

Registered number: 00300721

NOV PROCESS & FLOW TECHNOLOGIES UK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019



NOV PROCESS & FLOW TECHNOLOGIES UK LIMITED

COMPANY INFORMATION

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

NOV PROCESS & FLOW TECHNOLOGIES UK LIMITED

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NOV PROCESS & FLOW TECHNOLOGIES UK LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Introduction

The Directors present their Strategic Report for the year ended 31 December 2019.

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 gas and industrial markets as well as machining, non-destructive testing, fabrication, fitting and assembly work.

Financial key performance indicators

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

	2019 £000	2018 £000
Turnover	72,908	66,670
Gross profit	6,565	11,701
(Loss)/profit before taxation	(2,062)	2,778
Equity shareholders' funds	22,271	24,452

Turnover for the year was £72,908,000, an increase of 9% from the prior year. The increase was driven by additional sales contracts being awarded from Wellstream Processing customers, negated by a decline in revenue from Midstream products. Revenue from Industrial products saw a slight increase year on year. The different product mix led to lower margins in 2019 compared to the prior year, and the gross profit fell 44% to £6,565,000.

The Company reported a Loss before taxation of (£2,062,000) in 2019 compared to a Profit before taxation in 2018 of £2,778,000. This loss, along with an actuarial loss on the Company's defined benefit schemes recognised in other comprehensive income, contributed towards the decline in Shareholders' funds.

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. 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. The Company manages this risk by recognising when foreign currency exposure is expected and minimises the risk accordingly.

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.

NOV PROCESS & FLOW TECHNOLOGIES UK LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

Principal risks and uncertainties (continued)

Other risks and uncertainties (continued)

In the UK, both economic and political uncertainty have continued over the last twelve months, with precariousness as to the outcome of Brexit negotiations and the implications for trade with the European Union. The Directors are engaged in exploring the range of outcomes and are aware of the potential impacts including supply chain restraints and access to the European Market. The Directors are confident that the Company has in place appropriate measures to lower the risks and withstand any potential negative consequences.

Directors' statement of compliance with duty to promote the success of the Company

The Company is a wholly-owned subsidiary of National Oilwell Varco, Inc. ("NOV"). NOV and the Company are committed to, and recognise the importance of, good corporate governance and high ethical standards. Information on NOV's Corporate Governance and Corporate Responsibility, including an introduction to the NOV Board of Directors and the relevant governance of the NOV group of companies, can be found at www.nov.com under the relevant section.

The Company's Directors are fully aware of their duties under Section 172 of the UK Companies Act 2006.

Section 172 of the companies Act 2006 requires that a *director of a company must act in the way he or she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:*

- a) the likely consequences of any decisions in the long-term;
- b) the interests of the company's employees;
- c) the need to foster the company's business relationships with suppliers, customers and others;
- d) the impact of the company's operations on the community and environment;
- e) the desirability of the company maintaining a reputation for high standards of business conduct; and
- f) the need to act fairly as between members of the company.

The Directors and senior management of the Company execute decision-making with the above principles embedded in their consideration. Stakeholder groups include shareholders, employees, customers, suppliers, the local communities in which the Company operates, trade unions, pension trustees, regulators, government agencies, and non-governmental organisations.

Stakeholder engagement at the Company is conducted at the level and in a format best suited to the context and the stakeholder. Depending on the stakeholder, this engagement may occur globally, locally, regionally or functionally, and may be by the board or senior management of the Company.

The below table sets out the Company's key stakeholder groups, their material issues and how the Company engages with and considers the interest of each group.

Stakeholder Group	Material issues	How the Company engages and considers stakeholder interests
Shareholders	<ul style="list-style-type: none">- Financial performance and strategy- Capital allocation	<ul style="list-style-type: none">- Periodically review financial performance (actuals, budgets and forecasts) of individual business units within UK entities to protect the long-term investment of shareholders.- Identify additional options for growth opportunities through appropriate investments in the correct markets.

NOV PROCESS & FLOW TECHNOLOGIES UK LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

**Directors' statement of compliance with duty to promote the success of the Company
(continued)**

Stakeholder Group	Material issues	How the Company engages and considers stakeholder interests
Shareholders (continued)	<ul style="list-style-type: none"> - Corporate governance 	<ul style="list-style-type: none"> - Review control procedures against NOV's internal controls to protect shareholders' investment. - Conduct appropriate dividend review, prior to approval and payment to protect the local entity.
Employees	<ul style="list-style-type: none"> - Engagement and work culture - Wellbeing - Training and development - Reward and Remuneration 	<ul style="list-style-type: none"> - Share group financial results, to encourage employee engagement and trust that NOV is well-managed and has a strong future. - The Company has a "speak up" culture throughout its organisation and employees have access to an anonymous ethics hotline. This helps to ensure a safe work environment where employees are happy to work. - The Company has implemented measures to minimise hazards and reduce risk, thereby protecting health and preventing injuries to employees. - The Company tracks voluntary attrition rates and offers exit interviews of employees when leaving the organisation. All the feedback is reviewed and provides insights to allow further engagement with employees on the Company's work culture. - The Company provides an employee assistance programme to help employees with any health or wellbeing issues. - The Company offers development opportunities through training courses, such as the "Leading Others" programme, apprenticeships, and on-demand online training platforms. Regular employee surveys help managers evaluate and improve how the Company supports employee growth and work experience. - The Company regularly utilises its tool "Performance 2.0," which enables our employees to set, track, and achieve goals. - The Company's management also uses its "Talent" tool to identify opportunities to develop strong teams and identify opportunities for employee improvement and success.

