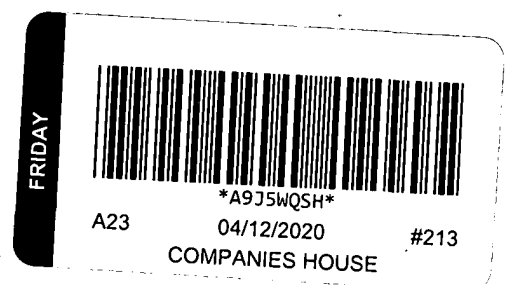


Registered number: 00873028

NATIONAL OILWELL VARCO UK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019



NATIONAL OILWELL VARCO UK LIMITED

COMPANY INFORMATION

Directors	R Oudendijk S S Reid
Company secretary	A M Sloan
Registered number	00873028
Registered office	Stonedale Road Oldends Lane Industrial Estate Stonehouse Gloucestershire GL10 3RQ
Independent auditor	Ernst & Young LLP Blenheim House Fountainhall Road Aberdeen AB15 4DT

NATIONAL OILWELL VARCO UK LIMITED

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NATIONAL OILWELL VARCO 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 activity during the year was that of manufacturing, sale, rental and servicing of equipment and accessories to the oil and gas industry.

National Oilwell Varco UK Limited operates under three segments: Rig Technologies, Completion and Production Solutions and Wellbore Technologies, and traded as the following divisions throughout the year: Amclyde Norson Engineering, APL (UK), Coil Services (North Sea), CTES, Dynamic Drilling Solutions (MD-Totco), Elmar, Grant Prideco, Hydra Rig, NOV Flexibles UK, Pressure Performance Systems (PPS), Procon Engineering, Rig Technologies, Tuboscope, Well Site Services - Axiom, Well Site Services - Brandt and XL Systems. The Company also operates branches in Azerbaijan, Norway, Cameroon and Ivory Coast.

Principal risks and uncertainties

Market risks

The sale of oilfield equipment and services to the offshore oil and gas industry correlates strongly with the price of oil and drilling activity which is outside the Company's direct control. However, the Directors are confident that the Company is positioned in a manner that will enable it to meet the demands of its markets and business environment.

Customers in this sector purchase globally and there are a number of competitors of various sizes in Europe, North America and Asia. The Company seeks to minimise the competitive risk by being a leader in redesigning processes, managing information and providing quality products, services and solutions that deliver a competitive advantage to its customers. The Company also endeavours to utilise the strengths of being part of a large successful multinational group, National Oilwell Varco, Inc. to strategically acquire businesses to strengthen its market position.

Foreign exchange risk

The Company is exposed to foreign currency exchange rate fluctuations, primarily between British pound sterling and United States dollar. The Company uses forward foreign currency contracts to reduce this exposure. The Directors do not consider the fair value of the contracts in place at 31 December 2019 and 31 December 2018 to be materially different to the issue cost.

Other risks and uncertainties

When designing a new product, the Company ensures that the legislative requirements of the end user are met fully. When renting products to the client, the Company ensures the equipment has been fully tested and is accompanied with current certification before being sent to the customer.

- 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.

Subsequent to the year end, oil and gas prices and demand have been impacted by the global COVID-19 pandemic. Although this is expected to be a severe downturn for the global oil and gas industry for the whole of 2020, the Company is well positioned with ample liquidity and a focus on cost control.

NATIONAL OILWELL VARCO UK LIMITED

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

Financial key performance indicators

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

	2019 £000	As restated 2018 £000
Turnover	346,750	300,519
Gross profit	33,084	44,545
Profit before taxation	12,742	12,380
Shareholders' funds	732,651	737,475

Turnover for 2019 was £346,750,000, an increase of 15% from the prior year, as an improved offshore market was sustained during 2019 and resulted in increased drilling activity and demand for oil and gas equipment, parts and services. The increase in activity led to increased revenues in all divisions of the Company especially so in those operating in the Completion & Production Solutions segments.

