PII Limited
Directors' report and financial statements

for the 12 months ending 31 December 2016
Registered number: 03424425

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

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

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

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

Business review and results
There was a profit for the year after taxation amounting to £2,642,000 (2015: £4,851,000) and sales of £50,570,000 (2015: £51,121,000).

As at 31 December 2016 the company had net assets of £45,176,000 (2015: £59,750,000).

The directors cannot recommend the payment of a dividend.

Key Performance Indicators (KPI's)

	2016	2015	**Definition, method of calculation**
Growth in sales (%)	**-1.1%**	8.4%	Year on year sales growth expressed as a percentage. The growth in sales is in line with our expectations due to the contract nature of the business.
Gross margin (%)	**53.0%**	50.2%	Gross margin is the ratio of gross profit before exceptional items and goodwill amortisation to sales expressed as a percentage.
Return on invested capital (%)	**7.6%**	5.2%	Operating profit/(loss) on continuing operations expressed as a percentage of net assets.

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.

Financial risk management
Please refer to financial risk management disclosures in note 18.

Future outlook
During 2016, the focus was to continue to deliver a quality product for our customers whilst at the same time improving productivity and profitability. We still feel that new technology will be the differentiator in the market and we have continued our focused approach to technology development. As we move forward, our focus will continue to be on quality and safety whilst delivering cost effective products to the market.

On 3 July 2017 the Company's ultimate 50% shareholder, Al Shaheen Energy Services Limited, was purchased by Vetco Gray LLC, a wholly owned subsidiary of Baker Hughes a GE Company. Accordingly the Company is now ultimately controlled by General Electric Company.

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

S Chadda
Director

Atley Way
Cramlington
Northumberland
NE23 1WW

Date: 18/8/17

The directors present their report together with the audited financial statements for the year ended 31 December 2016.

Directors
The present membership of the Board is set out below:
M Bellamy
S Chadda
K Johnson

Disclosure of information to the auditor
The directors confirm that:

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

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

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

S Chadda
Director

Atley Way
Cramlington
Northumberland
NE23 1WW

Date: 18/8/17

The directors are responsible for preparing the Strategic Report, 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 International Financial Reporting Standards ("IFRS") as adopted by the European Union and as issued by the International Accounting Standards Board. 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 and 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 IFRS have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PII LIMITED

We have audited the financial statements of PII Limited for the year ended 31 December 2016, set out on pages 9 to 41. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the EU.

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

Respective responsibilities of directors and auditor
As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.
Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:
- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

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.

Rachel Fleming

Rachel Fleming (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

Date: 18/8/17

PII LIMITED
INCOME STATEMENT
For the year ended 31 DECEMBER 2016

	Note	2016 £'000	2015 £'000
Revenue	1	**50,570**	51,121
Cost of sales		**(23,784)**	(25,479)
Gross profit		**26,786**	25,642
Administrative costs		**(23,716)**	(22,831)
Other operating income	2	**350**	316
Operating profit	3	**3,420**	3,127
Financial income	6	**182**	183
Financial expense	7	**(90)**	(95)
Profit before taxation		**3,512**	3,215
Taxation	8	**(870)**	1,636
Profit for the year		**2,642**	4,851

All transactions arise from continuing operations.

PII LIMITED
STATEMENT OF TOTAL COMPREHENSIVE INCOME
For the year ended 31 DECEMBER 2016

	Note	**2016**	2015
		£'000	£'000
Profit for the year		**2,642**	4,851
Other comprehensive income			
Re-measurement of defined benefit liability	17	**(17,350)**	1,181
Total other comprehensive income		**(17,350)**	1,181
Total comprehensive income for the year		**(14,708)**	6,032

PII LIMITED
BALANCE SHEET
As at 31 DECEMBER 2016

	Note	**2016**	2015
		£'000	£'000
Non-current assets			
Intangible assets	9	**20,539**	21,148
Plant property and equipment	10	**13,147**	12,246
Deferred taxes	11	**1,890**	1,890
Other financial assets	12	**8,497**	8,322
Investment in subsidiaries	13	**18,021**	16,561
		62,094	60,167
Current assets			
Inventories	14	**8,424**	9,630
Trade and other receivables	15	**15,288**	12,763
Cash and cash equivalents		**3,359**	5,489
		27,071	27,882
Total assets		**89,165**	88,049
Current liabilities			
Trade and other payables	16	**(22,127)**	(23,101)
Non-current liabilities			
Defined benefit scheme liability	17	**(21,862)**	(5,198)
Total liabilities		**(43,989)**	(28,299)
Net assets		**45,176**	59,750
Equity			
Share capital	20	**60,675**	60,675
Share based payment reserve		**56**	(78)
Retained earnings		**(15,555)**	(847)
Total equity		**45,176**	59,750

