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**NOV PROCESS & FLOW TECHNOLOGIES UK LIMITED**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**



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**NOV PROCESS & FLOW TECHNOLOGIES UK LIMITED**

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**COMPANY INFORMATION**

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<b>Directors</b>	A J Fleming R Oudendijk
<b>Company secretary</b>	A M Sloan
<b>Registered number</b>	00300721
<b>Registered office</b>	Stonedale Road Oldends Lane Industrial Estate Stonehouse Gloucestershire GL10 3RQ
<b>Independent auditors</b>	Ernst & Young LLP 1 Bridgewater Place Water Lane Leeds LS11 5QR

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**NOV PROCESS & FLOW TECHNOLOGIES UK LIMITED**

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## NOV PROCESS & FLOW TECHNOLOGIES UK LIMITED

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### STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

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#### Introduction

The directors present their Strategic Report for the year ended 31 December 2017.

#### Business review

The company's principal activities during the year were the manufacturing and sale of pumping and waste water equipment in the oil and other industry markets as well as machining, non-destructive testing, fabrication, fitting and assembly work.

The global oil and gas supply market continues to be hit very hard by the lower oil prices throughout the year and this has had a negative impact on trading within all divisions of the company.

#### Principal risks and uncertainties

##### *Market risks*

The sale of waste water equipment is largely transacted under medium term supply agreements. Renewal of these agreements is uncertain and largely based on financial and performance criteria. The demand for pumps and associated spares is partly influenced by macroeconomic factors, which the company cannot influence.

The sales of oilfield equipment correlate strongly with the price of oil and drilling activity, which is outside the company's control.

##### *Foreign exchange risk*

The company is exposed to foreign currency exchange rate fluctuations, primarily between sterling and the US dollar. The company uses forward foreign currency contracts to reduce this exposure. The directors do not consider the fair value of the contracts in place at 31 December 2017 and 31 December 2016 to be materially different to the issue cost.

Most oilfield sales are denominated in US dollars and so fluctuations in that currency during the year will directly affect margins when those sales are translated into pounds sterling.

##### *Other risks and uncertainties*

In common with many other manufacturing companies, the increase in the cost of raw materials, particularly steel, is putting margins under pressure.

#### Financial key performance indicators

The company's key financial performance indicators during the year were as follows:

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Turnover	<b>66,498</b>	<b>61,150</b>
Gross profit	<b>8,046</b>	<b>9,609</b>
(Loss)/profit before taxation	<b>(1,746)</b>	<b>3,860</b>
Equity shareholders' funds	<b>22,789</b>	<b>21,196</b>

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NOV PROCESS & FLOW TECHNOLOGIES UK LIMITED

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STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2017

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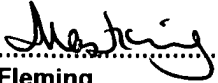
The results for the financial year ended 31 December 2017 are largely in line with the prior year. The business managed to generate a higher turnover (increase of 9% compared to 2016), however cost of sales also increased resulting in the reduction in gross margin from 16% in 2016 to 12% in 2017.

Operating costs base is still quite high and fully absorbs gross profit, creating operating loss in both years. However, in 2016 the company had a large gain on sale of land and buildings which resulted in overall profitability in the year ended 31 Dec 2016. In the current year the company is loss making overall and loss before tax amounted to £1,746,000.

Despite making a loss for the year, the company's shareholders' funds have increased by 8% compare to 2016 mainly due to the actuarial gains recorded in Other Comprehensive income.

The directors acknowledge that it was a difficult business environment during 2017, however they strongly believe that the company is very well placed to take advantage of opportunities that will arise when a sustained recovery in the oil price occurs.

This report was approved by the board on 28 June 2018 and signed on its behalf.

  
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**A J Fleming**  
Director

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**NOV PROCESS & FLOW TECHNOLOGIES UK LIMITED**

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**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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The directors present their report and the financial statements for the year ended 31 December 2017.

**Results and dividends**

The loss for the year, after taxation, amounted to £1,846,000 (2016 - profit £3,670,000).

The directors do not propose the payment of a dividend (2016 - £nil).

**Directors**

The directors who served during the year were:

A J Fleming  
R Oudendijk

**Future developments**

The directors believe that despite the global oil industry downturn witnessed during 2017 and 2018, turnover and profitability of the company will be strong during the coming years due to the high quality and service levels provided by the company and the benefits of being part of a growing global group.

**Research and development activities**

The company continues to develop and enhance its product offering across all sectors. The total research and development spend in 2017 was £78,000 (2016 - £159,000).

**Employee involvement**

The company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the company. This is achieved through formal and informal meetings. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

**Disabled employees**

The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a disabled person.

Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training, career development and promotion to disabled employees wherever appropriate.

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## NOV PROCESS & FLOW TECHNOLOGIES UK LIMITED

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### DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

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#### Financial instruments risks

The company's operations expose it to a variety of financial risks that include the effects of interest rate risk, liquidity risk, credit risk and price risk.

##### *Interest rate risk*

Exposure to interest rate risk is limited to movements in the UK and US base rates. However, as the company has no external debt other than its bank overdraft, its exposure to interest rate risk is considered low.

##### *Liquidity risk*

The company has available cash reserves along with utilising a bank overdraft facility. The company has no other external debt. As such, the directors consider the company's exposure to liquidity risk to be low.

