Fjords Processing Limited

Director's report and financial statements

Registered number 02816402

31 December 2016

Contents

Directors' report

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

Principal activities

The company's principal activity was the marketing, developing, engineering, design, manufacture and supply of products to the oil, gas, and associated industries.

Business review

The Profit and Loss Account shows a loss before tax for the year of £268,000 (*2015: profit of £1,220,000*).

Turnover for the year was £5,566,000 (*2015: £4,790,000*). During the year the company received a dividend of £nil *(2015: £1,416,000)* from its subsidiary Opus Plus Limited.

During the year the company purchased the shares in Fjords Processing UK Ltd from Fjords Processing 1 AS, another company within the Akastor group. On 16 December 2016 National Oilwell Varco, Inc. acquired the Fjords Processing stand-alone business from Akastor, including Fjords Processing Limited.

Principal risks and uncertainties

Market risks
The provision of goods and services to the oil and gas industry strongly correlates with the price of oil and drilling activity which is outside the company's direct control

Other risks and uncertainties
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, where considered appropriate.

Proposed dividend

The director does not recommend the payment of a dividend (*2015: nil*).

Future developments

The directors believe that despite the global industry downturn experienced during 2015 to date, turnover and profitability will remain strong in the coming years due to the high quality products and services provided by the company and the benefits of being part of a growing global group.

Strategic report

Due to its size, the company is exempt from the requirement to prepare a Strategic Report.

Directors

The directors who held office during the year were as follows:

Rune Fantoft (resigned as director on 20 January 2017)

Alastair Fleming (appointed as director on 20 January 2017)

Robbert Oudendijk (appointed as director on 20 January 2017)

Political contributions

The company made no political donations or incurred any political expenditure during the year.

Going concern

The directors have considered the company's current and future prospects and its availability of financing, and are satisfied that the company can continue to pay its liabilities as they fall due for a period of at least 12 months from the date of approval of these financial statements. After making enquires, the directors have a reasonable expectation that the company has adequate reserves to continue in operational existence for the foreseeable future and have no reason to believe that a material uncertainty exists that may cast significant doubt over the ability of the company to continue as a going concern. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Directors' report *(continued)*

Statement as to disclosure of information to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is aware. Having made enquires of fellow directors and the group's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Post balance sheet events

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

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

On behalf of the board

Alastair Fleming
Director

Stonedale Road
Oldends Lane Industrial Estate
Stonehouse
Gloucestershire
GL10 3RQ

14 July 2017

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework.*

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 director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG

37 Albyn Place
Aberdeen
AB10 1JB

Independent auditor's report to the members of Fjords Processing Limited

We have audited the financial statements of Fjords Processing Limited for the year ended 31 December 2016 set out on pages 5 to 20. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) including FRS 101 *Reduced Disclosure Framework.*

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 3, 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 loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; 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 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 Directors' report:

- we have not identified material misstatements in that report; and
- in our opinion, that report has 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; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

Paul Moran (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

14 July 2017

Profit and Loss Account and Other Comprehensive Income

For the year ended 31 December 2016

	Note	**2016**	2015
		£000	£000
Turnover	*2*	**5,566**	4,790
Cost of sales		**(3,786)**	(3,467)
Gross profit		**1,780**	1,323
Administrative expenses		**(2,064)**	(1,474)
Other operating income		**54**	31
Operating loss		**(230)**	(120)
Income from fixed asset investments	*8*	**-**	1,416
Amounts written off fixed asset investments	*12*	**-**	(40)
Interest receivable	*6*	**4**	5
Interest payable and similar expenses	*7*	**(42)**	(41)
(Loss)/profit on ordinary activities before taxation	*2-8*	**(268)**	1,220
Tax on (loss)/profit on ordinary activities	*9*	**114**	45
(Loss)/profit for the financial year		**(154)**	1,265
Other comprehensive income for the year, net of income tax		**-**	-
Total comprehensive (expense)/income for the year		**(154)**	1,265

All figures relate to continuing operations.

The notes on pages 8 to 20 form part of these financial statements.

Balance Sheet
At 31 December 2016

	Note	2016 £000	2016 £000	2015 £000	2015 £000
Fixed assets					
Intangible assets	10		**291**		427
Tangible assets	11		**822**		1,083
Investments	12		**74**		-
			1,187		1,510
Current assets					
Stock	13	**15**		15	
Debtors	14	**1,404**		2,167	
Cash at bank and in hand		**1,491**		1,142	
		2,910		3,324	
Creditors: amounts falling due within one year	15	**(1,501)**		(1,961)	
Net current assets			**1,409**		1,363
Total assets less current liabilities			**2,596**		2,873
Creditors: amounts falling due after more than one year	16		**(129)**		(183)
Provisions for liabilities					
Deferred tax	19	**(111)**		(200)	
Other provisions	20	**(35)**		(15)	
			(146)		(215)
Net assets			**2,321**		2,475
Capital and reserves					
Called up share capital	21		**80**		80
Profit and Loss Account			**2,241**		2,395
Shareholders' funds			**2,321**		2,475

The notes on pages 8 to 20 form part of these financial statements.