For the year ended 31 December 2019, the Company reported a gross profit of £33,084,000, representing a gross profit margin of 10%. Although there has been an increase in turnover, the Company has recognised an exceptional inventory impairment expense of £17,656,000 in gross profit. This was following a review which highlighted that the Company was carrying a high level of slow moving inventory, which was impaired based on the latest estimates of future demand. Excluding this one-off item, adjusted gross profit was £50,740,000 representing a margin of 15%, compared to a gross profit of £44,545,000, and corresponding margin of 15% in 2018.

Although the unadjusted gross profit declined by 26%, this was offset by a 29% decrease in administrative expenses and the profit before tax was £12,742,000 compared to £12,380,000 in 2018.

Dividends of £20,352,000 were paid by the Company to its shareholder, NOV UK Holdings Limited, during the year, which contributed towards the decline in Shareholders' funds.

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.

NATIONAL OILWELL VARCO 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)**

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, supplier, 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 be 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 - Corporate governance 	<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. - 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.

NATIONAL OILWELL VARCO 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 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. - 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 	<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.

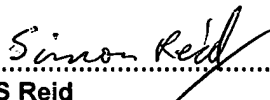
NATIONAL OILWELL VARCO UK LIMITED

**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
Suppliers and Customers (continued)	<ul style="list-style-type: none"> - Innovation and expertise - Long-term partnerships with a collaborative approach 	<ul style="list-style-type: none"> - 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. - 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 1 December 2020 and signed on its behalf.



S S Reid
 Director

NATIONAL OILWELL VARCO 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 profit for the year, after taxation, amounted to £13,540,000 (2018 - £11,734,000).

Dividends of £20,352,000 (2018 - £68,263,000) were paid during the year.

Directors

The Directors who served during the year were:

R Oudendijk
S S Reid

Financial instruments

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

Interest rate risk

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

Liquidity risk

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

Credit risk

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

Price risk

The decline in oil price witnessed in recent years continues to impact the market at large. The Directors believe that the Company is well placed to mitigate against this risk due to its diversity of product and flexibility of service.

Research and development activities

The Company continues to develop and enhance its product offering across all of its divisions. The total research and development spend in 2019 was £1,336,000 (2018 - £1,257,000), the majority of which was incurred by the Elmar, Well Site Services and Pressure Performance Systems divisions.

Engagement with employees

During the year, the policy of providing employees with information about the group has been continued via the National Oilwell Varco intranet website. Regular meetings are held between local management and employees to allow a free flow of information and ideas.

Further information on employee engagement is included within the Strategic Report.

NATIONAL OILWELL VARCO UK LIMITED

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

Engagement with suppliers, customers and others

Information on engagement with suppliers, customers and others in a business relationship with the Company is included within the Strategic Report.

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 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

On 20 March 2020 the Directors passed a special resolution to reduce the share premium account from £507,714,000 to £nil and the amount by which the share premium account was reduced was credited to the profit and loss account.

On 31 March 2020 a listed Eurobond in the amount of £516,800,000 issued by the parent undertaking NOV UK Holdings Limited was assigned to the Company. Subsequently, the Company agreed to forgive, release and discharge this debt.

On 31 March 2020 the Company issued a listed Eurobond in the amount of £516,800,000 with an interest rate of 4.2% and maturity date of 31 March 2028.

On 1 September 2020 the trade and assets of the Process and Flow Technologies Montrose business were transferred from a subsidiary undertaking, NOV Process & Flow Technologies UK Limited, for a consideration equal to its net assets.

On 5 October 2020 the Company subscribed for an additional 1 Ordinary share of £1.00 each in the capital of NOV Process & Flow Technologies UK Limited, a subsidiary undertaking, for a total subscription price of £12,000,000.