##### *Credit risk*

The company does have an element of credit risk attributable to its trade receivables, but is rigorous in its financial appraisal of potential customers before entering into sales contracts. The company has a large and geographically diverse customer base which also mitigates the potential exposure on receivables. The amounts presented in the balance sheet are shown net of provisions for doubtful receivables. An allowance for impairment has been made where there is an identifiable loss event, or the likelihood of failure to be able to collect amounts based on previous experience and the current business situation for specific customers.

##### *Price risk*

With reference to the business review within the strategic report, the decline in oil price witnessed throughout 2017 continues to impact the market at large. The directors believe that the company is well placed to mitigate against this risk due to its diversity of product and flexibility of service.

#### Going concern

The financial statements have been prepared under the going concern basis, notwithstanding the company has net current liabilities. The directors believe this basis to be appropriate as the parent company has provided the company with an undertaking that for at least a year from the date of approval of these financial statements, it will continue to make available such funds as are needed by the company to allow it to continue in operational existence and to meet its liabilities as they fall due for payment. It has further undertaken that it will act to ensure that repayment is not sought for at least a year from the date of signature of these financial statements of any amounts made available to the company by fellow group undertakings.

As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so. Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from this basis of preparation being inappropriate.

#### Disclosure 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 the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

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**NOV PROCESS & FLOW TECHNOLOGIES UK LIMITED**

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**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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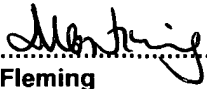
**Post balance sheet events**

There have been no significant events affecting the company since the year end.

**Auditors**

Under section 487 of the Companies Act 2006, Ernst & Young LLP will be deemed to have been re-appointed as auditors of the company.

This report was approved by the board on 28 June 2018 and signed on its behalf.

  
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**A J Fleming**  
Director



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**NOV PROCESS & FLOW TECHNOLOGIES UK LIMITED**

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**DIRECTORS' RESPONSIBILITIES STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the company's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 to 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 AUDITORS' REPORT TO THE SHAREHOLDERS OF NOV PROCESS & FLOW TECHNOLOGIES UK LIMITED**

### **Opinion**

We have audited the financial statements of NOV Process & Flow Technologies UK Limited for the year ended 31 December 2017, which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 30, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 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.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Other information**

The other information comprises the information included in the Annual Report and Financial Statements, other than the financial statements and our Auditors' Report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF NOV PROCESS & FLOW  
TECHNOLOGIES UK LIMITED (CONTINUED)**

explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

**Opinion on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which 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.

**Responsibilities of directors**

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF NOV PROCESS & FLOW  
TECHNOLOGIES UK LIMITED (CONTINUED)**

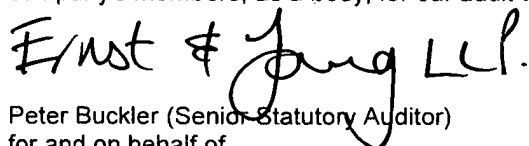
**Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditors' Report.

**Use of our report**

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.



Peter Buckler (Senior Statutory Auditor)  
for and on behalf of  
**Ernst & Young LLP, Statutory Auditor**  
Leeds

2 July 2018

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**NOV PROCESS & FLOW TECHNOLOGIES UK LIMITED**

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**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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	Note	2017 £000	2016 £000
Turnover	4	66,498	61,150
Cost of sales		<b>(58,452)</b>	<b>(51,541)</b>
<b>Gross profit</b>		<b>8,046</b>	<b>9,609</b>
Distribution costs		<b>(3,386)</b>	<b>(3,217)</b>
Administrative expenses		<b>(5,535)</b>	<b>(6,612)</b>
Other operating income		<b>135</b>	<b>135</b>
<b>Operating loss</b>	5	<b>(740)</b>	<b>(85)</b>
(Loss)/profit on sale of tangible assets		<b>(323)</b>	<b>4,103</b>
<b>(Loss)/profit on ordinary activities before interest</b>		<b>(1,063)</b>	<b>4,018</b>
Interest receivable and similar income	9	-	24
Interest payable and similar expenses	10	<b>(552)</b>	<b>(88)</b>
Other finance costs	11	<b>(131)</b>	<b>(94)</b>
<b>(Loss)/profit before tax</b>		<b>(1,746)</b>	<b>3,860</b>
Tax on (loss)/profit	12	<b>(100)</b>	<b>(190)</b>
<b>(Loss)/profit for the financial year</b>		<b>(1,846)</b>	<b>3,670</b>

The notes on pages 14 to 42 form part of these financial statements.

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NOV PROCESS & FLOW TECHNOLOGIES UK LIMITED

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STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2017

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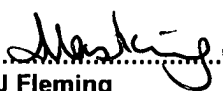
	Note	2017 £000	2016 £000
(Loss)/profit for the financial year		(1,846)	3,670
<b>Other comprehensive income</b>			
Actuarial gain/(loss) on defined benefit schemes	26	5,926	(4,371)
Change in irrecoverable plan surplus not recognised	26	(2,456)	(15)
Gain on derivative financial instruments		-	17
Movement on deferred tax relating to pension schemes	19	(659)	842
<b>Other comprehensive income for the year</b>		<b>2,811</b>	<b>(3,527)</b>
<b>Total comprehensive income for the year</b>		<b>965</b>	<b>143</b>