These financial statements were approved by the board of directors on 14 July 2017 and were signed on its behalf by:

Alastair Fleming
Director

Statement of Changes in Equity

	Called up share capital £000	Profit and Loss Account £000	Total equity £000
Balance at 1 January 2015	80	1,130	1,210
Total comprehensive income for the year			
Profit	-	1,265	1,265
Total comprehensive income for the year	-	1,265	1,265
Balance at 31 December 2015	**80**	**2,395**	**2,475**

	Called up share capital £000	Profit and Loss Account £000	Total equity £000
Balance at 1 January 2016	80	2,395	2,475
Total comprehensive expense for the year			
Loss	-	(154)	(154)
Total comprehensive expense for the year	-	(154)	(154)
Balance at 31 December 2016	**80**	**2,241**	**2,321**

Notes
(forming part of the financial statements)

1 Accounting policies

The company is incorporated in England. The registered number is 02816402 and the registered address is Stonedale Road, Oldends Lane Industrial Estate, Stonehouse, Gloucestershire, GL10 3RQ.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation
The financial statements have been prepared in accordance with applicable accounting standards and under the historic cost accounting rules.

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. The company is included in the consolidated financial statements of National Oilwell Varco Inc., a company incorporated in the USA. These financial statements therefore present information about the company as an individual undertaking.

These financial statements are prepared in accordance with Financial Reporting Standard 101 reduced Disclosure Framework ('FRS 101'). The amendments to FRS 101 issued in July 2015 and effective immediately have been applied.

In preparing these financial statements, the company has applied the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRS"), making amendments where necessary in order to comply with the Companies Act 2006. The Company has also taken advantage of the available FRS 101 disclosure exemptions in relation to the following:

- A Cash flow statement and related notes;
- Comparative period reconciliations for share capital, intangible fixed assets and tangible fixed assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRS's; and
- Disclosures in respect of the compensation of Key Management Personnel

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Critical accounting judgement and key sources of estimation uncertainty
The directors consider the key areas where judgements or estimates have a significant effect on the amounts recognised in the financial statements to be revenue recognition and research and development capitalisation. Detailed accounting policies are provided in this note.

Going concern
The financial statements have been prepared under the going concern basis. The director believes this basis to be appropriate after considering various factors and performing reviews of financial and other data. These reviews include holding discussion with management and other operational personnel, as well as discussions with other group companies and head office. Consideration is given to historic results and forecast information. This monitoring process is ongoing and gives adequate emphasis to both internal and external factors. The company has net current assets of £1.4m at the year end including cash of £1.5m.

Based on his reviews, the director is confident that the company will continue in business for the foreseeable future and accordingly continue to adopt the going concern basis in preparing the directors' report and financial statements.

Notes *(continued)*

1 Accounting policies *(continued)*

Intangible fixed assets and amortisation
Intangible fixed assets purchased separately from a business are capitalised at their cost.

Concessions, patents, licenses and trademarks purchased by the company are amortised to nil by equal annual instalments over their useful economic lives.

Intangible fixed assets and amortisation (continued)
Amortisation is charged to the Profit and Loss Account on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

• patents and trademarks	10	years
• capitalised development costs	3 - 4	years
• software	3	years

Reporting currency
The primary functional currency of the company is sterling and therefore, these financial statements have been presented in GBP.

Research and development expenditure
Expenditure on research and development is written off to the Profit and Loss Account in the year in which it is incurred. Development expenditure is capitalised only where there is a clearly defined project, the expenditure is separately identifiable, the outcome of the project can be assessed with reasonable certainty, aggregate costs are expected to exceed related future sales and adequate resources exist to enable the project to be completed.

Government grants
Capital based government grants are included within accruals and deferred income in the Balance Sheet and credited to the Profit and Loss Account over the estimated useful economic lives of the assets to which they relate.

Stocks
Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the weighted average purchase price is used. For work in progress and finished goods cost is taken as production cost, which includes an appropriate portion of attributable 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 the 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 as costs incurred, less those transferred to the Profit and Loss Account, 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 accounts.