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

S Chadda
Director

Date: 18/8/17

Company registration no. 03424425

PII LIMITED
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 DECEMBER 2016

	Share capital	**Share based payment reserve**	**Retained earnings**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
At 1 January 2015	60,675	283	(6,879)	54,079
Share based payment expense	-	(361)	-	(361)
Ultimate parent company recharges	-	-	-	-
Total transactions with owners	-	(361)	-	(361)
Profit for the year	-	-	4,851	4,851
Other comprehensive income	-	-	1,181	1,181
Total comprehensive income for the year	-	-	6,032	6,032
At 31 December 2015	60,675	(78)	(847)	59,750
At 1 January 2016	60,675	(78)	(847)	59,750
Share based payment expense	-	134	-	134
Ultimate parent company recharges	-	-	-	-
Total transactions with owners	-	134	-	134
Profit for the year	-	-	2,642	2,642
Other comprehensive income	-	-	(17,350)	(17,350)
Total comprehensive income for the year	-	-	(14,708)	(14,708)
At 31 December 2016	**60,675**	**56**	**(15,555)**	**45,176**

PII LIMITED
STATEMENT OF CASH FLOWS
As at 31 DECEMBER 2016

	2016	2015
	£'000	£'000
Cash flows from operating activities		
Profit for the year	**2,642**	4,851
Adjustments for:		
Depreciation, amortisation and impairment	**3,392**	3,235
Loss on disposal of property, plant and equipment	**24**	80
Net financial income	**(92)**	(88)
Taxation	**870**	(1,636)
Working capital changes:		
(Increase)/decrease in trade and other receivables	**(2,525)**	110
Decrease/(increase) in inventories	**1,206**	(166)
(Decrease)/Increase in trade and other payables	**(1,365)**	2,123
Decrease in provisions and employee benefits	**(552)**	(1,014)
Tax paid	**(804)**	(953)
Net cash from operating activities	**2,796**	6,542
Cash flows from investing activities		
Interest received	**7**	-
Investment in subsidiary	**(1,135)**	-
Acquisition of property, plant and equipment	**(2,734)**	(2,255)
Acquisition of other intangible assets	**(974)**	(415)
Net cash from investing activities	**(4,836)**	(2,670)
Cash flows from financing activities		
Interest paid	**(90)**	(95)
Net cash from financing activities	**(90)**	(95)
Net (decrease)/increase in cash and cash equivalents	**(2,130)**	3,777
Cash and cash equivalents at 1 January	**5,489**	1,712
Cash and cash equivalents at 31 December	**3,359**	5,489

1. Accounting Policies

Basis of Preparation
These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements have been prepared under the historical cost convention and prepared in accordance with the accounting policies detailed below.

These financial statements are presented in Pound Sterling (£), rounded to the nearest thousand, which is also the functional currency of the company.

The accounting policies set out below have been applied consistently throughout the company and to all years presented in these accounts and are unchanged from previous years with the exception of the adoption of the following relevant standards, amendments and interpretations:

- Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38.
- Equity Method in Separate Financial Statements – Amendments to IAS 27.
- Annual Improvements to IFRSs – 2012-2014 Cycle.
- Disclosure Initiative – Amendments to IAS 1.

The adoption of the above has not had a significant impact on the company's profit or equity.

IFRS available for early adoption not yet applied
The following standards and amendments to standards which will be relevant to the company, were available for early adoption but have not been applied to these accounts:

- IFRS 9 Financial Instruments.
- IFRS 15 Revenue from Contracts with Customers.

The Company is in the process of assessing the impact on the financial statements from the adoption of these new and revised standards.

Presentation of financial statements in accordance with IAS1 (Amended 2011)
These financial statements are presented in accordance with IAS1 Presentation of Financial Statements (Amended 2011). The company has elected to present the 'Statement of Comprehensive Income' in two statements.

Critical accounting estimates and judgements
The company makes estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In the future, actual experience may deviate from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year relate to the carrying value of intangible assets and the actuarial assumptions for defined benefit liabilities in the statements of financial position.

Carrying value of intangibles
The carrying value of goodwill and indefinite life intangibles are assessed at least annually to ensure that there is no need for impairment. Other intangibles are assessed where there is an indicator of impairment. Performing this assessment requires management to estimate future cash flows to be generated by the related cash generating unit, which entails making judgements including the expected rate of growth of sales, margins expected to be achieved, the level of future capital expenditure required to support these outcomes and the appropriate discount rate to apply when valuing future cash flows.

Impairment of goodwill
The company is required to test, at least annually, whether goodwill has suffered any impairment. The recoverable amount is determined based on the value in use calculations. The use of this method requires the estimation of future cash flows attributable to the acquired cash-generating unit and the choice of a suitable discount rate in order to calculate the present value of these cash flows.

Capitalisation of internally developed software
Distinguishing the research and development phases of a new customised software project and determining whether the recognition requirements for the capitalisation of development costs are met requires judgement. After capitalisation, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalised costs may be impaired.

Revenue
Revenue comprises income recognised by the company in respect of goods and services supplied, exclusive of Value Added Tax and trade discounts. This is measured on the following basis:

- revenue from fixed price contracts is recognised in proportion to the value of work performed and includes attributable profit. Depending on the nature of the contact, revenue is recognised as contractually agreed-upon milestones are reached, as reports are delivered or as the work progresses;
- revenue from sales of products and licencing technology is recognised on acceptance by the customer and when the amount of revenue can be measured reliably.