On 14 October 2020 the Company subscribed for an additional 1 Ordinary share of £1.00 each in the capital of NOV Process & Flow Technologies UK Limited, a subsidiary 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 local economies and driving sharp demand destruction for crude oil. 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 reduction in revenue compared to 2019 which is expected to remain depressed throughout 2020. The impact of COVID-19 has been considered as part of the going concern assessment and although this is expected to be a severe downturn for the global oil and gas industry for the whole of 2020, the Company is well positioned with ample liquidity and a focus on cost control. 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.

NATIONAL OILWELL VARCO 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 demand destruction from COVID-19 continues and inventory stockpiles of crude oil remain high.

Longer-term, the Company remains optimistic regarding improvements in market fundamentals as existing oil and gas fields continue to deplete and investments in major projects to replenish supply remain constrained while global demand is expected to grow. 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 auditor

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 auditor is 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 auditor is aware of that information.

Auditor

In accordance with section 487 of the Companies Act 2006, Ernst & Young LLP is deemed to be reappointed as the auditor of the Company.

This report was approved by the board on 1 December 2020 and signed on its behalf.


.....
S S Reid
Director

NATIONAL OILWELL VARCO 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 AUDITOR'S REPORT TO THE MEMBERS OF NATIONAL OILWELL VARCO UK LIMITED

Opinion

We have audited the financial statements of National Oilwell Varco UK Limited (the 'company') for the year ended 31 December 2019, which comprise of 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 34, 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 FRS102 "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 company's affairs as at 31 December 2019 and of its profit 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 Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, 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 33 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 AUDITOR'S REPORT TO THE MEMBERS OF NATIONAL OILWELL VARCO UK LIMITED
(CONTINUED)**

Overview of our audit approach

- | | |
|-------------------|--|
| Key audit matters | <ul style="list-style-type: none"> • Risk of misstatement due to management override, fraud and error specifically around revenue recognition • Carrying value of investments • Valuation of defined benefit pension scheme liabilities |
| Materiality | <ul style="list-style-type: none"> • Overall materiality of £3.5m which represents 1% of Revenue |

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to those charged with governance
<p>Risk of misstatement due to management override, fraud and error specifically around revenue recognition</p> <p><i>Refer to Accounting policies (page 25); and Note 4 of the Financial Statements (page 33)</i></p> <p>There is a risk that the financial statements as a whole are not free from material misstatement due to the risk of management override of controls whether caused by fraud or error.</p> <p>Revenue recognition is a particular area of focus for our audit in considering possible areas of management bias and fraud. We recognise that sales arrangements for the entity are generally straightforward, requiring minimal judgement to be exercised.</p> <p>Accordingly, we focus on manual adjustments relating to revenue.</p>	<p>We obtained an understanding of the key controls and processes in place over revenue recognition and the recording of manual journal entries.</p> <p>We employed data analytic techniques to correlate sales through to cash. We tested non-correlating entries to third party evidence to ensure that revenue had been appropriately recognised.</p> <p>We used risk-based filters to test material manual journal entries to revenue through to supporting evidence to confirm that the revenue recognised was appropriate and was in line with the Company's accounting policy.</p> <p>These procedures were supplemented with analytical review procedures and enquiry of management.</p> <p>We assessed the adequacy of disclosures within the financial statements.</p>	<p>We have concluded that revenue recognised in the year is materially correct on the basis of procedures performed.</p>