Turnover
Turnover represents the amounts (excluding VAT) derived from the provision of goods and services to customers. Turnover for goods is recognised upon delivery, and in the case of certain incomplete contracts, where it is considered that the outcome of the contract can be assessed with reasonable certainty before its completion, attributable profit and turnover on the contract are recognised on a percentage of completion basis.

Notes *(continued)*

1 Accounting policies *(continued)*

Interest receivable and Interest payable

Interest payable and similar expenses include interest payable, finance expense on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the Profit and Loss Account (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method.

Tangible fixed assets

The cost of fixed assets is their purchase cost, together with any incidental cost of acquisition.
Depreciation is calculated so as to write off the cost of tangible fixed assets less their estimated residual values on a straight line basis over the expected useful economic lives of the assets concerned or their remaining useful lives if less. The principal annual rates used for this purpose are:

Leasehold land and buildings	-	10% - 25% straight line
Plant and machinery	-	10% - 25% straight line
Computer equipment	-	25% straight line
Fixtures, fittings, & equipment	-	25% straight line

Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

Notes *(continued)*

1 Accounting policies *(continued)*

Impairment excluding stocks and deferred tax assets (continued)

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or received) using the tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the Balance Sheet date where transactions or events have occurred at that date will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exceptions:

- Deferred tax assets are recognised only to the extent that the directors consider that is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the Balance Sheet date.

Foreign currencies

Trading transaction denominated in foreign currencies are translated into sterling at the rate of exchange ruling when the transaction was entered into. Monetary assets and liabilities expressed in foreign currencies are translated to sterling at rates of exchange ruling at the end of the financial period.

Operating leases

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

Pensions

The company contributes to personal pension plans, whereby the pension costs are charged to the Profit and Loss Account as they are incurred.

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other debtors, cash and cash equivalents and trade and other creditors.

Trade and other debtors

Trade and other debtors are recognised initially at fair value less an allowance for doubtful receivables.

Trade and other creditors

Trade and other creditors are recognised initially at fair value.

Investments in debt and equity securities

Investments in subsidiaries are carried at cost less impairment.

Notes *(continued)*

1 Accounting policies *(continued)*

Classification of financial instruments issued by the company

Following the adoption of IAS 32, financial instruments issued by the company are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and

(b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Investment in subsidiaries

Investments in subsidiaries are carried at cost less impairment. Dividend income from subsidiaries is recognised in income on the date that the company's right to receive is established.

Critical accounting judgement and key sources of estimation uncertainty

The preparation of financial statements in conformity with FRS 101 requires management to make judgments, estimates and assumptions each reporting period that affect the Income Statement and Balance Sheet. The accounting estimates will by definition seldom precisely match actual results. The items where judgments and estimates have been made are described below:

Revenue
The estimate of total contract cost is a critical financial reporting estimate for service contracts.

Remaining project cost depends on the ability to properly execute the engineering and design phase, availability of skilled resources, productivity factors, performance of subcontractors and sometimes also weather conditions. Experience, systematic use of the project execution model and focus on core competencies reduce, but do not eliminate, the risk that cost estimates may change significantly.

Liquidated damages (LD's) are penalties for not achieving defined milestones. LD's are common in service contracts. If a project does not meet the defined milestone in a contract, a provision reducing project revenue is made when considered probable that an LD will be imposed. The estimated LD provision is highly judgemental and based on experience with similar LD situations and negotiations with customers.

The service contracts may have significant changes in scope of work and variation orders are normally agreed upfront. However, unapproved variation orders may be included in the project revenue where recovery is assessed as probable and other criteria are met.

Incentive payments are integral and significant parts of contract revenue on many service contracts. Incentive payments include key performance indicators, bonuses, target sum mechanisms and productivity measures and can potentially both increase and decrease revenue. Incentive payments are generally included when there is a high level of probability that the milestones or key performance indicators will be met. There is a risk that the actual payment of incentives differs from the estimated amount.

Notes *(continued)*

1 Accounting policies *(continued)*

Research and development
The decision to capitalise a development program involves management judgment. There are strict internal rules defining what qualifies for capitalisation, and the documentation of this assessment is monitored centrally. Management makes assessment of future market opportunities, ability to successfully achieve the desired technological solution and the time and cost it takes to develop it. These factors may change over time.

Impairment indicators are assessed for individual development projects. The impairment testing of a cash generating unit involves judgmental assumptions about future market development, cashflows, determination of discount rate, growth rate and other assumptions that may change over time.