NOV PROCESS & FLOW TECHNOLOGIES UK LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

**Directors' statement of compliance with duty to promote the success of the Company
(continued)**

Stakeholder Group	Material issues	How the Company engages and considers stakeholder interests
Employees (continued)		<ul style="list-style-type: none"> - The Company provides a competitive compensation and benefit packages, with regular reviews of the framework. This helps retain employees and attract new talent.
Suppliers and Customers	<ul style="list-style-type: none"> - Cost and payment practices - Quality, productivity and efficiency - Credibility, trust, reliability and reputation - Innovation and expertise - Long-term partnerships with a collaborative approach 	<ul style="list-style-type: none"> - The Company is committed to paying suppliers as per the contract terms and works consistently with its suppliers to make sure such terms reflect the business relationship in place. - Customer performance is regularly reviewed and reported to executive management, at group level. - The Company ensures that all suppliers provide quality products through active engagement with such suppliers. - The Company is committed to conducting business in a fair, transparent and competitive manner. This builds trust and long-term partnerships and results in cost savings with both suppliers and customers. - The Company often works with customers and suppliers to develop new, innovative solutions, which in turn promotes long-term partnerships. - The Company has devoted resources to further expand its intellectual property portfolio, focusing on technology that creates efficiency for all its customers.
Local UK Communities	<ul style="list-style-type: none"> - Credibility, trust, reliability and reputation - Long-term partnerships with a collaborative approach 	<ul style="list-style-type: none"> - The Company believes in investing in communities in which its employees live and work. This not only strengthens community ties, but also helps the Company to build NOV's brand awareness and reputation in the local communities and makes the Company a more attractive long-term partner for potential employee candidates, customers, and suppliers. - The Company supports and encourages its employees to be involved in their local communities. For example, in 2019, our NOV UK employees participated in a Christmas toy collection drive for a local charity that supports children living in poverty.


NOV PROCESS & FLOW TECHNOLOGIES UK LIMITED

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

Directors' statement of compliance with duty to promote the success of the Company
(continued)

Stakeholder Group	Material issues	How the Company engages and considers stakeholder interests
Local UK Communities (continued)		- In 2019, the Company provided donations for various causes all around the UK, including for youth football strips, a local cancer charity, and a school 3D printer.

This report was approved by the board on 22 October 2020 and signed on its behalf.


.....
S S Reid
Director

NOV PROCESS & FLOW TECHNOLOGIES UK LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

The Directors present their report and the financial statements for the year ended 31 December 2019.

Results and dividends

The loss for the year, after taxation, amounted to £1,697,000 (2018 - profit £2,189,000).

No dividends were paid or proposed during either year.

Directors

The Directors who served during the year were:

R Oudendijk
S S Reid

Financial instruments

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

The Directors believe that the Company is well placed to mitigate against this risk due to its diversity of product and flexibility of service.

Research and development activities

The Company continues to develop and enhance its product offering across all sectors. The total research and development spend in 2019 was £122,000 (2018 - £91,000).

Engagement with employees

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.

NOV PROCESS & FLOW TECHNOLOGIES UK LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

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.

Post balance sheet events

During the first half of 2020 a decision was made to discontinue the Fabrication, Fitting and Engineering operations in the Process & Flow Technologies Montrose business. On 1 September 2020 the remaining trade and assets of the Process and Flow Technologies Montrose business were transferred to the parent undertaking, National Oilwell Varco UK Limited, for a consideration equal to the net asset value. Following a review of the net realisable value of inventory relating to these operations, additional charges against inventory of £372,000 have been recorded in the Profit and Loss Account for the year ended 31 December 2019. No other adjustments have been made to the Financial Statements as at 31 December 2019 as a result of the discontinuation and transfer.

On 5 October 2020 the Company issued an additional 1 Ordinary share of £1 each in the capital of the Company to National Oilwell Varco UK Limited, the immediate parent undertaking, for a total subscription price of £12,000,000.

On 14 October 2020 the Company issued an additional 1 Ordinary share of £1 each in the capital of the Company to National Oilwell Varco UK Limited, the immediate parent undertaking, for a total subscription price of £9,900,000.