**NOV PROCESS & FLOW TECHNOLOGIES UK LIMITED**  
**REGISTERED NUMBER: 00300721**

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2017**

	Note	2017 £000	2016 £000
<b>Fixed assets</b>			
Intangible assets	13	233	333
Tangible assets	14	31,774	33,063
Investments	15	501	501
		<u>32,508</u>	<u>33,897</u>
<b>Current assets</b>			
Stocks	16	11,065	15,229
Debtors: amounts falling due within one year	17	17,218	21,594
Cash at bank and in hand		1,550	3,743
		<u>29,833</u>	<u>40,566</u>
Creditors: amounts falling due within one year	18	(38,390)	(46,445)
<b>Net current liabilities</b>		<u>(8,557)</u>	<u>(5,879)</u>
<b>Total assets less current liabilities</b>		<u>23,951</u>	<u>28,018</u>
<b>Provisions for liabilities</b>			
Other provisions	20	(422)	(783)
Defined benefit pension liability	26	(740)	(6,039)
<b>Net assets</b>		<u><u>22,789</u></u>	<u><u>21,196</u></u>
<b>Capital and reserves</b>			
Called up share capital	21	500	500
Share based payment reserve	22	2,848	2,220
Merger reserve	22	(10,716)	(10,716)
Profit and loss account		30,157	29,192
		<u>22,789</u>	<u>21,196</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 28 June 2018.

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**A J Fleming**  
 Director

The notes on pages 14 to 42 form part of these financial statements.

NOV PROCESS & FLOW TECHNOLOGIES UK LIMITED

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2017

	Called up share capital £000	Share based payment reserve £000	Revaluation reserve £000	Merger reserve £000	Profit and loss account £000	Total equity £000
<b>At 1 January 2016 (restated) (note 22)</b>	500	1,753	72	(10,716)	28,977	20,586
<b>Comprehensive income for the year</b>						
Profit for the year	-	-	-	-	3,670	3,670
Actuarial losses on pension scheme (note 26)	-	-	-	-	(4,386)	(4,386)
Gain on derivative financial instruments	-	-	-	-	17	17
Deferred tax relating to pension scheme	-	-	-	-	842	842
<b>Total comprehensive income for the year</b>	-	-	-	-	143	143
Share based payments (note 23)	-	467	-	-	-	467
Revaluation reserve movement	-	-	(72)	-	72	-
<b>At 1 January 2017</b>	500	2,220	-	(10,716)	29,192	21,196
<b>Comprehensive income for the year</b>						
Loss for the year	-	-	-	-	(1,846)	(1,846)
Actuarial gains on pension schemes (note 26)	-	-	-	-	3,470	3,470
Deferred tax relating to pension scheme (note 19)	-	-	-	-	(659)	(659)
<b>Total comprehensive income for the year</b>	-	-	-	-	965	965
Share based payments (note 23)	-	628	-	-	-	628
<b>At 31 December 2017</b>	500	2,848	-	(10,716)	30,157	22,789



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## NOV PROCESS & FLOW TECHNOLOGIES UK LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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#### 1. General information

NOV Process & Flow Technologies UK Limited is a limited liability company incorporated in England and Wales. The Registered office is Stonedale Road, Oldends Lane Industrial Estate, Stonehouse, Gloucestershire, GL10 3RQ.

#### 2. Accounting policies

##### 2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act 2006.

The company is itself a subsidiary company and is exempt from the requirement to prepare group accounts by virtue of section 401 of the Companies Act 2006. These financial statements therefore present information about the company as an individual undertaking and not about its group.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 3).

The following principal accounting policies have been applied:

##### 2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of National Oilwell Varco, Inc. as at 31 December 2017 and these financial statements may be obtained from its principal office at 7909 Parkwood Circle Drive, Houston, Texas, 77036, USA.

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**NOV PROCESS & FLOW TECHNOLOGIES UK LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**2. Accounting policies (continued)**

**2.3 Going concern**

The financial statements have been prepared under the going concern basis, notwithstanding the company has net current liabilities. The directors believe this basis to be appropriate as the parent company has provided the company with an undertaking that for at least a year from the date of approval of these financial statements, it will continue to make available such funds as are needed by the company to allow it to continue in operational existence and to meet its liabilities as they fall due for payment. It has further undertaken that it will act to ensure that repayment is not sought for at least a year from the date of signature of these financial statements of any amounts made available to the company by fellow group undertakings.

As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so. Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from this basis of preparation being inappropriate.

**2.4 Group reconstructions**

The company accounts for group reconstructions, where the trade and net assets of an entity are acquired from an entity within the same group, using the merger accounting method.

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**NOV PROCESS & FLOW TECHNOLOGIES UK LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**2. Accounting policies (continued)**

**2.5 Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

**Sale of goods**

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the company has transferred the significant risks and rewards of ownership to the buyer;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

**Rendering of services**

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

**2.6 Intangible assets**

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

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**NOV PROCESS & FLOW TECHNOLOGIES UK LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**2. Accounting policies (continued)**

**2.7 Tangible assets**

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

The company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Land and construction in progress are not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold buildings	- 30 years
Leasehold improvements	- 10 years
Plant and machinery	- 3 - 10 years
Fixtures and fittings	- 5 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Profit and Loss Account.

**2.8 Research and development costs**

Research and development expenditure is written off in the year in which it is incurred, except that development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured. Any expenditure carried forward is amortised in line with the expected future sales from the related project.

**2.9 Valuation of investments**

Investments in subsidiaries are measured at cost less accumulated impairment.

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**NOV PROCESS & FLOW TECHNOLOGIES UK LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**2. Accounting policies (continued)**

**2.10 Stocks**

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each Balance Sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

**2.11 Debtors**

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

**2.12 Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

**2.13 Creditors**

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

**2.14 Hedge accounting**

The company uses foreign currency forward contracts to manage its exposure to cash flow risk on its foreign currency denominated sales. These derivatives are measured at fair value at each Balance Sheet date.