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 is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities. It is subject to annual impairment reviews in accordance with applicable accounting standards.

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.

Impairment of intangible assets (and other non-financial assets)
At each balance sheet date, the company reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement.

Investments in subsidiaries
Investments in subsidiaries are shown at cost less provision for impairment.

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.

Long–term contracts
The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for any losses as soon as they are foreseen.

Contract work in progress is stated at costs incurred, less those transferred to the income statement, after deducting foreseeable losses and payments on account not matched with turnover.

Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account.

Accounts receivable
Accounts receivable are stated at original invoice amount less a provision for any uncollectable amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Cash and cash equivalents
Cash and cash equivalents include cash in hand, deposits held at call with banks, together with other short term highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of change in value.
For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash on hand and cash in bank net of bank overdraft, if any.

Accounts payable and accruals
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Taxation
Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current income tax as and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries, associates and joint ventures is not provided if reversal of these temporary differences can be controlled by the company and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided those rates are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that the underlying tax loss or deductible temporary difference will be utilised against future taxable income. This is assessed based on the company's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the company has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income (such as the revaluation of land) or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

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

Transactions in foreign currencies are translated into Pound Sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the income statement.

Share-based payments
Share options and restricted units over the shares of General Electric Company, the ultimate controlling party are granted to certain employees and executives of the group. The fair value of options and units granted is recognised as an employee expense with a corresponding increase in equity, the 'share based payment 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 'share based payment reserve'.

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 controlling party, General Electric Company, with the group matching the employee's purchases. The company's costs of these purchases are charged to the income statement as incurred.

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 2014.

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 is also a member of a larger pension scheme providing benefits on final pensionable pay. The group pension scheme, GE Pension Plan, covers a number of United Kingdom subsidiary companies of General Electric Company. As PII Limited is not under common control by General Electric, this scheme does not constitute a group pension plan. This scheme is therefore deemed to be a multi-employer pension scheme. Because the company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by IAS 19 'Retirement benefits', the scheme has been accounted for in these financial statements as if the scheme was a defined contribution scheme.

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.

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.

Financial Instruments
Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the Financial Instrument and are measured initially at fair value adjusted for transaction costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities is described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement of financial assets
For the purpose of subsequent measurement financial assets, other than those designated and effective as hedging instruments, are classified into the following categories upon initial recognition:

- loans and receivables;
- financial assets at fair value through profit or loss (FVTPL).

All financial assets except for those at FVTPL are reviewed for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of the counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

The company's financial liabilities include borrowings, trade and other payables. Financial liabilities are measured subsequently at amortised cost using the effective interest method.

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost less provision for any impairment.

Derivative Financial Instruments
Derivative financial instruments are valued at fair value through profit and loss (FVTPL). Assets in this category are measured at fair value with gains and losses recognised in profit or loss. The fair value of financial assets in this category are determined by reference to active transactions or using a valuation technique where no active market exists.

Equity and reserves
Share capital represents the nominal value of shares that have been issued.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

Other components of equity include the following:

- remeasurement of net defined benefit liability - comprises the actuarial losses from changes in demographic and financial assumptions and the return on plan assets;
- share based payment reserve where the credit entry has been taken to equity.

Retained earnings includes all current and prior period retained profits and share-based employee remuneration.

All transactions with owners of the parent are recorded separately within equity.

Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general meeting prior to the reporting date.

Going Concern
The Directors have reviewed the company's forecasts and projections. Taking into account reasonable possible changes in trading performance, and after making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence into the foreseeable future. Accordingly, the Directors view it as appropriate to adopt the going concern basis in preparing the Annual Report and Accounts.

The company meets its day to day working capital through cash flow control. The company is reliant upon the group for financial support. Based upon cash flow projections, the group considers the existing resources to be sufficient to meet its short term commitments.

2. Other operating income

	2016	2015
	£'000	£'000
Research and Development Enterprise Council credit	**317**	294
Office space rental income	**33**	22
	350	316

3. Operating profit

The operating profit is stated after:

	2016	2015
	£'000	£'000
Amortisation of intangibles	**1,583**	1,522
Depreciation of tangible fixed assets	**1,809**	1,713
Operating lease payments	**679**	1,028
Difference on foreign exchange	**1,960**	(221)
Loss on disposal of tangible assets	**24**	80
Auditor's remuneration	**78**	78
Royalties and management charges receivable	**(7,408)**	(7,073)
Research and development expenditure	**3,115**	2,696

4. Staff numbers and costs

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

	2016	2015
	Number	Number
Operations	**135**	139
Administration	**86**	97
	221	236

The aggregate payroll costs of these persons were as follows:

	2016	2015
	£'000	£'000
Wages and salaries	**11,019**	11,935
Social security costs	**952**	903
Share based payment expense (note 23)	**60**	74
Other pension costs (note 17)	**1,884**	2,078
	13,915	14,990

5. Directors' remuneration

	2016	2015
	£'000	£'000
Directors' emoluments	**846**	659
Company pension contributions	**111**	113
	957	772

During the year retirement benefits were accruing to 3 directors (2015: 3) in respect of defined benefit pension schemes.