Subsequent to the year end, the coronavirus (COVID-19) outbreak has spread rapidly across the world, impacting many economies and markets. The Company was prepared for the event of lockdown with the appropriate infrastructure put in place for home working to be achieved where appropriate and responded in a timely manner to government guidance. For business critical operations, shift patterns were introduced to allow social distancing to be adhered to, providing safety for our employees. Where appropriate the Company has taken advantage of government assistance schemes however, there has been a reduction in headcount where necessary to align the Company to its business environment.

Following the outbreak, the Company has seen a slow-down in orders and an impact on supplies and associated costs. Depressed demand is expected to continue for the industrial product lines associated with capital equipment for the whole of 2020 however, aftermarket sales are expected to remain stable. The Company's oil related product lines have been further impacted and are expected to take a longer time to recover. The Company is responding with a focus on cost control as well as looking to pursue new distribution channels and enter new markets following launches of new product lines. At the date of this report, the Directors do not consider it is practical to provide a meaningful quantitative or qualitative estimate of the potential impact of the pandemic on the Company. The pandemic is considered an event which is indicative of conditions which arose after the reporting period and as such no adjustments have been made to the Financial Statements as at 31 December 2019 due the impact of the pandemic.

NOV PROCESS & FLOW TECHNOLOGIES UK LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

Future developments

The Directors expect industry activity levels and spending by customers to remain depressed throughout the remainder of 2020 as the impact of COVID-19 continues.

Longer-term, the Company remains optimistic regarding opportunities to develop new distribution channels and generate additional demand from new products, underpinned by the continued focus on cost control and efficiency improvements within the business. Notwithstanding this optimism, the outlook is uncertain and the Company remains committed to streamlining its operations and improving organisational efficiencies while continuing to focus on the capital investment strategies of our customers to ensure our investments in innovative products and services, including environmentally friendly technologies, are responsive to their longer-term investment outlook. We believe this strategy will further advance the Company's competitive position, regardless of the market environment.

Going concern

The Directors have considered the Company's current and future prospects, its availability of financing, and the impact of COVID-19, 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. Based on a review of forecasts for the Company through to December 2021, the Directors have a reasonable expectation that the Company has adequate resources 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. In the event that the Company requires assistance to meet its financial obligations, then the parent would be able to provide support to the Company. The Directors have received a letter of support from the parent, confirming it will provide financial support to the Company if needed, for a period of at least 12 months from the date of approval of the Balance Sheet, in order to allow the Company to continue to operate as a going concern. Accordingly, the Directors continue to adopt the going concern basis in preparing the financial statements.

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.

Auditors

Under section 487 of the Companies Act 2006, Ernst & Young LLP will be deemed to have been reappointed as auditors of the Company.

This report was approved by the board on 22 October 2020 and signed on its behalf.


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S S Reid
Director

NOV PROCESS & FLOW TECHNOLOGIES UK LIMITED

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019**

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 MEMBERS 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 2019, 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 32, 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 2019 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. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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.

Emphasis of matter - Effects of COVID-19

We draw attention to Notes 2.4 and 31 of the Financial Statements, which describes the economic and social disruption the Company is facing as a result of COVID-19 which is impacting the wider UK and global economies, as well as the Company's ability to operate normally. Our opinion is not modified in respect of this matter.

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.

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

Other information

The Directors are responsible for the 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. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise 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.

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

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement on page 9, 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.

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. This description forms part of our Auditors' Report.

Use of our report

This report is made solely to the Company's members 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 for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Peter Buckler (Senior Statutory Auditor)

for and on behalf of

Ernst & Young LLP, Statutory Auditor

Leeds

22 October 2020

NOV PROCESS & FLOW TECHNOLOGIES UK LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	2019 £000	2018 £000
Turnover	4	72,908	66,670
Cost of sales		(66,343)	(54,969)
Gross profit		<u>6,565</u>	<u>11,701</u>
Distribution costs		(3,641)	(3,101)
Administrative expenses		(4,927)	(6,115)
Other operating income		135	135
Operating (loss)/profit	5	<u>(1,868)</u>	<u>2,620</u>
Income from shares in group undertaking	9	367	655
Loss on disposal of tangible and intangible assets		(19)	(47)
Interest receivable	10	-	1
Interest payable	11	(541)	(458)
Other finance (costs)/income	12	(1)	7
(Loss)/profit before tax		<u>(2,062)</u>	<u>2,778</u>
Tax on (loss)/profit	13	365	(589)
(Loss)/profit for the financial year		<u><u>(1,697)</u></u>	<u><u>2,189</u></u>

The notes on pages 17 to 45 form part of these financial statements.

NOV PROCESS & FLOW TECHNOLOGIES UK LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £000	2018 £000
(Loss)/profit for the financial year		(1,697)	2,189
Other comprehensive income			
Actuarial gain/(loss) on defined benefit schemes	28	6,492	(2,853)
Change in irrecoverable plan surplus not recognised	28	(7,682)	1,625
Movement on deferred tax relating to pension liability		226	233
Other comprehensive loss for the year		(964)	(995)
Total comprehensive (loss)/income for the year		(2,661)	1,194

The notes on pages 17 to 45 form part of these financial statements.