To the extent the cash flow hedge is effective, movements in fair value are recognised in other comprehensive income and presented within the Profit and Loss Account reserve. Any ineffective portions of those movements are recognised in profit or loss for the year.

**2.15 Government grants**

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to the Profit and Loss Account at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Profit and Loss Account in the same period as the related expenditure.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017

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2. Accounting policies (continued)

2.16 Foreign currency translation

**Functional and presentation currency**

The company's functional and presentation currency is pound sterling. The company's financial statements are prepared in GBP and rounded to the nearest £'000.

**Transactions and balances**

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Nonmonetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Profit and Loss Account except when deferred in Other comprehensive income as qualifying cash flow hedges.

All foreign exchange gains and losses are presented in the Profit and Loss Account within 'Administrative expenses'.

2.17 Finance costs

Finance costs are charged to the Profit and Loss Account over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.18 Share based payments

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined using an appropriate pricing model. In valuing equity-settled transactions no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the company (market conditions).

No expense is recognised for awards that do not ultimately vest.

At each Balance Sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions on the number of equity instruments that will ultimately vest as described above. The movement in cumulative expense since the previous Balance Sheet date is recognised in the profit and loss account, with a corresponding entry in equity.

2.19 Operating leases: Lessee

Rentals paid under operating leases are charged to the Profit and Loss Account on a straight line basis over the lease term.

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**NOV PROCESS & FLOW TECHNOLOGIES UK LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**2. Accounting policies (continued)**

**2.20 Operating leases: Lessor**

Assets subject to operating leases are presented in the Balance Sheet according to the nature of the asset.

Income from operating leases is recognised in the Profit and Loss Account on a straight line basis over the period of the lease.

**2.21 Pensions**

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

The company is the sponsoring employer of the defined benefit pension schemes, the assets of which are held separately from those of the company in the trustee administered funds.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligations) and is based on actuarial advice. When a settlement or a curtailment occur the change in the present value of the scheme liabilities and the fair value of the plan assets reflects the gain or loss which is recognised in the Profit and Loss Account during the period in which it occurs.

The net interest element is determined by multiplying the net defined benefit liability by the discount rate, at the start of the period taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in the Profit and Loss Account as other finance income or cost.

The re-measurements, comprising actuarial gains and losses, the effect of the asset ceiling and the return on the net defined benefit liability (excluding amounts included in net interest) are recognised immediately in Other comprehensive income in the period in which they occur. Re-measurements are not reclassified to Profit and Loss Account in subsequent periods.

The net defined benefit pension asset or liability in the Balance Sheet comprises the total of the present value of the defined benefit obligation less the fair value of plan assets out of which the obligations are to be settled directly. The value of a net pension benefit asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

**2.22 Interest income**

Interest income is recognised in the Profit and Loss Account using the effective interest method.

**2.23 Borrowing costs**

All borrowing costs are recognised in the Profit and Loss Account in the year in which they are incurred.

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**NOV PROCESS & FLOW TECHNOLOGIES UK LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**2. Accounting policies (continued)**

**2.24 Provisions for liabilities**

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Profit and Loss Account in the year that the company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

**2.25 Current and deferred taxation**

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Profit and Loss Account, except that a charge attributable to an item of income and expense recognised as Other comprehensive income or to an item recognised directly in equity is also recognised in Other comprehensive income or directly in equity respectively.

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

Deferred tax balances are accounted for on an undiscounted basis and recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date.



**NOTES TO THE FINANCIAL STATEMENTS  
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**3. Judgements in applying accounting policies and key sources of estimation uncertainty**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the Balance Sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements and estimates have had the most significant effect on amounts recognised in the financial statements.

**a. Critical accounting estimates and assumptions**

*(i) Defined benefit pension*

The cost of defined benefit pension plans are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation and the long term nature of these plans, such estimates are subject to uncertainty. FRS102 requires that the discount rate should be the current rate of return on "a high quality corporate bond of equivalent currency and term to the plan liabilities". The Global RATE:Link term matching model has been used to derive a single discount rate that reflects the term structure of interest rates. The discounted mean term (or duration) of the plans' liabilities was calculated to be around 16 years based on the most recent actuarial valuation calculations available. Based on this average duration, a discount rate of 2.40% per annum was adopted based on market conditions as at 31 December 2017. The mortality rate is based on 100% of the SAPS S2 year of birth tables with future improvements in line with CMI 2016 projections and a long term trend of 1.25% pa. Future salary increases and pension increases are based on expected future inflation rates. Further details are given in note 26.

*(ii) Useful economic lives of tangible fixed assets*

The annual depreciation charge for tangible fixed assets is sensitive to changes in the estimated useful life economic lives of the assets. They are amended when necessary to reflect current estimates, based on future investment and the physical condition of the asset.

*(iii) Inventory provision*

The company considers the recoverability of the cost of the inventory and associated provisioning required. When calculating the inventory provision, management considers the nature and condition of inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials.

**b. Critical judgements in applying the entity's accounting policies**

*(i) Investment impairment*

The company considers all investments for evidence of impairment annually. The method used in 2017 to value each investment consists of applying a discounted Enterprise value/EBITDA (EV/EBITDA) ratio for NOV Inc. to current year revenue for trading entities and net assets for non-trading entities. This value is then compared to the carrying value of the investment to assess whether there are indicators that impairment may exist. When this is found to be the case, future profitability of the subsidiary is also taken in to consideration. Judgement is applied in assessing the amount by which to impair any investments where future profitability cannot be certain or where specific circumstances have led to a reduction in net assets.