The highest paid Director received remuneration of £672,525 (2015: £390,981).

The total accrued pension provision of the highest paid director at 31 December 2016 amounted to £53,820 (2015: £50,303).

Key management personnel emoluments:

	2016	2015
	£'000	£'000
Salaries	**654**	668
Other compensation, including short-term benefits	**1,019**	791
	1,673	1,459

6. Financial income

	2016	2015
	£'000	£'000
Bank interest income	**1**	1
Interest income from group undertakings	**181**	182
	182	183

7. Financial expense

	2016	2015
	£'000	£'000
Interest expense from group undertakings	**90**	95

8. Taxation

Recognised in the income statement:

	2016 £'000	2015 £'000
Current year tax charge	**571**	1,056
Foreign tax on income for the year	**794**	1,747
Double tax relief	**(521)**	(989)
Adjustments in respect of prior periods	**26**	(3,450)
Current tax expense/(credit)	**870**	(1,636)
Deferred tax credit	**-**	-
Total tax expense/(credit)	**870**	(1,636)

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

	2016 £'000	2015 £'000
Profit before taxation	**3,512**	3,215
Tax using the United Kingdom corporation tax rate of 20% (2015: 20.25%)	**702**	651
Effects of:		
Adjustments in respect of prior periods	**26**	(3,450)
Expenses disallowable for tax purposes	**41**	(43)
Group relief claim	**(53)**	(44)
Overseas tax	**273**	757
Deduction for overseas tax suffered	**-**	-
Research & development enhanced deduction	**(63)**	-
Effect of previously unrecognised deferred tax	**-**	-
Effect of unrecognised deferred tax on timing differences	**(56)**	496
Schedule 23 deduction on exercise of share options	**-**	(3)
Total tax expense/(credit)	**870**	(1,636)

Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 21% to 20% (effective 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015 and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax balances as at 31 December 2016 have been calculated based on these rates.

9. Intangible fixed assets

	Other	Purchased goodwill	Software assets	Total
	£'000	**£'000**	**£'000**	**£'000**
Cost				
At 1 January 2015	11,008	57,005	4,500	72,513
Additions	-	-	415	415
Disposals	-	-	-	-
At 31 December 2015	11,008	57,005	4,915	72,928
Additions	-	-	974	974
At 31 December 2016	11,008	57,005	5,889	73,902
Amortisation				
At 1 January 2015	6,895	40,246	3,117	50,258
Charge for the year	1,079	-	443	1,522
Disposals	-	-	-	-
At 31 December 2015	7,974	40,246	3,560	51,780
Charge for the year	1,131	-	452	1,583
At 31 December 2016	9,105	40,246	4,012	53,363
Net book value at 31 December 2016	**1,903**	**16,759**	**1,877**	**20,539**
Net book value at 31 December 2015	3,034	16,759	1,355	21,148
Net book value at 1 January 2015	4,113	16,759	1,383	22,255

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.

	2016	2015
Period on which management approved forecasts are based	**1 year**	1 year
Growth rate applied beyond approved forecast period	**2%**	2%
Discount rate	**10%**	10%

Amortisation and impairment charge

The amortisation and impairment charge is recognised in administrative costs.

10. Property, plant and equipment

	Freehold land	Buildings	Tools, machinery equipment	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2015	890	2,189	35,075	38,154
Additions	-	-	2,255	2,255
Disposals	-	-	(717)	(717)
At 31 December 2015	890	2,189	36,613	39,692
Additions	-	-	2,734	2,734
Disposals	-	-	(118)	(118)
At 31 December 2016	890	2,189	39,229	42,308
Depreciation				
At 1 January 2015	-	1,829	24,541	26,370
Charge for the year	-	59	1,654	1,713
Disposals	-	-	(637)	(637)
At 31 December 2015	-	1,888	25,558	27,446
Charge for the year	-	13	1,796	1,809
Disposals	-	-	(94)	(94)
At 31 December 2016	-	1,901	27,260	29,161
Net book value at 31 December 2016	**890**	**288**	**11,969**	**13,147**
Net book value at 31 December 2015	890	301	11,055	12,246
Net book value at 1 January 2015	890	360	10,534	11,784

11. Deferred tax

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

	2016	2015
	£'000	£'000
Current period credit	-	-

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

	2016 £'000	2015 £'000
Capital allowances in excess of depreciation	**1,890**	1,890

Potential deferred tax assets not recognised:

	2016 £'000	2015 £'000
Capital allowances in excess of depreciation	**2,371**	2,580
Short term timing differences	**-**	-
Pension liability	**3,717**	936
Share based payments	**118**	125
Tax losses carried forward	**-**	-
	6,206	3,641

12. Other financial assets

	2016 £'000	2015 £'000
Non-current assets		
Loan to other group undertakings (note 24)	**8,497**	8,322

On 23rd July 2016 PII Limited granted an interest bearing 2 year loan to its immediate parent undertaking PII Group Limited. As at 31st December 2016 the Due From balance consisted of £8,425,057.64 principal loan amount and £71,795.34 of accrued interest based on a rate of 1.92% per annum.