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NATIONAL OILWELL VARCO UK LIMITED
(CONTINUED)**

Risk	Our response to the risk	Key observations communicated to those charged with governance
	All audit work in relation to this key audit matter was undertaken by experienced audit team members with input from our data analytics team.	
<p>Carrying value of investments (2019: £526m, 2018: £522m)</p> <p><i>Refer to Accounting policies (page 27); and Note 17 of the Financial Statements (page 44)</i></p> <p>The carrying value of investments in subsidiaries are subject to impairment assessments under FRS102. At each reporting date an entity is required to assess if there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset as part of an impairment test. If there is no indication of impairment, it is not necessary to estimate the recoverable amount.</p> <p>There is a risk that management use an inappropriate / inconsistent methodology or apply an erroneous ratio in their impairment test resulting in an incorrect carrying value of investment.</p> <p>The net investment impairment loss recognised in the year was £4m.</p>	<p>We have obtained an understanding of the process and confirmed the key controls in place to identify impairment triggers.</p> <p>We have audited management's impairment assessment and determined whether they have sufficiently evaluated the existence of impairment indicators.</p> <p>With support from our valuation specialists we have challenged the appropriateness of management's revenue terminal multiplier used in the impairment calculation. We corroborated management's revenue multiplier and workings to historical data and compared this with external benchmarks.</p> <p>We tested the accuracy of the calculations and formulae used in management's impairment assessment.</p> <p>We performed sensitivity analysis on the multiplier used by Management, to assess the impact an increase or decrease in the Revenue Multiplier would have on the impairment calculation.</p> <p>Where Management have determined that an impairment was required, we verified that the investment was appropriately adjusted.</p>	<p>We have concluded that the carrying value of investments is materially correct and that management's assumptions in calculating this were appropriate.</p>

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NATIONAL OILWELL VARCO UK LIMITED
(CONTINUED)**

Risk	Our response to the risk	Key observations communicated to those charged with governance
	<p>We have ensured appropriate disclosure within the Financial Statements.</p> <p>All audit work in relation to this key audit matter was undertaken by experienced audit team members with input from our valuation specialists.</p>	
<p>Valuation of defined benefit pension scheme liabilities</p> <p><i>Refer to Accounting policies (page 30); and Note 29 of the Financial Statements (page 53)</i></p> <p>The Entity makes provision for the net pension liability of its defined benefit pension scheme.</p> <p>The significant risk relates to the potential misstatement of the pension liability due to the significant judgments being exercised by management in determining the appropriate underlying actuarial assumptions.</p> <p>The principal assumptions include life expectancies of scheme members, discount rate and inflation rates.</p>	<p>We obtained an understanding and assessed the key controls and processes and methodology for calculating the pension scheme liabilities.</p> <p>We tested a sample of the input data used by the Scheme actuaries in the calculation of the pension liability through the inspection of pensionable salary data from payroll reports.</p> <p>Our actuarial specialists evaluated the consistency of the methodology applied to calculate the pension liabilities as well as the appropriateness of the underlying actuarial assumptions, such as life expectancies of scheme members, discount rates and inflation rates, at the year end, ensuring they are within an acceptable range.</p> <p>We considered the competency and objectivity of managements' experts.</p> <p>We have assessed the adequacy of disclosures within the financial statements.</p> <p>All audit work in relation to this key audit matter was undertaken by experienced audit team members with input from our actuarial specialists</p>	<p>We have concluded that the pension liability is materially correct and that managements' judgments in relation to underlying actuarial assumptions were appropriate.</p>

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NATIONAL OILWELL VARCO UK LIMITED (CONTINUED)

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

At the planning stage of our engagement, we determined materiality for the company to be £3.5 m (2018: £6.2 m), which was 1% (2018: 2%) of Revenue. The entity is loss making during 2019 after deducting one-off interunit dividends received. As we have established that there is volatility around Pre-tax income, we deemed it inappropriate to use Pre-tax income as our basis for materiality. We believe that the users of the financial statements focus on revenue and as such deem it to be the most appropriate measurement basis for setting the Materiality.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 75% (2018: 75%) of our planning materiality, namely £2.6 m (2018: £4.7 m). We have set performance materiality at this percentage due to our expectations around our monetary level of material misstatement and given the level of misstatements found (both corrected and uncorrected) in the prior year audit.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with those charged with governance that we would report to them all uncorrected audit differences in excess of £175 thousand (2018: £310 thousand), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NATIONAL OILWELL VARCO UK LIMITED
(CONTINUED)**

Other information

The other information comprises the information included in the annual report set out on pages 1 to 8 other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions 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 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 directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement as set out 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.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NATIONAL OILWELL VARCO UK LIMITED
(CONTINUED)**

Auditor's 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 auditor's 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.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Ernst & Young LLP

