
	£000	£000	£000	£000
Expiry date				
Within 1 year	1	8	13	-
Between 2 and 5 years	-	-	40	68

PIL Limited

Notes to the financial statements

24 Share based payments

Certain employees of the company are selected to participate in share options and restricted stock units of General Electric Company under the terms of the General Electric Company Long Term Incentive Plan. Share options expire 10 years from grant date and vest over service periods ranging from one to five years. The option price is usually set as the closing day share price on grant date. Restricted stock units give the participants the right to receive shares in General Electric Company for no consideration. Restricted stock units vest over various service periods beginning three years from grant date through to grantee retirement. All grants of GE options under all plans must be approved by the Management Development and Compensation Committee of General Electric Company, which consists entirely of outside directors.

For further details on stock options and restricted stock units please refer to the GE annual report available at www.ge.com

(a) Share options

The number and weighted average exercise price of share options is as follows

	2009 Weighted average exercise price \$	2009 Number of options No	2008 Weighted average exercise price \$	2008 Number of options No
Outstanding at the beginning of the year	31.78	21,325	33.61	14,325
Granted during the year	11.25	33,000	28.62	8,000
Forfeited during the year	22.99	(1,750)	30.57	(300)
Employee transfers	34.19	4,900	33.57	(700)
Expired during the year	-	-	-	-
Outstanding at the end of the year	20.47	57,475	31.78	21,325

	2009 Weighted average exercise price \$	2009 Number of options No	2008 Weighted average exercise price \$	2008 Number of options No
Exercisable at the end of the year	33.99	15,365	33.69	10,315
		\$		\$

For share options exercised during the year weighted average share price on date of exercise

-

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PIL Limited

Notes to the financial statements

24 Share based payments (continued)

	Minimum \$	Maximum \$	Minimum \$	Maximum \$
Range of exercise price for outstanding options	9.57	43.75	27.05	43.75
		Years		Years
Weighted average remaining contractual life of outstanding options in years		7.76		6.58

Fair value of options granted

We measure the fair value of each stock option grant at the date of grant using a Black-Scholes option pricing model. The weighted average grant-date fair value of options granted during 2009 and 2008 was \$3.81 and \$5.26 respectively.

The following assumptions were used in arriving at the fair value of options granted during 2009 and 2008 respectively: risk-free interest rates of 3.2% and 3.4%, dividend yields of 3.9% and 4.4%, expected volatility of 49% and 27%, and expected lives of 6 years 10 months and 6 years 9 months.

Risk-free interest rates reflect the yield on zero-coupon US Treasury securities and expected dividend yields presume a set dividend rate. For stock options granted in 2009 and the fourth quarter of 2008, a historical five year average has been used for the dividend yield.

Expected volatilities are based on implied volatilities from traded options and historical volatility of GE stock. The expected option lives are based on GE's historical experience of employee exercise behaviour.

(b) Restricted stock units

The total number of restricted stock units granted during the year was nil (2008: 2,673).

Fair value of restricted stock units

The fair value of each restricted stock unit is the market price of GE stock on the date of grant. The weighted average grant date fair value of restricted stock units granted during 2009 and 2008 was \$13.63 and \$28.74 respectively.

The average monthly exchange rate at the year end was \$1.56/£1.

The opening exchange rate was \$1.51/£1.

The closing exchange rate was \$1.62/£1.

Pll Limited

Notes to the financial statements

24 Share based payments (continued)

(c) Expense arising from share based payment transactions

	2009 £000	2008 £000
Share options	62	(3)
Restricted stock units	40	6
	<u>102</u>	<u>3</u>

25 Ultimate parent undertaking and controlling party

The company's immediate parent undertaking is Pll Group Limited, a company registered in England and Wales

The smallest and largest group in which the results of the company are consolidated is that headed by its ultimate parent undertaking, General Electric Company, a company incorporated in the United States of America. The consolidated financial statements of this company are available to the public and may be obtained from 3135 Easton Turnpike, Fairfield, Connecticut, 06828, USA or at www.ge.com