NOV PROCESS & FLOW TECHNOLOGIES UK LIMITED
REGISTERED NUMBER: 00300721

BALANCE SHEET
AS AT 31 DECEMBER 2019

	Note	2019 £000	2018 £000
Fixed assets			
Intangible assets	14	-	133
Tangible assets	15	28,460	29,919
Investments	16	501	501
		28,961	30,553
Current assets			
Stocks	17	11,037	12,702
Debtors: amounts falling due within one year	18	20,640	18,454
Cash at bank and in hand		-	3,298
		31,677	34,454
Creditors: amounts falling due within one year	19	(36,544)	(13,675)
Net current (liabilities)/assets		(4,867)	20,779
Total assets less current liabilities		24,094	51,332
Creditors: amounts falling due after more than one year	20	(540)	(24,766)
Provisions for liabilities			
Other provisions	22	(411)	(387)
Defined benefit pension liability	28	(872)	(1,727)
Net assets		22,271	24,452
Capital and reserves			
Called up share capital	23	500	500
Share based payment reserve	24	3,797	3,317
Merger reserve	24	(10,716)	(10,716)
Profit and loss account		28,690	31,351
		22,271	24,452

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 22 October 2020.

.....*Simon Reid*.....
S S Reid
 Director

The notes on pages 17 to 45 form part of these financial statements.

NOV PROCESS & FLOW TECHNOLOGIES UK LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Called up share capital £000	Share based payment reserve £000	Merger reserve £000	Profit and loss account £000	Total equity £000
At 1 January 2018	500	2,848	(10,716)	30,157	22,789
Comprehensive income for the year					
Profit for the year	-	-	-	2,189	2,189
Actuarial losses on pension schemes (note 28)	-	-	-	(1,228)	(1,228)
Deferred tax relating to pension schemes (note 21)	-	-	-	233	233
Total comprehensive income for the year	-	-	-	1,194	1,194
Share based payments (note 25)	-	469	-	-	469
At 1 January 2019	500	3,317	(10,716)	31,351	24,452
Comprehensive loss for the year					
Loss for the year	-	-	-	(1,697)	(1,697)
Actuarial losses on pension schemes (note 28)	-	-	-	(1,190)	(1,190)
Deferred tax relating to pension schemes (note 21)	-	-	-	226	226
Total comprehensive loss for the year	-	-	-	(2,661)	(2,661)
Share based payments (note 25)	-	480	-	-	480
At 31 December 2019	500	3,797	(10,716)	28,690	22,271

The notes on pages 17 to 45 form part of these financial statements.

NOV PROCESS & FLOW TECHNOLOGIES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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 FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act 2006.

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 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 11.42, 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 2019 and these financial statements may be obtained from its principal office at 7909 Parkwood Circle Drive, Houston, Texas, 77036, USA.

2.3 Exemption from preparing consolidated financial statements

The Company is itself a subsidiary company and is exempt from the requirement to prepare consolidated financial statements 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

2. Accounting policies (continued)

2.4 Going concern

The Directors have considered the Company's current and future prospects, its availability of financing, and the impact of COVID-19, 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. Based on a review of forecasts for the Company through to December 2021, the Directors have a reasonable expectation that the Company has adequate resources 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. In the event that the Company requires assistance to meet its financial obligations, then the parent would be able to provide support to the Company. The Directors have received a letter of support from the parent, confirming it will provide financial support to the Company if needed, for a period of at least 12 months from the date of approval of the Balance Sheet, in order to allow the Company to continue to operate as a going concern. Accordingly, the Directors continue to adopt the going concern basis in preparing the financial statements.

2.5 Foreign currency translation

Functional and presentation currency

The Company's functional and presentation currency is British pound sterling (GBP). 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. Non-monetary 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'.

2.6 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

2. Accounting policies (continued)

2.7 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.

Construction contracts

Revenue arising from construction contracts is recognised by reference to the stage of completion. Stage of completion is measured by reference to the proportion that costs incurred for work performed to date bear to the estimated total costs. Costs incurred for work performed to date do not include costs relating to future activity, such as for materials or prepayments.

2.8 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.

2.9 Interest income

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

2. Accounting policies (continued)

2.10 Borrowing costs

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

2.11 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.

2.12 Tangible fixed 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.

NOV PROCESS & FLOW TECHNOLOGIES UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.13 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.

2.14 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.15 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.

2.16 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.

2.17 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.

2.18 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.

NOV PROCESS & FLOW TECHNOLOGIES UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.19 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.

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 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.

2.22 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 ultimate parent 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.

NOV PROCESS & FLOW TECHNOLOGIES UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.23 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.

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.

NOV PROCESS & FLOW TECHNOLOGIES UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.25 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 three defined benefit pension schemes, the assets of which are held separately from those of the Company in trustee administered funds.