13. Investment in subsidiary

	2016 £'000	2015 £'000
Cost		
At 1 January	**16,561**	16,561
Acquisitions	**1,460**	-
Net book value at 31 December	**18,021**	16,561

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

During the year the Company setup PII Pipeline Science & Technology (Beijing) Co. Ltd, a 100% owned subsidiary.

14. Inventory

	2016 £'000	2015 £'000
Work in progress	**4,943**	5,337
Inspection vehicle spares and consumables	**3,806**	4,936
Less: provision for obsolescence	**(325)**	(643)
	8,424	9,630

15. Trade and other receivables

	2016 £'000	2015 £'000
Trade receivables	**5,153**	5,299
Amounts owed by group undertakings (note 24)	**2,178**	593
Amounts owed by other related parties (note 24)	**4,268**	4,753
Other receivables	**3,319**	1,904
Prepayments and accrued income	**370**	214
	15,288	12,763

The carrying values are considered to be a reasonable approximation of fair value. The effect of discounting trade and other receivables has been assessed and is deemed to be immaterial to the results.

All trade receivable amounts are expected to be recovered in less than 12 months. All of the company's trade and other receivables have been reviewed for indicators of impairment and, where necessary, a provision for impairment provided.

Trade receivables

	2016 £'000	2015 £'000
Trade receivables	**5,174**	5,326
Trade receivables provision	**(21)**	(27)
	5,153	5,299

As at 31 December 2016, the ageing of receivables was as follows:

	2016 £'000	2015 £'000
Less than 60 days	**4,910**	4,802
61 to 90 days	**196**	-
91 to 120 days	-	511
Greater than 120 days	**68**	13
	5,174	5,326

Trade receivables provision

	£'000
At 1 January 2016	**(27)**
Movement in provision in the year	**6**
Balance carried forward at 31 December 2016	**(21)**

16. Trade and other payables

	2016 £'000	2015 £'000
Trade payables	**4,304**	4,794
Amounts owed to group undertakings (note 24)	**5,911**	5,737
Amounts owed to other related parties (note 24)	**1,016**	1,269
Social security and other taxes	**1,093**	552
Other payable and accrued expenses	**9,803**	10,749
	22,127	23,101

The carrying values are considered to be a reasonable approximation of fair value. The effect of discounting trade and other payables has been assessed and is deemed to be immaterial to the results.

The average credit period taken for trade purchases was December 2016: 55 days (December 2015: 59 days).

17. 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 2014. An actuarial valuation for IAS 19 purposes was carried out as at 31 December 2016. The significant assumptions used were as follows:

	2016	2015
Discount rate at 31 December	**2.60%**	3.80%
Retail price index inflation (pre-retirement)	**3.30%**	3.10%
Retail price index inflation (post-retirement)	**3.30%**	3.10%

Other actuarial assumptions

	2016	2015
Future salary increases	**3.30%**	3.10%
Future pension increases - pensions accrued before 1 May 2009	**3.30%**	3.10%
Future pension increases - pensions accrued after 30 April 2009	**3.20%**	3.00%
Future pension increases - pensions accrued after 1 January 2012	**2.30%**	2.30%
Rate of increase for deferred pensioners	**3.30%**	3.10%

Description	**2016**	2015
Mortality (pre-retirement)	**S2PMA/ S2PFA CMI 2015 M/F**	S2PMA/ S2PFA CMI 2014 M/F [1.25%] (yob)
Mortality (post-retirement)	**S2PMA/ S2PFA CMI 2015 model with long term rate of improvement of 1.25%**	S2PMA/ S2PFA CMI 2014 model with long term rate of improvement of 1.25%
Cash commutation	**Members are assumed to commute 20% of their pension**	Members are assumed to commute 20% of their pension

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

- current pensioner aged 65: 22.2 years (male), 24.2 years (female);
- future retiree upon reaching 65 in 20 years: 23.9 years (male), 26.1 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:

		2016		2015
	Market Value £000	**% of total scheme assets**	Market Value £000	% of total scheme assets
Equities	**47,385**	**55%**	47,351	60%
Bonds	**8,694**	**10%**	7,530	10%
Gilts	**30,014**	**35%**	23,552	30%
Cash	**151**	**0%**	410	0%
Total	**86,244**	**100%**	78,843	100%
Actual return on assets	**8,323**		340	

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

	2016	2015
	£'000	£'000
Fair value of scheme assets	**86,244**	78,843
Present value of funded obligations	**(108,106)**	(84,041)
Net liability	**(21,862)**	(5,198)

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

	2016	2015
	£'000	£'000
Opening defined benefit obligation	**84,041**	85,773
Current service cost	**1,003**	1,134
Interest cost	**3,160**	3,153
Contributions by scheme participants	**19**	24
Actuarial gains: experience differing from that assumed	**(1,999)**	(2,210)
Actuarial (gains)/losses: changes in demographic assumptions	**(439)**	30
Actuarial losses/(gains): changes in financial assumptions	**25,132**	(1,570)
Benefits paid	**(2,811)**	(2,293)
Closing defined benefit obligation	**108,106**	84,041