*Kevin Weston (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Aberdeen*

2 December 2020

NATIONAL OILWELL VARCO UK LIMITED

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

	Note	2019 £000	<i>As restated</i> 2018 £000
Turnover	4	346,750	300,519
Cost of sales		(313,666)	(255,974)
Gross profit		33,084	44,545
Distribution costs		(8,615)	(6,684)
Administrative expenses		(34,480)	(48,804)
Profit on disposal of tangible fixed assets		1,748	1,636
Profit on disposal of intangible fixed assets		-	944
Operating loss	5	(8,263)	(8,363)
Amounts provided against cost of fixed asset investments	17	(3,892)	(9,652)
Amounts reversed against onerous lease provision		-	877
Income from shares in group undertakings	9	25,124	28,757
Interest receivable and similar income	10	258	1,042
Interest payable and similar expenses	11	(452)	(196)
Other finance expense	12	(33)	(85)
Profit before tax		12,742	12,380
Tax on profit	13	798	(646)
Profit for the financial year		13,540	11,734

The notes on pages 23 to 61 form part of these financial statements.

NATIONAL OILWELL VARCO UK LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £000	As restated 2018 £000
Profit for the financial year		13,540	11,734
Other comprehensive income			
Actuarial gain/(loss) on defined benefit scheme	29	1,156	(3,234)
Change in irrecoverable pension surplus not recognised	29	(1,034)	3,602
Movement on deferred tax relating to pension liability	22	(23)	(70)
Gain on derivative financial instruments		-	176
Other comprehensive income for the year		99	474
Total comprehensive income for the year		13,639	12,208

The notes on pages 23 to 61 form part of these financial statements.

NATIONAL OILWELL VARCO UK LIMITED
REGISTERED NUMBER: 00873028

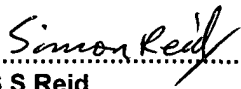
BALANCE SHEET
AS AT 31 DECEMBER 2019

	Note	2019 £000	As restated 2018 £000
Fixed assets			
Intangible assets	15	983	1,123
Tangible assets	16	43,999	42,073
Investments	17	526,257	522,477
		<u>571,239</u>	<u>565,673</u>
Current assets			
Stocks	18	73,452	82,696
Debtors: amounts falling due after more than one year	19	-	47,857
Debtors: amounts falling due within one year	19	196,127	146,142
Cash at bank and in hand		346	60,003
		<u>269,925</u>	<u>336,698</u>
Creditors: amounts falling due within one year	20	(105,326)	(160,353)
Net current assets		<u>164,599</u>	<u>176,345</u>
Total assets less current liabilities		<u>735,838</u>	<u>742,018</u>
Creditors: amounts falling due after more than one year	21	-	(991)
Provisions for liabilities			
Other provisions	23	(3,187)	(3,136)
Defined benefit pension liability	29	-	(416)
Net assets		<u><u>732,651</u></u>	<u><u>737,475</u></u>
Capital and reserves			
Called up share capital	24	77,916	77,916
Share premium account	25	507,714	507,714
Share based payment reserve	25	22,471	20,582
Merger reserve	25	(53,550)	(53,550)
Profit and loss account	25	178,100	184,813
		<u><u>732,651</u></u>	<u><u>737,475</u></u>

NATIONAL OILWELL VARCO UK LIMITED
REGISTERED NUMBER: 00873028

BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2019

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 1 December 2020.


.....
S S Reid
Director

The notes on pages 23 to 61 form part of these financial statements.