The cost of providing benefits under the defined benefit schemes 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 scheme assets reflects the gain or loss which is recognised in the Profit and Loss Account during the period in which it occurs. Past service costs are recognised in net benefit expense on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits are already vested immediately following the introduction of, or changes to the scheme, the past service cost is recognised immediately in the Profit and Loss Account.

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 the Profit and Loss Account in subsequent periods.

The net defined benefit pension asset or liability in the Balance Sheet comprise the total of the present value of the defined benefit obligation less the fair value of scheme 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

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 schemes is 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. FRS 102 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 1.90% per annum was adopted based on market conditions as at 31 December 2019. The longevity assumptions are based on the SAPS year of birth tables with future improvements in line with CMI 2018 projections from 2013 for the S3 tables and 2007 for the S2 tables, with a long term trend of 1.25% per annum. Future salary increases and pension increases are based on expected future inflation rates. Further details are given in note 28.

On 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. Whilst the Lloyds judgment has brought some clarity to the issue, there are still a number of outstanding uncertainties. The Lloyds case judgment set out the methods that trustees could adopt to effect this equalisation. An assumption has been made that method C2 will be adopted which is based on a cumulative test of pension amounts paid allowing for interest on pension payments. Based on actuarial advice using a number of data items relating to the schemes benefit structures and membership profiles, an approximate estimate was made of the financial effect of guaranteed minimum pension equalisation on the liabilities of the schemes and reflected in the year ended 31 December 2018. The ultimate cost of GMP equalisation may be higher or lower than this estimate.

(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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

3. **Judgements in applying accounting policies and key sources of estimation uncertainty (continued)**

a. Critical accounting estimates and assumptions (continued)

(iv) Revenue recognition – percentage of completion method

The Company applies the percentage of completion method ("POC") in accounting for construction contracts as outlined in accounting policy 2.5. The use of the POC method requires management to determine the stage of completion by reference to the contract costs incurred for work performed to date in proportion to the estimated total contract costs. Based on this estimated stage of completion, a respective portion of the expected revenue is recognised. If circumstances arise that may change the original estimates of revenues, costs or extent of progress towards completion, estimates are revised. These revisions may result in increases or decreases in estimated revenues and costs and are reflected in the Profit and Loss Account in the period in which the circumstances that give rise to the revision become known.

Experience, systematic use of the project execution model and focus on core competencies reduce, but do not eliminate, the risk that estimates associated with POC estimates may change significantly.

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 2019 to value each investment consists of applying an enterprise value/revenue (EV/revenue) ratio 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.

NOV PROCESS & FLOW TECHNOLOGIES UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

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:

	2019 £000	2018 £000
Sale of goods	66,318	60,426
Provision of services	6,590	6,244
	<u>72,908</u>	<u>66,670</u>

Analysis of turnover by country of destination:

	2019 £000	2018 £000
Europe	48,322	41,198
Americas	11,760	14,291
Rest of the world	12,826	11,181
	<u>72,908</u>	<u>66,670</u>

5. Operating (loss)/profit

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

	2019 £000	2018 £000
Research & development charged as an expense	122	91
Exchange differences	426	(517)
Operating leases - land and buildings	139	158
Operating leases - plant and equipment	369	306
Depreciation of tangible fixed assets (note 15)	2,260	2,282
Amortisation of intangible assets (note 14)	100	100
Auditors' remuneration (note 6)	81	77
Defined contribution pension cost (note 28)	1,303	1,204
Deferred government grants released	(135)	(135)
Impairment of stock	2,039	359
	<u>2,039</u>	<u>359</u>

NOV PROCESS & FLOW TECHNOLOGIES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

6. Auditors' remuneration

	2019 £000	2018 £000
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	81	77

7. Employees

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:

	2019 £000	2018 £000
Wages and salaries	18,957	16,745
Social security costs	1,991	1,617
Defined contribution pension costs (note 28)	1,303	1,204
Share based payments (note 25)	480	469
	<u>22,731</u>	<u>20,035</u>

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

	2019 No.	2018 No.
Production	422	410
Administration and sales	106	105
	<u>528</u>	<u>515</u>

NOV PROCESS & FLOW TECHNOLOGIES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

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 £109,000 (2018 two Directors - £172,000), amounts receivable under long-term incentive schemes of £nil (2018 two Directors - £9,000) and pension contributions of £6,000 (2018 two Directors - £11,000). The Directors do 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. Income from shares in group undertaking

	2019 £000	2018 £000
Dividends received from unlisted investments	367	655

10. Interest receivable

	2019 £000	2018 £000
Other interest receivable	-	1

11. Interest payable

	2019 £000	2018 £000
Interest on loans from group undertakings	541	458

12. Other finance (costs)/income

	2019 £000	2018 £000
Net interest on net defined benefit pension liability	(1)	7

NOV PROCESS & FLOW TECHNOLOGIES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