2 Turnover

	2016 £000	2015 £000
Rendering of services	**5,566**	4,790

	2016 £000	2015 £000
By activity		
Consultancy	**2,563**	2,901
Technology	**2,273**	1,144
Environmental	**730**	745
	5,566	4,790

	2016 £000	2015 £000
By geography		
United Kingdom	**2,093**	1,829
Norway	**1,662**	1,310
Rest of world	**1,811**	1,651
	5,566	4,790

3 Expenses and auditor's remuneration

Included in (loss)/profit are the following:	2016 £000	2015 £000
Depreciation on owned tangible fixed assets (note 11)	**284**	122
Amortisation of intangible assets (note 10)	**140**	105
Operating lease rentals: land and buildings	**99**	52
other	**130**	112

Auditor's remuneration:	2016 £000	2015 £000
Audit of these financial statements	**12**	18

Amounts receivable by the company's auditor and its associates in respect of services to the company and its associates, other than the audit of the company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the company's parent National Oilwell Varco, Inc.

Notes *(continued)*

4 Remuneration of director

The director received no remuneration for qualifying services to the company *(2015: £nil)*.

5 Staff numbers and costs

The average number of persons employed by the company during the year, analysed by category, was as follows:

	Number of employees	
	2016	2015
Direct	**36**	37
Indirect	**13**	12
	49	49

The aggregate payroll costs of these persons were as follows:

	2016	2015
	£000	£000
Wages and salaries	**2,464**	2,125
Social security costs	**303**	263
Other pension costs (note 22)	**187**	186
	2,954	2,574

6 Interest receivable

	2016	2015
	£000	£000
Bank interest	**4**	5

7 Interest payable and similar expenses

	2016	2015
	£000	£000
Loan interest	**24**	25
Net foreign exchange loss	**18**	16
	42	41

8 Income from fixed asset investments

	2016	2015
	£000	£000
Dividend income from Opus Plus Limited	**-**	1,416

Notes *(continued)*

9 Taxation

Recognised in the Profit and Loss Account

	2016	2016	2015	2015
	£000	£000	£000	£000
UK corporation tax				
Group relief payable / (recoverable)	(22)		(212)	
Adjustment in respect of prior year	(3)		(80)	
Total current tax credit		(25)		(292)
Deferred tax (note 19)				
Origination/reversal of timing differences	(22)		158	
Adjustment in respect of prior year	(67)		113	
Effect of changes in tax rate	-		(24)	
Total deferred tax		(89)		247
Tax on (loss)/profit on ordinary activities		(114)		(45)

Factors affecting the tax charge for the current year

The UK tax rate for the year is 20% *(2015: 20.25%).* The tax rate was reduced from 21% to 20% effective from 1 April 2015. The tax assessed for the year is lower *(2015: lower)* than the standard rate of corporation tax in the UK of 20%. The differences are explained below.

	2016	2015
	£000	£000
(Loss)/profit for the year	(154)	1,265
Tax credit	(114)	(45)
(Loss)/Profit excluding tax	(268)	1,220
Tax using the UK corporation tax rate of 20% *(2015: 20.25%)*	(54)	247
Non-deductible expenses	13	3
Income not taxable	(12)	(283)
Tax rate changes	(4)	(24)
Fixed asset differences	-	(21)
Adjustments in respect of previous periods	(70)	33
Trading loss carried forward	13	-
Total tax credit	(114)	(45)

Factors affecting the future tax charge

UK Corporation tax is calculated at 20% (2015: 20.25%) of the estimated assessable profit for the year.

A reduction in the UK corporation tax rate from 21% to 20% took effect from 1 April 2015.

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.

A rate of 19% has been applied to the deferred tax calculations in these accounts.

Notes *(continued)*

10 Intangible fixed assets

	Development costs £000	Concessions, patents, licences, trade marks and similar rights and assets £000	Software/ assets under development £000	Total £000
Cost				
Balance at 1 January 2016	151	95	298	544
Additions	-	-	4	4
Balance at 31 December 2016	151	95	302	548
Amortisation				
Balance at 1 January 2016	5	85	27	117
Charge for the year	38	5	97	140
Balance at 31 December 2016	43	90	24	257
Net book value				
At 31 December 2016	**108**	**5**	**178**	**291**
At 31 December 2015	146	10	271	427

The fair values of intangible assets acquired as part of a business are represented by Patents and are amortised over 10 years, being the period until expiry of the legal rights.