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**NOV PROCESS & FLOW TECHNOLOGIES UK LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
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**4. Turnover**

Turnover represents the amounts derived from provision of goods and services which fall within the company's ordinary activities, stated net of value added tax.

An analysis of turnover by category is as follows:

	2017 £000	2016 £000
Sale of goods	60,042	54,252
Provision of services	6,456	6,898
	<u>66,498</u>	<u>61,150</u>

An analysis of turnover by geographical region is as follows:

	2017 £000	2016 £000
Americas	9,338	7,447
Europe	43,766	39,993
Rest of the world	13,394	13,710
	<u>66,498</u>	<u>61,150</u>

**5. Operating loss**

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

	2017 £000	2016 £000
Research & development charged as an expense	78	159
Depreciation and impairment of tangible fixed assets (note 14)	2,501	2,407
Amortisation of intangible assets (note 13)	100	100
Impairment of stock	490	517
Audit fee (note 6)	77	77
Exchange differences	287	(931)
Operating leases - land and buildings	169	212
Operating leases - plant and equipment	317	404
Defined contribution pension cost (note 26)	1,093	1,180
Government grants amortisation	(135)	(135)
	<u>                    </u>	<u>                    </u>

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**NOV PROCESS & FLOW TECHNOLOGIES UK LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
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**6. Auditors' remuneration**

	<b>2017</b>	<i>2016</i>
	<b>£000</b>	<i>£000</i>
Fees payable to the company's auditor for the audit of the company's annual financial statements	<u>77</u>	<u>77</u>

**7. Staff costs**

The company's UK employees' contracts of employment are with National Oilwell Varco UK Limited. However, as the employment costs associated with these employees are borne by the business, the company has included relevant disclosures below.

Staff costs, excluding directors' remuneration, were as follows:

	<b>2017</b>	<i>2016</i>
	<b>£000</b>	<i>£000</i>
Wages and salaries	<b>16,970</b>	<i>17,738</i>
Social security costs	<b>1,663</b>	<i>1,701</i>
Defined contribution pension costs (note 26)	<b>1,093</b>	<i>1,180</i>
Share based payments (note 23)	<b>628</b>	<i>467</i>
	<u><b>20,354</b></u>	<u><i>21,086</i></u>

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

	<b>2017</b>	<i>2016</i>
	<b>£000</b>	<i>£000</i>
Production	<b>424</b>	<i>439</i>
Administration and sales	<b>117</b>	<i>125</i>
	<u><b>541</b></u>	<u><i>564</i></u>

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NOV PROCESS & FLOW TECHNOLOGIES UK LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
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**8. Directors' remuneration**

The directors of the company are also directors of the holding company and fellow subsidiaries.

One of the directors, who was paid by a fellow UK group company, received remuneration for the year of £113,000 (2016 - £109,000), amounts receivable under long-term incentive schemes of £13,000 (2016 - £4,000) and pension contributions of £8,000 (2016 - £8,000). The director does not believe that it is practicable to apportion this amount between their services as director of the company and their services as director of the holding and fellow subsidiary companies.

Another director was paid by a fellow group company outside of the UK.

**9. Interest receivable**

	2017 £000	2016 £000
Interest on loans to group undertakings	-	24

**10. Interest payable**

	2017 £000	2016 £000
Interest on loans from group undertakings	547	88
Other interest payable	5	-
	<u>552</u>	<u>88</u>

**11. Other finance costs**

	2017 £000	2016 £000
Interest on net defined benefit pension liability	(131)	(94)

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NOV PROCESS & FLOW TECHNOLOGIES UK LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017

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12. Taxation

	2017 £000	2016 £000
<b>Corporation tax</b>		
Adjustments in respect of previous periods	46	117
	<u>46</u>	<u>117</u>
Group relief payable	-	253
	<u>46</u>	<u>370</u>
<b>Foreign tax</b>		
Foreign tax on income for the year	8	34
	<u>8</u>	<u>34</u>
<b>Total current tax</b>	<u>54</u>	<u>404</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(423)	(551)
Deferred tax on pension scheme movements	348	359
Deferred tax on share based payments	-	(55)
Adjustments in respect of previous periods	121	33
	<u>46</u>	<u>(214)</u>
<b>Taxation on (loss)/profit for the year</b>	<u>100</u>	<u>190</u>

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NOV PROCESS & FLOW TECHNOLOGIES UK LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017

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12. Taxation (continued)

**Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2016 - lower than) the standard rate of corporation tax in the UK of 19.25% (2016 - 20%). The differences are explained below:

	2017 £000	2016 £000
(Loss)/profit before tax	(1,746)	3,860
(Loss)/profit multiplied by standard rate of corporation tax in the UK of 19.25% (2016 - 20%)	(336)	772
<b>Effects of:</b>		
Expenses not deductible for tax purposes	186	57
Income not taxable for tax purposes	(26)	(876)
Adjustments to tax charge in respect of prior periods	167	150
Tax rate changes	109	60
Capital loss utilised	-	(7)
Overseas tax expensed	-	34
<b>Total tax charge for the year</b>	<b>100</b>	<b>190</b>

**Factors that may affect future tax charges**

UK Corporation tax is calculated at 19.25% (2016: 20%) of the estimated assessable (loss)/profit for the year.