13. Taxation

	2019 £000	2018 £000
Corporation tax		
Current tax on profit for the year	-	622
Adjustments in respect of previous periods	(203)	(440)
Group relief recoverable	(641)	-
	<u>(844)</u>	<u>182</u>
Foreign tax		
Foreign tax on income for the year	8	-
	<u>(836)</u>	<u>182</u>
Deferred tax		
Origination and reversal of timing differences	(21)	(32)
Deferred tax on pension scheme movements	389	45
Deferred tax on share based payments	12	(12)
Adjustments in respect of previous periods	91	406
	<u>471</u>	<u>407</u>
Taxation on (loss)/profit for the year	<u><u>(365)</u></u>	<u><u>589</u></u>

NOV PROCESS & FLOW TECHNOLOGIES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

13. Taxation (continued)

Factors affecting tax (credit)/charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £000	2018 £000
(Loss)/profit before tax	<u>(2,062)</u>	<u>2,778</u>
(Loss)/profit multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	(392)	528
Effects of:		
Expenses not deductible for tax purposes	135	185
Income not taxable for tax purposes	(97)	(150)
Adjustments to tax charge in respect of previous periods	(111)	(34)
Other timing differences	92	60
Overseas tax expensed	8	-
Total tax (credit)/charge for the year	<u><u>(365)</u></u>	<u><u>589</u></u>

Factors that may affect future tax charges

UK corporation tax is calculated at 19% (2018 - 19%) of the estimated assessable profit or loss for the year.

The rate of UK corporation tax will remain at 19% from 1 April 2020. Finance Bill 2020 was enacted on 17 March 2020 cancelling the reduction in the UK corporation tax rate to 17% enacted by Finance Bill 2016.

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

NOV PROCESS & FLOW TECHNOLOGIES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

14. Intangible assets

	Patents £000
Cost	
At 1 January 2019	475
Disposals	(475)
At 31 December 2019	-
Amortisation	
At 1 January 2019	342
Charge for the year	100
Disposals	(442)
At 31 December 2019	-
Net book value	
At 31 December 2019	-
<i>At 31 December 2018</i>	<i>133</i>

NOV PROCESS & FLOW TECHNOLOGIES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

15. Tangible fixed assets

	Freehold land £000	Freehold buildings £000	Leasehold improvements £000	Plant and machinery £000	Fixtures and fittings £000	Construction in progress £000	Total £000
Cost							
At 1 January 2019	4,599	19,694	22	21,738	58	319	46,430
Additions	-	-	-	36	7	788	831
Disposals	-	-	-	(369)	-	-	(369)
Transfers between classes	-	79	-	439	1	(519)	-
At 31 December 2019	4,599	19,773	22	21,844	66	588	46,892
Depreciation							
At 1 January 2019	-	2,661	19	13,788	43	-	16,511
Charge for the year	-	710	3	1,540	7	-	2,260
Disposals	-	-	-	(339)	-	-	(339)
At 31 December 2019	-	3,371	22	14,989	50	-	18,432
Net book value							
At 31 December 2019	4,599	16,402	-	6,855	16	588	28,460
At 31 December 2018	4,599	17,033	3	7,950	15	319	29,919

NOV PROCESS & FLOW TECHNOLOGIES UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

16. Fixed asset investments

	Subsidiary undertakings £000
Cost and net book value	
At 1 January 2019 and 31 December 2019	501

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Country of incorporation	Class of shares	Holding
NOV Australia Pty Ltd	75 Frankston Gardens Drive, Carrum Downs, 3201, Victoria, Australia	Australia	Ordinary	100%
Mono Pumps New Zealand Company	35-41 Fremlin Place, Avondale, Auckland, New Zealand	New Zealand	Ordinary	100%

17. Stocks

	2019 £000	2018 £000
Raw materials and consumables	1,614	2,625
Work in progress	1,047	1,108
Finished goods and goods for resale	8,376	8,969
	11,037	12,702

NOV PROCESS & FLOW TECHNOLOGIES UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

18. Debtors

	2019 £000	2018 £000
Trade debtors	10,347	8,043
Amounts owed by fellow subsidiary undertakings	5,164	4,858
Amounts owed by subsidiary undertakings	1,072	781
Amounts owed by parent undertaking	321	490
Group relief recoverable	318	-
Deferred taxation (note 21)	564	809
VAT recoverable	72	117
Other debtors	-	32
Prepayments and accrued income	2,782	3,324
	20,640	18,454
	20,640	18,454

Trade debtors are stated after provisions for impairment of £412,000 (2018 - £671,000).