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

	2016	2015
	£'000	£'000
Opening fair value of scheme assets	**78,843**	78,741
Interest income	**2,979**	2,909
Actual return on assets less interest	**5,344**	(2,569)
Contributions by employer	**2,053**	2,172
Contributions by scheme participants	**19**	24
Benefits paid	**(2,811)**	(2,293)
Administration costs	**(183)**	(141)
Closing fair value of scheme assets	**86,244**	78,843

The amounts recognised in profit or loss are as follows:

	2016	2015
	£'000	£'000
Current service cost	**1,003**	1,134
Administration costs	**183**	141
Net interest cost	**181**	244
Amount charged to profit and loss	**1,367**	1,519

Amounts recognised in other comprehensive income:

	2016 £'000	2015 £'000
Remeasurement of defined benefit asset/liability	(17,350)	1,181
Amount recognised in other comprehensive income	(17,350)	1,181

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

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

Investment risk
The plan assets at 31 December 2016 are predominantly equity and debt instruments. The fair value of the plan assets are therefore directly exposed to movements in associated markets.

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

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

Defined contribution scheme
The company is also a member of a larger GE group wide pension scheme providing benefits based on final pensionable pay. The GE group pension scheme, GE Pension Plan, covers a number of United Kingdom subsidiary companies of General Electric Company. As the company is not under common control by General Electric, this scheme is considered to be a multi-employer scheme. Because the company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, 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 and Wales.

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

During the year the company contributed £517,000 (2015: £559,000) to the GE Pension Plan.

18. Financial instruments

Financial risk management

The company's financial instruments compromise cash and short term deposits, bank overdrafts and various items such as trade receivables and trade payables that arise directly from its operations. The principal financial risks faced by the Company are liquidity, foreign currency, credit and interest rate risks. The policies and strategies for managing these risks are summarised as follows:

Liquidity risk

Liquidity risk represents the company's ability to meet its contractual obligations. The company evaluates its liquidity requirements on an on-going basis and as part of the wider group. In general, the group generates sufficient cash flows from its operating activities to meet its financial liabilities.

The company meets its day to day working capital through cash flow control. The company is reliant upon the group for financial support. Based upon cash flow projections, the group considers the existing resources to be sufficient to meet its short term commitments.

The company's exposure to liquidity risk arises from trade accounts payable. All contractual cash flows from trade accounts payable are the same as the carrying value of the liability due to their short-term nature.

The company only holds significant funds in institutions with high credit ratings in accordance with Standard and Poor's classification. The company held the following funds with the following institutions:

	Rating	**2016 £'000**	2015 £'000
Barclays	A-1	**2,899**	4,766
HSBC (Middle East)	Not Rated	**433**	500
SocGen Algerie	Not Rated	**-**	1
Westpac	Not Rated	**27**	24
Bank of China	Not Rated	**-**	198
		3,359	5,489

Foreign currency risk

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. The company utilises forward contracts where necessary to provide certainty.

All gains and losses are recognised in the income statement on translation at the balance sheet date.

The company had the following exposure to foreign currency.

2016

	Cash and Cash Equivalents	**Trade Receivables**	**Trade Payables**	**Due to related parties**	**Due from related parties**	**Forward Exchange Contracts**	**Balance Sheet Exposure**
AED	-	43.6	-	(5.8)	-	-	37.8
AUD	160.2	1,673.5	(126.6)	(26.2)	-	(1,038.3)	642.6
CAD	47.4	-	(51.0)	(403.3)	-	-	(406.9)
DKK	9.1	-	-	-	458.3	-	467.4
DZD	0.2	-	-	-	-	-	0.2
EGP	1.5	39.4	(12.3)	-	-	-	28.6
EUR	519.6	696.6	(43.4)	(212.1)	54.5	(2,838.9)	(1,823.7)
MYR	-	0.3	-	(92.3)	-	-	(92.0)
QAR	415.1	3,576.7	(553.1)	(263.5)	-	(1,278.6)	1,896.6
USD	2,178.6	2,105.4	(974.5)	(816.9)	99.3	(10,680.8)	(8,088.9)

2015

	Cash and Cash Equivalents	Trade Receivables	Trade Payables	Due to related parties	Due from related parties	Forward Exchange Contracts	Balance Sheet Exposure
AED	0.1	65.4	-	(30.4)	-	-	35.1
AUD	165.6	180.9	(71.8)	(61.1)	-	(779.0)	(565.4)
CAD	108.2	-	(15.5)	(97.3)	85.0	223.3	303.7
DKK	115.9	93.0	-	-	-	(240.2)	(31.3)
DZD	0.8	-	(2.0)	-	-	-	(1.2)
EGP	6.7	114.4	-	-	-	-	121.1
EUR	689.3	1,032.3	(126.2)	(4,727.7)	60.7	2,796.4	(275.2)
MYR	-	0.3	(18.5)	(70.7)	-	-	(88.9)
QAR	458.2	4,461.5	(684.5)	(219.8)	-	(11,967.6)	(7,952.2)
USD	3,924.4	3,565.7	(1,184.7)	(529.4)	212.8	(25,005.4)	(19,016.6)

Sensitivity analysis

The table below illustrates the estimated impact on profit or loss as a result of market movements in exchange rate.