NATIONAL OILWELL VARCO UK LIMITED

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

	Called up share capital £000	Share premium account £000	Share based payment reserve £000	Merger reserve £000	Profit and loss account £000	Total equity £000
At 1 January 2019 (as previously stated)	77,916	507,714	20,582	(53,550)	164,503	717,165
Prior year adjustment	-	-	-	-	20,310	20,310
At 1 January 2019 (as restated)	<u>77,916</u>	<u>507,714</u>	<u>20,582</u>	<u>(53,550)</u>	<u>184,813</u>	<u>737,475</u>
Comprehensive income for the year						
Profit for the year	-	-	-	-	13,540	13,540
Actuarial gains on pension scheme (note 29)	-	-	-	-	122	122
Deferred tax relating to pension scheme	-	-	-	-	(23)	(23)
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,639</u>	<u>13,639</u>
Dividends: Equity capital (note 14)	-	-	-	-	(20,352)	(20,352)
Share based payments (note 26)	-	-	1,889	-	-	1,889
At 31 December 2019	<u><u>77,916</u></u>	<u><u>507,714</u></u>	<u><u>22,471</u></u>	<u><u>(53,550)</u></u>	<u><u>178,100</u></u>	<u><u>732,651</u></u>

The notes on pages 23 to 61 form part of these financial statements.

NATIONAL OILWELL VARCO UK LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Called up share capital £000	Share premium account £000	Share based payment reserve £000	Merger reserve £000	Profit and loss account £000	Total equity £000
At 1 January 2018 (as previously stated)	77,916	507,714	17,871	(57,705)	230,660	776,456
Prior year adjustment	-	-	-	-	14,363	14,363
At 1 January 2018 (as restated)	77,916	507,714	17,871	(57,705)	245,023	790,819
Comprehensive income for the year						
Profit for the year (as restated)	-	-	-	-	11,734	11,734
Actuarial gains on pension scheme (note 29)	-	-	-	-	368	368
Gain on derivative financial instruments	-	-	-	-	176	176
Deferred tax relating to pension scheme	-	-	-	-	(70)	(70)
Total comprehensive income for the year	-	-	-	-	12,208	12,208
Dividends: Equity capital (note 14)	-	-	-	-	(68,263)	(68,263)
Merger reserve movement (note 25)	-	-	-	4,155	(4,155)	-
Share based payments (note 26)	-	-	2,711	-	-	2,711
At 31 December 2018 (as restated)	77,916	507,714	20,582	(53,550)	184,813	737,475

The notes on pages 23 to 61 form part of these financial statements.

NATIONAL OILWELL VARCO UK LIMITED

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

1. General information

National Oilwell Varco 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 comparative disclosures in respect of Debtors (note 19) and Creditors: amounts falling due within one year (note 20) have been restated to reflect disaggregation in respect of Prepayments and accrued income being reclassified to Prepayments and Accrued income within Debtors and Accruals and deferred income to Accruals and Deferred income within Creditors: amounts falling due within one year. This is as a result of the Directors view that aggregation of accruals and deferred income and of prepayments and accrued income ought to be separately disclosed as these assets and liabilities differ in nature and liquidity. There is no effect on either Debtors or Creditors: amounts falling due within one year on the face of the Balance Sheet.

The comparative amounts of Profit on disposal of tangible fixed assets and Profit on disposal of intangible fixed assets in the Profit and Loss Account have now been presented within operating loss due to clarification within the reporting requirements.

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.

The information required by sections 11, 12 and 26 noted above 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.

NATIONAL OILWELL VARCO UK LIMITED

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

2. Accounting policies (continued)

2.3 Exemption from preparing consolidated financial statements

The Company is a wholly owned subsidiary company of National Oilwell Varco, Inc. and the Company and all of its subsidiary undertakings are included in the consolidated accounts of National Oilwell Varco, Inc. The registered office of National Oilwell Varco, Inc. is 7909 Parkwood Circle Drive, Houston, Texas, 77036, USA. The Company is therefore exempt from the requirement to prepare group accounts by virtue of section 401 of the Companies Act 2006. These financial statements therefore present information about the Company as an individual undertaking and not about its group.

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'.

NATIONAL OILWELL VARCO UK LIMITED

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

2. Accounting policies (continued)

2.6 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.

2.7 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 profit or loss 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.

NATIONAL OILWELL VARCO UK LIMITED

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

2. Accounting policies (continued)

2.8 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Profit and Loss Account over its useful economic life.