19. Creditors: Amounts falling due within one year

	2019 £000	2018 £000
Bank overdrafts	-	1,324
Payments received on account	216	1,193
Trade creditors	3,836	4,832
Amounts owed to fellow subsidiary undertakings	1,442	1,762
Amounts owed to parent undertaking	28,448	-
Corporation tax	-	580
Group relief payable	-	268
Accruals and deferred income	2,467	3,581
Deferred government grant income	135	135
	36,544	13,675
	36,544	13,675

Amounts owed to parent undertaking includes a loan facility of up to £25,000,000 payable to the parent undertaking NOV UK Holdings Limited, incurring interest at 2.3% per annum, and repayable on 31 October 2021. The amount outstanding at 31 December 2019 included the principal amount of £24,000,000 and accrued interest of £632,000 and has been presented as short term following the early repayment in August 2020.

NOV PROCESS & FLOW TECHNOLOGIES UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

20. Creditors: Amounts falling due after more than one year

	2019	2018
	£000	£000
Amounts owed to parent undertaking	-	24,091
Deferred income	540	675
	540	24,766
	540	24,766

Amounts owed to parent undertaking was represented by a loan facility of up to £25,000,000 payable to the parent undertaking NOV UK Holdings Limited, incurring interest at 2.3% per annum, and repayable on 31 October 2021. The amount outstanding at 31 December 2018 represented the principal amount of £24,000,000 and accrued interest of £91,000. Following the early repayment of the loan in August 2020, this has been presented as short term as at 31 December 2019.

21. Deferred taxation

	2019
	£000
At beginning of year	809
Credited to Other comprehensive income	226
Charged to profit and loss	(471)
At end of year	564
	564

The deferred tax asset is made up as follows:

	2019	2018
	£000	£000
Decelerated capital allowances	213	262
Other timing differences	115	137
Share based payments	70	82
Pension	166	328
	564	809
	564	809

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22. Other provisions

	Warranty provision £000
At 1 January 2019	387
Charged to profit or loss	425
Utilised in year	(401)
At 31 December 2019	411

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.

23. Share capital

	2019 £000	2018 £000
Allotted, called up and fully paid		
500,000 Ordinary shares of £1 each	500	500

24. 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 Mono businesses in 2014 and PFT Montrose business in 2015.

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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NOTES TO THE FINANCIAL STATEMENTS
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25. 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 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 £21.57 (2018 - £25.45). These shares will not vest until the third anniversary of the date of the grant, at which time they will be 100% vested.

26. Contingent liabilities

At 31 December 2019 the Company had contingent liabilities in respect of outstanding guarantees given for performance bonds and contracting agreements amounting to £1,331,000 (2018 - £1,766,000) entered into in the normal course of business.

27. Capital commitments

At 31 December 2019 the Company had capital commitments as follows:

	2019	2018
	£000	£000
Contracted for but not provided in these financial statements	<u>612</u>	<u>65</u>

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28. Pension commitments

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £1,303,000 (2018 - £1,204,000). Contributions totalling £nil (2018 - £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 schemes 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 December 2018. These calculations have been carried out using the projected unit credit method.

National Oilwell Varco UK Limited is the sponsoring employer of the Merpro Group Pension & Life Assurance Scheme, however as NOV Process & Flow Technologies UK Limited is the economic employer and bears all costs associated with the scheme, it has been included in the disclosures below.

	2019 £000	2018 £000
Reconciliation of present value of plan liabilities		
At the beginning of the year	91,982	93,849
Interest cost	2,352	2,205
Remeasurement of defined benefit obligation	(134)	(2,054)
Benefits paid	(3,225)	(3,872)
Past service cost	-	1,854
At the end of the year	90,975	91,982

	2019 £000	2018 £000
Reconciliation of fair value of plan assets		
At the beginning of the year	91,441	95,854
Interest income	2,328	2,278
Return on plan assets greater/(less) than discount rate	6,358	(4,907)
Contributions by employer	2,046	2,088
Benefits paid	(3,225)	(3,872)
At the end of the year	98,948	91,441

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**NOTES TO THE FINANCIAL STATEMENTS
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28. Pension commitments (continued)

	2019 £000	2018 £000
Composition of plan assets		
Equity securities	30,397	26,074
Debt securities	45,178	41,221
Real estate	82	8,101
Other	23,291	16,045
Total plan assets	98,948	91,441
	2018 £000	2018 £000
Amounts recognised in the Balance Sheet		
Fair value of plan assets	98,948	91,441
Present value of plan liabilities	(90,975)	(91,982)
	7,973	(541)
Irrecoverable surplus	(8,845)	(1,186)
Net pension scheme liability	(872)	(1,727)

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.