11 Tangible fixed assets

	Land and buildings £000	Plant and machinery £000	Fixtures, fittings, tools and equipment £000	Total £000
Cost				
At 1 January 2016	326	915	230	1,471
Additions	-	23	-	23
At 31 December 2016	326	938	230	1,494
Depreciation				
At 1 January 2016	39	281	68	388
Depreciation charge for the year	49	181	54	284
At 31 December 2016	88	462	122	672
Net book value				
At 31 December 2016	**238**	**476**	**108**	**822**
At 31 December 2015	287	634	162	1,083

Notes *(continued)*

12 Fixed asset investments

	Shares in subsidiary undertakings £000
Cost	
At 1 January 2016	40
Additions	74
At 31 December 2016	114
Impairment	
At 1 January 2016	40
Additions	-
At 31 December 2016	40
Net book value	
At 31 December 2016	**74**
At 31 December 2015	-

Company	Registered Office	Activity	Proportion of ordinary shares held
Fjords Processing UK Ltd	Stonedale Road Oldends Lane Ind. Estate Stonehouse Gloucestershire GL10 3RQ	Trading	100%
Opus Plus Limited	Johnston Carmichael 107-111 Fleet Street, London EC4A 2AB	None	100%

Opus Plus Limited is a 100% owned subsidiary which is currently in the process of being liquidated. The investment in Opus Plus Limited has been provided for in an earlier accounting period.

13 Stocks

	2016 £000	2015 £000
Finished goods	**15**	15

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £nil *(2015: £nil)*. The write-down of stocks to net realisable value amounted to £nil *(2015: £nil)*. The reversal of write-downs amounted to £nil as discussed below *(2015: £nil)*.

Notes *(continued)*

14 Debtors

	2016	2015
	£000	£000
Trade debtors	**151**	554
Amounts owed by group undertakings	**339**	668
Other debtors	**151**	109
Group relief debtor	**22**	214
Corporation tax	**83**	105
Prepayments and accrued income	**658**	517
	1,404	2,167

15 Creditors: amounts falling due within one year

	2016	2015
	£000	£000
Trade creditors	**226**	56
Amounts owed to group undertakings	**671**	671
Other taxes and social security	**58**	52
Other creditors and accruals	**546**	1,182
	1,501	1,961

16 Creditors: amounts falling due after more than one year

	2016	2015
	£000	£000
Accruals and deferred income	**129**	183

17 Financial instruments

Financial assets	**2016**	2015
	£000	£000
Financial assets measured at amortised cost	**1,292**	2,167

Financial liabilities	**2016**	2015
	£000	£000
Financial liabilities measured at amortised cost	**1,443**	2,144

Financial assets measured at amortised cost comprise trade and other receivables.

Financial liabilities measured at amortised cost comprise trade and other payables.

18 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2016	2015
	£000	£000
Less than one year	**155**	120
Between one and five years	**272**	261
More than five years	**128**	10
	555	691

Notes *(continued)*

19 Deferred tax

	£000
At beginning of the year	200
Originating and reversal of timing differences	(22)
Adjustments in respect of prior periods	(67)
At end of year	111

The deferred tax liability relates to short term timing differences in relation to fixed assets. The movement in the year is a credit to the Profit and Loss Account (note 9).

20 Provisions for liabilities

	£000
At beginning of the year	15
Provided during year	20
At end of the year	35

The provision for liabilities relates to warranty provisions for work completed by the company.

21 Share capital

	2016	2015
	£000	£000
Allotted, called up and fully paid		
80,000 Ordinary shares of £1 each	**80**	80

22 Pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £187,000 *(2015: £186,000)*.

Notes *(continued)*

23 Related parties

The company, as a wholly owned group member, has taken advantage of the exemption under paragraph 8 (K) of FRS 101 from disclosing transactions with wholly owned related parties that are part of the National Oilwell Varco, Inc. Group.

Other related party transactions

	Sales to 2016 £000	2015 £000	Administrative expenses incurred from 2016 £000	2015 £000
Joint ventures	**139**	688	-	-
	139	688	-	-

	Receivables outstanding 2016 £000	2015 £000	Creditors outstanding 2016 £000	2015 £000
Joint ventures	-	336	-	177

24 Ultimate parent company

The immediate parent company is Fjords Processing 1 AS, incorporated in Norway.

Up until 16 December 2016 the results of the company were consolidated into the accounts of Akastor AS. With effect from 17 December 2016 the accounts are consolidated within the accounts of National Oilwell Varco, Inc.

At the end of the year the ultimate parent company and controlling party is National Oilwell Varco, Inc., incorporated in the United States of America (7909 Parkwood Circle Drive, Houston, Texas, 77036, USA).

The largest and smallest group in which the results of the company are consolidated at the year end is National Oilwell Varco, Inc., incorporated in the United States of America. The consolidated accounts of this group are available to the public and may be obtained from the group's website www.nov.com or may be obtained from its principal office at 7909 Parkwood Circle Drive, Houston, Texas, 77036, USA.