The Finance Bill 2015 (no 2) was enacted on 18 November 2015 reducing the UK corporation tax rate to 19% (from 1 April 2017) and 18% (from 1 April 2020). The Finance Bill 2016 further reduced the UK corporation tax rate to 17% (from 1 April 2020) and was enacted on 15 September 2016.

As at 15 September 2016 the reductions in the UK corporation tax rate to 19% (from 1 April 2017) and 17% (from 1 April 2020) were enacted and therefore a rate of 19% has been applied to the deferred tax calculations in these accounts.

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NOV PROCESS & FLOW TECHNOLOGIES UK LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
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13. Intangible assets

	Patents £000
<b>Cost</b>	
At 1 January 2017	475
At 31 December 2017	<u>475</u>
<b>Amortisation</b>	
At 1 January 2017	142
Charge for the year	100
At 31 December 2017	<u>242</u>
<b>Net book value</b>	
At 31 December 2017	<u>233</u>
At 31 December 2016	<u>333</u>

NOV PROCESS & FLOW TECHNOLOGIES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
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14. Tangible assets

	Freehold land £000	Freehold buildings £000	Leasehold improvements £000	Plant and machinery £000
<b>Cost</b>				
At 1 January 2017	4,599	19,569	22	20,230
Additions	-	-	-	-
Transfers from group	-	-	-	199
Disposals	-	-	-	(840)
Transfers to group	-	-	-	(50)
Transfers between classes	-	126	-	825
At 31 December 2017	<u>4,599</u>	<u>19,695</u>	<u>22</u>	<u>20,364</u>
<b>Depreciation</b>				
At 1 January 2017	-	1,259	10	10,271
Charge for the year	-	704	4	1,535
Impairment charge	-	-	-	242
Transfers to group	-	-	-	(23)
Disposals	-	-	-	(526)
At 31 December 2017	<u>-</u>	<u>1,963</u>	<u>14</u>	<u>11,499</u>
<b>Net book value</b>				
At 31 December 2017	<u>4,599</u>	<u>17,732</u>	<u>8</u>	<u>8,865</u>
At 31 December 2016	<u>4,599</u>	<u>18,310</u>	<u>12</u>	<u>9,959</u>



**NOV PROCESS & FLOW TECHNOLOGIES UK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
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**14. Tangible assets (continued)**

	Fixtures and fittings £000	Construction in progress £000	Total £000
<b>Cost</b>			
At 1 January 2017	52	155	44,627
Additions	-	1,354	1,354
Transfers from group	-	-	199
Disposals	(1)	-	(841)
Transfers to group	-	-	(50)
Transfers between classes	4	(955)	-
At 31 December 2017	<u>55</u>	<u>554</u>	<u>45,289</u>
<b>Depreciation</b>			
At 1 January 2017	24	-	11,564
Charge for the year	16	-	2,259
Impairment charge	-	-	242
Transfers to group	-	-	(23)
Disposals	(1)	-	(527)
At 31 December 2017	<u>39</u>	<u>-</u>	<u>13,515</u>
<b>Net book value</b>			
At 31 December 2017	<u>16</u>	<u>554</u>	<u>31,774</u>
At 31 December 2016	<u>28</u>	<u>155</u>	<u>33,063</u>

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**NOV PROCESS & FLOW TECHNOLOGIES UK LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**15. Investments**

	<b>Subsidiary undertakings £000</b>
<b>Cost</b>	
At 1 January 2017	501
At 31 December 2017	501
<b>Net book value</b>	
At 31 December 2017	501
At 31 December 2016	501

**Subsidiary undertakings**

The following were subsidiary undertakings of the company:

<b>Name</b>	<b>Class of shares</b>	<b>Holding</b>	<b>Country of incorporation</b>
NOV Australia Pty Ltd	Ordinary	100 %	Australia
Mono Pumps New Zealand Company	Ordinary	100 %	New Zealand

<b>Name</b>	<b>Registered office</b>
NOV Australia Pty Ltd	75 Frankston Gardens Drive, Carrum Downs, 3201, Victoria, Australia
Mono Pumps New Zealand Company	35-41 Fremlin Place, Avondale, Auckland, New Zealand

**16. Stocks**

	<b>2017 £000</b>	<b>2016 £000</b>
Raw materials and consumables	1,999	1,490
Work in progress	1,307	7,058
Finished goods and goods for resale	7,759	6,681
	<b>11,065</b>	<b>15,229</b>

Stock recognised in cost of sales during the year as an expense was £45,226,000 (2016 - £38,772,000).

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**NOV PROCESS & FLOW TECHNOLOGIES UK LIMITED**

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**17. Debtors**

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Trade debtors	9,240	9,081
Amounts owed by parent undertaking	596	846
Amounts owed by fellow subsidiary undertakings	2,466	4,815
Amounts owed by subsidiary undertakings	1,396	621
Other debtors	184	1,808
Corporation tax	26	26
Prepayments and accrued income	1,035	1,371
Group relief receivable	1,292	1,338
Deferred taxation (note 19)	983	1,688
	<b>17,218</b>	<b>21,594</b>
	<b>17,218</b>	<b>21,594</b>

Trade debtors are stated after provisions for impairment of £499,000 (2016 - £792,000).