Other 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. Other intangibles are amortised on a straight line basis to the Profit and Loss Account over the useful economic life.

The useful lives are determined by reference to the expected period over which economic benefits are expected to be derived. The estimated useful lives range as follows:

Goodwill	-	5-20 years
Trade names	-	1-30 years

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.

Amortisation is included in 'Administrative expenses' in the Profit and Loss Account.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Profit on disposal of intangible fixed assets' in the Profit and Loss Account.

2.9 Tangible fixed assets

Tangible 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.

NATIONAL OILWELL VARCO UK LIMITED

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

2. Accounting policies (continued)

2.9 Tangible fixed assets (continued)

Land is not depreciated. Assets in the course of construction are stated at cost and are not depreciated until they are available for use. 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.

The estimated useful lives range as follows:

Freehold buildings	- 25-50 years
Leasehold improvements	- 5-10 years
Plant, machinery and rental equipment	- 3-20 years
Motor vehicles	- 3-4 years
Fixtures and fittings	- 5-10 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 within 'Profit/(loss) on disposal of tangible fixed assets' in the Profit and Loss Account.

2.10 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

2.11 Valuation of investments

Investments are classed as subsidiaries or joint ventures according to control exercised by the Company.

Investments in subsidiaries and joint ventures are measured at cost less accumulated impairment.

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.

NATIONAL OILWELL VARCO UK LIMITED

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

2. Accounting policies (continued)

2.12 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.

2.13 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.

2.14 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 an insignificant risk of change in value.

2.15 Creditors

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

2.16 Hedge accounting

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

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

2.17 Finance costs

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

2.18 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

NATIONAL OILWELL VARCO UK LIMITED

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

2. Accounting policies (continued)

2.19 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.20 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.

2.21 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.

2.22 Operating leases: Lessee

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.23 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 profit or loss 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.

NATIONAL OILWELL VARCO UK LIMITED

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

2. Accounting policies (continued)

2.24 Onerous leases

Where the unavoidable costs of a lease exceed the economic benefit expected to be received from it, a provision is made for the present value of the obligations under the lease.

2.25 Pensions

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Profit and Loss Account when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

The Company is also the sponsoring employer of a defined benefit pension scheme, the assets of which are held separately from those of the Company in the trustee administered funds.

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

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

2.26 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.

NATIONAL OILWELL VARCO UK LIMITED

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

2. Accounting policies (continued)

2.27 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 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.

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 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 a discounted Enterprise value/revenue ratio for NOV Inc. to 2019 revenue for 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, current and 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.

b. Critical accounting estimates and assumptions

(i) 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.

NATIONAL OILWELL VARCO UK LIMITED

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)

b. Critical accounting estimates and assumptions (continued)

(ii) 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 29.

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 plan and reflected in the year ended 31 December 2018. The ultimate cost of GMP equalisation may be higher or lower than this estimate.

(iii) Revenue recognition – percentage of completion method

The Company applies the percentage of completion method ("POC") in accounting for construction contracts and contracts to provide services as outlined in the accounting policy 2.6. The use of the POC method requires the 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 or 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 to the management.

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 may change significantly.

(iv) Inventory provision

The Company considers the recoverability of the cost of 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.

NATIONAL OILWELL VARCO UK LIMITED

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)

b. Critical accounting estimates and assumptions (continued)

(v) Provisions

Provision is made for warranty costs, onerous lease contracts and dilapidations. These provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements. In addition, the timing of the cash flows and the discount rates used to establish net present value of the obligations require management's judgement.

4. Turnover and segmental analysis

Turnover represents the amounts derived from provision of services which fall within the Company's ordinary activities, stated net of value added tax. The Company engages in one principal area of activity represented by the manufacturing, sale, rental and servicing of equipment and accessories to the oil and gas industry.