Impact on income statement and equity

	2016	2015
	£'000	£'000
10% increase in favour of AED	**3.8**	3.5
10% increase in favour of AUD	**64.3**	(56.5)
10% increase in favour of CAD	**(40.7)**	30.4
10% increase in favour of DKK	**46.7**	(3.1)
10% increase in favour of DZD	**0.0**	(0.1)
10% increase in favour of EGP	**2.9**	12.1
10% increase in favour of EUR	**(182.4)**	(27.5)
10% increase in favour of MYR	**(9.2)**	(8.9)
10% increase in favour of QAR	**189.7**	(795.2)
10% increase in favour of USD	**(808.9)**	(1,901.7)

Credit risk

In the normal course of its business, the company incurs risk from cash and trade receivables. The company has a credit policy that is used to manage this exposure to credit risk. The company's financial instruments do not have significant concentration of risk with any single party.

Interest rate risk

The company does not have a significant exposure to interest rate fluctuations as it has no borrowings or loans.

No sensitivity modelling has been presented in this report as the company's exposure to interest rate fluctuations is minimal.

Financial assets and liabilities

The IAS 39 categories of financial assets and liabilities included in the balance sheet are as follows:

	Loans and receivables	Amortised cost	Fair value through profit and loss	Total
	£'000	£'000	£'000	£'000
31 December 2016				
Current assets				
Cash	3,359	-	-	3,359
Trade receivables	5,153	-	-	5,153
Amounts owed by group undertakings	2,178	-	-	2,178
Amounts owed by other related parties	4,268	-	-	4,268
Other receivables	1,219	-	-	1,219
Accrued income	370	-	-	370
Fair value of derivative instruments	-	-	2,100	2,100
Current liabilities				
Trade accounts payable	-	(4,304)	-	(4,304)
Amounts owed to group undertakings	-	(5,911)	-	(5,911)
Amounts owed to other related parties	-	(1,016)	-	(1,016)
Other payable and accrued expenses	-	(3,438)	-	(3,438)
Fair value of derivative instruments	-	-	(1,805)	(1,805)
31 December 2015				
Current assets				
Cash	5,489	-	-	5,489
Trade receivables	5,299	-	-	5,299
Amounts owed by group undertakings	593	-	-	593
Amounts owed by other related parties	4,753	-	-	4,753
Other receivables	1,635	-	-	1,635
Accrued income	25	-	-	25
Fair value of derivative instruments	-	-	269	269
Current liabilities				
Trade accounts payable	-	(4,794)	-	(4,794)
Amounts owed to group undertakings	-	(5,737)	-	(5,737)
Amounts owed to other related parties	-	(1,269)	-	(1,269)
Other payable and accrued expenses	-	(2,534)	-	(2,534)
Fair value of derivative instruments	-	-	(464)	(464)

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 : inputs other than quoted prices included within level 1 that are observable for the assets or liabilities either directly or indirectly.
- Level 3 : unobservable inputs for the assets or liability.

The derivatives in the company relates to US$ dominated contracts where it is not the functional currency of the company nor the other party. This has been deemed to be a level 2 financial investment.

The company also holds forward rate exchange contracts that are classed as level 2.

19. Capital risk management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and other stakeholders and to maintain a capital structure that optimises the cost of capital.

20. Share capital

	2016	2015
	£'000	£'000
Allotted, called up and fully paid		
60,675,140 ordinary shares of £1 each	**60,675**	60,675

21. Contingent assets/liabilities

In the course of business the company has provided guarantee bonds to certain customers. £4,733,499 was outstanding under these bonds at the end of the financial year (2015: £5,498,287).

22. Operating leases

At the year end the company's total future minimum lease payments by period in which payable under non-cancellable operating leases are set out below:

	2016	2015
	£'000	£'000
Within one year	**524**	382
Between one and five years	**1,619**	1,149
Over 5 years	**-**	-
	2,143	1,531

Leases as lessor

The inspection tools and equipment are leased under operating leases. The future minimum lease payments under non-cancellable leases are as follows:

	2016	2015
	£'000	£'000
Within one year	**130**	130
Between one and five years	**-**	130
Over 5 years	**-**	-
	130	260

23. Share based payments charge

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 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 General Electric Company for no consideration. Restricted stock units vest over various service periods beginning three years from the 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 prices of share options are as follows:

	2016		2015	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
	$		$	
Outstanding at the beginning of the year	**21.67**	**160,825**	21.36	149,275
Granted during the year	**29.62**	**7,500**	24.95	12,000
Forfeited during the year	**33.97**	**(3,000)**	26.10	(1,000)
Exercised during the year	**19.14**	**(83,700)**	17.43	(2,750)
Employee transfers	**26.1**	**(3,000)**	21.77	3,300
Outstanding at the end of the year	**24.5**	**78,625**	21.67	160,825

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The fair value of employee share options is measured by using the Black-Scholes Model. Measurement inputs and assumptions are as follows:

	2016	2015
Weighted average share price	**$29.56**	$26.28
Exercise price	**$23.17**	$20.22
Expected volatility (expressed as a percentage used in the modelling under Black-Scholes model)	**20%**	25%
Expected dividends	**3.4%**	3.4%
Option life (maximum)	**6.45 years**	6.8 years
Risk free interest rate (based on national government bonds)	**1.4%**	2.0%

The expected volatility is wholly based on the historic volatility (calculated based on the weighted average remaining life of the share options).