**18. Creditors: Amounts falling due within one year**

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Bank overdrafts	2,203	502
Payments received on account	945	3,053
Trade creditors	3,618	4,126
Amounts owed to parent undertaking	24,968	35,103
Amounts owed to fellow subsidiary undertakings	3,568	832
Taxation and social security	-	27
Accruals	2,143	1,722
Deferred government grants	945	1,080
	<b>38,390</b>	<b>46,445</b>
	<b>38,390</b>	<b>46,445</b>

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19. Deferred taxation

	2017 £000
At beginning of year	1,688
Charged to profit or loss	75
Adjustments in respect of prior years	(121)
Charged to other comprehensive income	(659)
<b>At end of year</b>	<b>983</b>

The deferred tax asset is made up as follows:

	2017 £000	2016 £000
Decelerated capital allowances	700	325
Other timing differences	72	146
Share based payments	70	70
Pension	141	1,147
	<b>983</b>	<b>1,688</b>

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NOV PROCESS & FLOW TECHNOLOGIES UK LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
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20. Other provisions

	Warranty provision £000	Customer claim £000	Total £000
At 1 January 2017	494	289	783
Charged to profit or loss	364	-	364
Utilised in year	(436)	(289)	(725)
<b>At 31 December 2017</b>	<b>422</b>	<b>-</b>	<b>422</b>

**Warranty provision**

A provision is recognised for expected warranty claims on products sold. It is expected that most of these costs will be incurred in the next financial year.

**Customer claim**

A number of disputes arise in the normal course of business. During 2016 a claim was received from a customer, elements of which were disputed by NOV Process & Flow Technologies UK Limited. The company provided £289,000 which was considered to be sufficient for a fair settlement of the claim. This claim has been settled in May 2017.

21. Share capital

	2017 £000	2016 £000
<b>Allotted, called up and fully paid</b>		
500,000 Ordinary shares of £1 each	500	500

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**22. Reserves**

**Merger Reserve**

The Merger reserve is represented by amounts that arose on group reconstructions where merger accounting has been applied. Any differences between the consideration paid and the net assets acquired on such group reconstructions have been recorded in the merger reserve in accordance with FRS 102 section 19 and Tech 02/17BL para 9.36.

The Merger reserve records goodwill arising on the acquisition of the trade and assets of the Chemineer and Moyno businesses in 2014 and PFT Montrose business in 2015.

There was a prior year adjustment processed in the company's 2016 financial statements relating to the Merger reserve.

At 31 December 2015 the Amounts owed by fellow subsidiary undertakings included the amount of £6,730,000 due from NOV Mission Products UK Limited. During preparation of the financial statements for the year ended 31 December 2016 it came to light that this amount is not recoverable and should have been recognised in the Merger reserve in the 2015 financial statements. As such, the amount of £6,730,000 has been re-classified to the Merger reserve at 31 December 2015, resulting in the prior year adjustment to the company's Balance Sheet.

During preparation of the financial statements for the year ended 31 December 2016 it also came to light that fixed asset balances transferred to the company from NOV Mission Products UK Limited on 31 July 2015 were understated by £240,000. This resulted in the prior year adjustment to Plant and machinery balances at 31 December 2015 with the corresponding entry of £(240,000) to the Merger Reserve.

**Share based payment reserve**

At each Balance Sheet date, the cumulative cost of equity-settled transactions with employees is calculated. The movement in cumulative expense since the previous Balance Sheet date is recognised in the Profit and Loss Account, with a corresponding entry in equity.

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**23. Share based payments**

***Senior Executive Plan***

Share options in the company's ultimate parent National Oilwell Varco, Inc. are granted to senior executives. The exercise price of the options is equal to the closing market price of National Oilwell Varco, Inc. common stock on the date of the grant. The options vest over a three year period starting one year from the date of the grant and expire ten years from the date of the grant. There are no cash settlement alternatives.

***Restricted shares***

National Oilwell Varco, Inc. issues restricted stock awards ("RSA") with no exercise price to officers and key employees in addition to share options. During the year the Company granted restricted shares to key employees at a fair value of £31.20 (in 2016 grants were made in February at £20.03 and November at £28.78). These shares will not vest until the third anniversary of the date of the grant, at which time they will be 100% vested.

**24. Contingent liabilities**

At 31 December 2017 the company had contingent liabilities in respect of outstanding guarantees given for performance bonds and contracting agreements amounting to £1,695,000 (2016 - £2,245,000) entered into in the normal course of business.

**25. Capital commitments**

At 31 December 2017 the company had capital commitments as follows:

	2017	2016
	£000	£000
Contracted for but not provided in these financial statements	240	864

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**26. Defined benefit pension liability**

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £1,093,000 (2016 - £1,180,000). Contributions totalling £nil (2016 - £nil) were payable to the fund at the Balance Sheet date.

The company operates three defined benefit schemes for all qualifying employees, being Mono Pumps Limited Pension scheme, Chemineer Retirement and Death Benefits Plan (acquired in 2014) and Merpro Group Pension and Life Assurance Scheme (acquired in 2015).

The assets of the schemes are held in separate trustee administered funds. All plans are now closed to future accrual.

The largest scheme is subject to triennial valuations by independent actuaries, the latest formal actuarial assessment of the scheme was carried out at 31 March 2016. These calculations have been carried out using the projected unit method.

National Oilwell Varco UK Limited is a sponsoring employer of one of the schemes (Merpro Group Pension & Life Assurance Scheme), however NOV Process & Flow Technologies UK Limited is the economic employer and bears all costs associated with the scheme.