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28. Pension commitments (continued)

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

	2019	2018
	£000	£000
Amounts recognised in profit and loss		
Net interest on net defined benefit liability	(1)	7
Past service cost	-	(1,854)
	(1)	(1,847)
	(1)	(1,847)
Amounts recognised in other comprehensive income		
Actual return on scheme assets	8,686	(2,629)
Less: amounts included in net interest on the net defined benefit liability	(2,328)	(2,278)
	6,358	(4,907)
Return on plan assets greater/(less) than discount rate	6,358	(4,907)
Remeasurement of defined benefit obligation	134	2,054
	6,492	(2,853)
Actuarial gain/(loss) recorded in other comprehensive income	6,492	(2,853)
	2019	2018
	£000	£000
Change in irrecoverable surplus		
Irrecoverable surplus at start of the year	1,186	2,745
Interest on irrecoverable surplus	(23)	66
Change in irrecoverable surplus during the year	7,682	(1,625)
	8,845	1,186
Irrecoverable surplus at end of the year	8,845	1,186

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28. Pension commitments (continued)

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

	2019	2018
	%	%
Discount rate	1.9	2.6
Future salary increases	3.1	3.4
Future pension increases	2.1	2.4
Inflation assumption	2.1	2.4
Mortality rates	Years	Years
- for a male aged 65 now	20.5	21.9
- at 65 for a male aged 50 now	21.4	22.9
- for a female aged 65 now	22.5	23.8
- at 65 for a female member aged 50 now	23.6	25.0

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29. Commitments under operating leases

At 31 December 2019 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2019	2018
	£000	£000
Land and buildings		
Not later than 1 year	89	129
Later than 1 year and not later than 5 years	86	100
	175	229
	175	229
	2019	2018
	£000	£000
Plant and equipment		
Not later than 1 year	203	142
Later than 1 year and not later than 5 years	309	136
	512	278
	512	278

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.

30. 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 2019, are as follows:

	2019	2019	2018	2018
	Sales to	Amounts	Sales to	Amounts
	related	owed by	related	owed by
	party	related	party	related
	£000	party	£000	party
	£000	£000	£000	£000
NOV Brandt Oilfield Services Middle East LLC	30	12	5	-
NOV Saudi Arabia Trading Co. Ltd.	1	-	-	-
	31	12	5	-
	31	12	5	-

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30. Related party transactions (continued)

	2019	2019	2018	2018
	Purchases	Amounts	Purchases	Amounts
	from related	owed to	from related	owed to
	party	related	party	related party
	£000	party	£000	£000
	£000	£000	£000	£000
NOV Brandt Oilfield Services Middle East LLC	-	-	15	4
NOV Saudi Arabia Trading Co. Ltd.	-	-	2	-
	<u>-</u>	<u>-</u>	<u>17</u>	<u>4</u>
	<u>-</u>	<u>-</u>	<u>17</u>	<u>4</u>

31. Post balance sheet events

During the first half of 2020 a decision was made to discontinue the Fabrication, Fitting and Engineering operations in the Process & Flow Technologies Montrose business. On 1 September 2020 the remaining trade and assets of the Process and Flow Technologies Montrose business were transferred to the parent undertaking, National Oilwell Varco UK Limited, for a consideration equal to the net asset value. Following a review of the net realisable value of inventory relating to these operations, additional charges against inventory of £372,000 have been recorded in the Profit and Loss Account for the year ended 31 December 2019. No other adjustments have been made to the Financial Statements as at 31 December 2019 as a result of the discontinuation and transfer.

On 5 October 2020 the Company issued an additional 1 Ordinary share of £1 each in the capital of the Company to National Oilwell Varco UK Limited, the immediate parent undertaking, for a total subscription price of £12,000,000.

On 14 October 2020 the Company issued an additional 1 Ordinary share of £1 each in the capital of the Company to National Oilwell Varco UK Limited, the immediate parent undertaking, for a total subscription price of £9,900,000.

Subsequent to the year end, the coronavirus (COVID-19) outbreak has spread rapidly across the world, impacting many economies and markets. The Company was prepared for the event of lockdown with the appropriate infrastructure put in place for home working to be achieved where appropriate and responded in a timely manner to government guidance. For business critical operations, shift patterns were introduced to allow social distancing to be adhered to, providing safety for our employees. Where appropriate the Company has taken advantage of government assistance schemes however, there has been a reduction in headcount where necessary to align the Company to its business environment.

Following the outbreak, the Company has seen a slow-down in orders and an impact on supplies and associated costs. Depressed demand is expected to continue for the industrial product lines associated with capital equipment for the whole of 2020 however, aftermarket sales are expected to remain stable. The Company's oil related product lines have been further impacted and are expected to take a longer time to recover. The Company is responding with a focus on cost control as well as looking to pursue new distribution channels and enter new markets following launches of new product lines. At the date of this report, the Directors do not consider it is practical to provide a meaningful quantitative or qualitative estimate of the potential impact of the pandemic on the Company. The pandemic is considered an event which is indicative of conditions which arose after the reporting period and as such no adjustments have been made to the Financial Statements as at 31 December 2019 due the impact of the pandemic.

NOV PROCESS & FLOW TECHNOLOGIES UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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32. 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. The consolidated accounts of National Oilwell Varco, Inc. are those of the smallest and largest group of which the Company is a member and for which group accounts are prepared. Copies of these accounts are available from its principal office at 7909 Parkwood Circle Drive, Houston, Texas, 77036, USA.