All options are share settled and there are no performance conditions attached to the options.

Amounts expensed for the year from share-based payments are as follows:

	2016	2015
	£'000	£'000
Options granted in the year	**60**	74
Restricted stock units granted in the year	**-**	-
	60	74

The share-based payments charge is a non-cash item.

b) Restricted stock units

The total number of restricted stock units granted during the year was 1,500 (2015: nil).

The fair value of each restricted stock unit is the market price of our stock on the date of grant. The weighted average grant date fair value of the RSUs granted during 2016, 2015 and 2014 was $30.20, $25.79 and $26.08 respectively.

The average monthly exchange rate during the year was $1.38:£1.

The opening exchange rate was $1.52:£1.

The closing exchange rate was $1.25:£1.

24. 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.

Related party transactions with General Electric (JV Partner in the ultimate parent company, PII Group Limited) for the year ended 31 December 2016 included in the statement of income are as follows:

	2016 Revenue £'000	2016 Cost £'000	2015 Revenue £'000	2015 Cost £'000
GE	**4**	**8,478**	13	7,676

Balances with General Electric at 31 December 2016 are as follows:

	2016 Due to £'000	2016 Due from £'000	2015 Due to £'000	2015 Due from £'000
GE	**822**	**14**	1,130	-

Related party transactions with Qatar Petroleum (JV Partner in the ultimate parent company, PII Group Limited) and its subsidiaries for the year ended 31 December 2016 included in the statement of comprehensive income are as follows:

	2016 Revenue £'000	2016 Cost £'000	2015 Revenue £'000	2015 Cost £'000
Dolphin Energy Limited	**86**	-	47	-
Qatar Gas Operating Company Ltd	**1,234**	-	825	-
Qatar Petroleum Development Co Ltd	**9,987**	**730**	8,699	629
Ras Laffan Liquefied Natural Gas Co Ltd	**1,094**	-	653	-
	12,401	**730**	10,224	629

Balances with Qatar Petroleum and its subsidiaries at 31 December 2016 are as follows:

	2016 Due to £'000	2016 Due from £'000	2015 Due to £'000	2015 Due from £'000
Dolphin Energy Limited	-	-	-	15
Qatar Gas Operating Company Ltd	-	**446**	-	450
Qatar Petroleum Development Co Ltd	**194**	**3,352**	139	4,247
Ras Laffan Liquefied Natural Gas Co Ltd	-	**456**	-	41
	194	**4,254**	139	4,753

Related party transactions with PII Group Companies for the year ended 31 December 2016 included in the statement of income are as follows:

	2016 Revenue £'000	**2016 Cost £'000**	2015 Revenue £'000	2015 Cost £'000
PII Pipetronix GmbH	**1,549**	**2,159**	1,718	3,152
PII (Canada) Ltd	**2,161**	**2,201**	2,770	1,979
PII North America LLC	**10,426**	**4,397**	9,442	2,728
	14,136	**8,757**	13,930	7,859

Balances with PII Group Companies at 31 December 2016 are as follows:

	2016 Due to £'000	**2016 Due from £'000**	2015 Due to £'000	2015 Due from £'000
PII Pipetronix GmbH	**4,117**	**62**	4,705	71
PII Group Ltd	**-**	**9,571**	593	8,346
PII Pipeline Science & Technology (Beijing) Co., Ltd.	**489**	**-**	-	-
PII (Canada) Ltd	**410**	**1,042**	107	115
PII North America LLC	**895**	**-**	332	383
	5,911	**10,675**	5,737	8,915

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

There are no other related party transactions.

25. Ultimate parent company

The Company's immediate parent undertaking and controlling party is PII Group Limited, a company registered in England and Wales. PII Group Limited is a joint venture between General Electric Company and Qatar Petroleum. In the opinion of the directors the ultimate controlling party is General Electric Company.

The largest group in which the results of the company are consolidated is that headed by General Electric Company, incorporated in the United States of America. The consolidated financial statements of this group are available to the public and may be obtained from 41 farnsworth street, Boston, MA, 02210, USA or at www.ge.com.

The smallest group in which the results of the company are consolidated is that headed by PII Group Limited. The consolidated financial statements of this group are available to the public and may be obtained from Atley Way, North Nelson Industrial Estate, Cramlington, Northumberland, NE23 1WW, UK.

26. Post balance sheet events

On 3 July 2017 the Company's ultimate 50% shareholder, Al Shaheen Energy Services Limited, was purchased by Vetco Gray LLC, a wholly owned subsidiary of Baker Hughes a GE Company. Accordingly the Company is now ultimately controlled by General Electric Company.