Reconciliation of present value of plan liabilities:

	2017	2016
	£000	£000
<b>Reconciliation of present value of plan liabilities</b>		
Opening defined benefit obligation	96,606	82,080
Interest cost	2,474	2,980
Remeasurement of defined benefit obligation	(2,332)	14,632
Benefits paid	(2,899)	(3,086)
<b>At the end of the year</b>	<b>93,849</b>	<b>96,606</b>



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**26. Defined benefit pension liability (continued)**

Reconciliation of fair value of plan assets:

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Opening fair value of scheme assets	90,849	78,879
Interest income	2,350	2,896
Return on plan assets greater than discount rate	3,594	10,261
Contributions by employer	1,960	1,899
Benefits paid	(2,899)	(3,086)
<b>At the end of the year</b>	<b>95,854</b>	<b>90,849</b>

Composition of plan assets:

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Equities	30,654	26,440
Bonds	37,764	37,066
Property	8,377	7,889
Other	19,059	19,454
<b>Total plan assets</b>	<b>95,854</b>	<b>90,849</b>

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
<b>Amount recognised in the Balance Sheet</b>		
Fair value of scheme assets	95,854	90,849
Present value of scheme liabilities	(93,849)	(96,606)
	2,005	(5,757)
Irrecoverable surplus	(2,745)	(282)
<b>Net pension scheme liability</b>	<b>(740)</b>	<b>(6,039)</b>

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**26. Defined benefit pension liability (continued)**

The company has not recognised the defined benefit pension asset as it does not expect to be able to recover the surplus either through reduced contributions or agreed refunds from the scheme.

The pension schemes have not invested in any of the company's own financial instruments nor in properties or other assets used by the company.

The amounts recognised in Profit and Loss Account and in the Statement of Other Comprehensive Income are as follows:

Amounts recognised in profit or loss

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Net interest on net defined benefit liability	<u>(131)</u>	<u>(94)</u>
Remeasurement gains/(losses) recognised in other comprehensive income		
Actual return on scheme assets	5,944	13,157
Less: amounts included in net interest on the net defined benefit liability	<u>(2,350)</u>	<u>(2,896)</u>
	<b>3,594</b>	<b>10,261</b>
Other actuarial gains and losses	2,332	(14,632)
	<u><b>5,926</b></u>	<u><b>(4,371)</b></u>

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
<b>Change in irrecoverable surplus</b>		
Irrecoverable surplus at start of the year	282	257
Interest on irrecoverable surplus	7	10
Change in irrecoverable surplus during the year	<u>2,456</u>	<u>15</u>
<b>Irrecoverable surplus at end of the year</b>	<u><b>2,745</b></u>	<u><b>282</b></u>

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**26. Defined benefit pension liability (continued)**

Principal actuarial assumptions at the Balance Sheet date (expressed as weighted averages):

	<b>2017</b>	<b>2016</b>
	<b>%</b>	<b>%</b>
Discount rate	<b>2.4</b>	<b>2.6</b>
Future salary increases	<b>3.3</b>	<b>3.5</b>
Future pension increases	<b>2.3</b>	<b>2.5</b>
Inflation assumption	<b>2.3</b>	<b>2.5</b>
Mortality rates	<b>Years</b>	<b>Years</b>
- for a male aged 65 now	<b>22.1</b>	<b>22.6</b>
- at 65 for a male aged 45 now	<b>23.1</b>	<b>23.9</b>
- for a female aged 65 now	<b>23.9</b>	<b>24.6</b>
- at 65 for a female member aged 45 now	<b>25.1</b>	<b>26.0</b>

**27. Commitments under operating leases**

At 31 December 2017 the company had future minimum lease payments under non-cancellable operating leases as follows:

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
<b>Land and buildings</b>		
Not later than 1 year	<b>81</b>	<b>151</b>
Later than 1 year and not later than 5 years	<b>160</b>	<b>435</b>
Later than 5 years	<b>-</b>	<b>66</b>
	<b>241</b>	<b>652</b>

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**27. Commitments under operating leases (continued)**

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
<b>Plant and equipment</b>		
Not later than 1 year	<b>104</b>	<b>127</b>
Later than 1 year and not later than 5 years	<b>71</b>	<b>151</b>
	<b>175</b>	<b>278</b>
	<b>175</b>	<b>278</b>

The entity also acts as a lessor under leasing agreements with customers for the use of various rental equipment owned by the company. Such leasing agreements are mostly cancellable operating leases based on fixed monthly invoicing with no lease incentives included in the terms of the lease.

**28. Related party transactions**

As permitted by FRS 102, the company has not disclosed transactions entered into between two or more wholly owned members of the National Oilwell Varco, Inc. group.

During the year the company entered into transactions, in the ordinary course of business, with other related parties. Transactions entered into, and trading balances outstanding at 31 December 2017, are as follows:

	<b>Sales to related parties 2017 £000</b>	<b>Amounts owed by related parties 2017 £000</b>	<b>Sales to related parties 2016 £000</b>	<b>Amounts owed by related parties 2016 £000</b>
Vetco Saudi Arabia Ltd	-	-	<b>16</b>	<b>3</b>
NOV Brandt Oilfield Services Middle East LLC	<b>40</b>	<b>15</b>	<b>11</b>	-
	<b>40</b>	<b>15</b>	<b>27</b>	<b>3</b>
	<b>40</b>	<b>15</b>	<b>27</b>	<b>3</b>

**29. Post balance sheet events**

There have been no significant events affecting the company since the year end.

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**30. Controlling party**

The company's immediate parent company is National Oilwell Varco UK Limited, a company incorporated in England and Wales.

The company's ultimate parent undertaking and controlling party is National Oilwell Varco, Inc., a company incorporated in the United States of America. Copies of the group financial statements, which include the results of the company, are available from its principal office at 7909 Parkwood Circle Drive, Houston, Texas, 77036, USA.