An analysis of turnover by category is as follows:

	2019 £000	2018 £000
Sale of goods	222,513	184,536
Rendering of services	124,153	115,838
Grant income	84	60
Royalty income	-	85
	<u>346,750</u>	<u>300,519</u>

A geographical analysis of turnover is as follows:

	2019 £000	2018 £000
Europe	178,694	150,535
Middle East	63,940	55,392
Americas	40,238	38,408
Far East	36,874	36,691
Africa	27,004	19,493
	<u>346,750</u>	<u>300,519</u>

NATIONAL OILWELL VARCO UK LIMITED

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

4. Turnover and segmental analysis (continued)

A geographical analysis of fixed assets is as follows:

	2019 £000	2018 £000
Europe	39,625	38,697
Africa	5,000	4,469
Middle East	357	30
	<u>44,982</u>	<u>43,196</u>

Fixed assets for this purpose consist of tangible assets and intangible assets.

Segmental analysis has not been presented as the management reporting for the Company is reviewed by the Chief Operating Decision Maker on the basis of the Company rather than segments.

The following items have not been presented as given the diverse nature of the company's products, services and customers, the information is not available and the cost to develop the information would be excessive, and bring no benefit to the readers of these financial statements:

- Revenues from external customers for each product and service or for each group of similar products;
- Revenues from external customers, analysed between amounts attributed to the entity's country of domicile and the total of those attributed to all foreign countries, and any material revenue from external customers attributed to an individual foreign country; and
- Non-current assets other than financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts, analysed between assets located in the entity's country of domicile and the total of those located in all foreign countries.

There were no single customers from which the Company generates 10 per cent or more of the Company's revenues.

The Directors consider that no disclosure should be made of the geographical analysis of Profit before taxation and Net assets as it is considered that disclosure of this information would be seriously prejudicial to the interests of the Company. All Turnover, Profit before taxation and Net assets are attributable to the supply of materials, equipment and services for the oil and gas industry.

NATIONAL OILWELL VARCO UK LIMITED

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

5. Operating loss

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

	2019	<i>As restated</i>
	£000	<i>2018</i>
		<i>£000</i>
Research & development charged as an expense	1,336	<i>1,257</i>
Exchange differences	2,403	<i>6,760</i>
Change in fair value of hedging instruments	(376)	<i>(213)</i>
Operating lease rentals:		
- plant and machinery	1,666	<i>1,889</i>
- land and buildings	4,434	<i>4,403</i>
Auditor's remuneration (note 6)	361	<i>360</i>
Impairment of stock (note 18)	17,656	<i>2,024</i>
Depreciation of tangible fixed assets (note 16)	6,539	<i>8,357</i>
Impairment of tangible fixed assets (note 16)	3,779	<i>-</i>
Amortisation of intangible assets, including goodwill (note 15)	140	<i>426</i>
	=====	<i>=====</i>

6. Auditor's remuneration

	2019	<i>2018</i>
	£000	<i>£000</i>
Fees payable to the Company's auditor in respect of:		
The auditing of the Company's annual financial statements	332	<i>283</i>
The audit of financial statements of UK subsidiaries of the Company pursuant to legislation	337	<i>336</i>
Taxation advisory services provided to the Company	6	<i>63</i>
	=====	<i>=====</i>
	675	<i>682</i>
	=====	<i>=====</i>

National Oilwell Varco UK Limited bears the cost of £23,000 (2018 - £14,000) of the auditor fees payable in respect of the audit of financial statements of UK subsidiaries of the Company with the remainder borne by respective subsidiaries.

NATIONAL OILWELL VARCO UK LIMITED

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

7. Employees

Staff costs, including Directors' remuneration, were as follows:

	2019	2018
	£000	£000
Wages and salaries	78,040	76,222
Social security costs	9,228	8,735
Other pension costs (note 29)	4,364	3,768
Share-based payments (note 26)	1,889	2,711
	<u>93,521</u>	<u>91,436</u>

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

	2019	2018
	No.	No.
Production	1,243	1,197
Administration	286	260
Sales	99	99
	<u>1,628</u>	<u>1,556</u>

Staff costs and number of employees reported above exclude a number of employees whose contracts of employment were with National Oilwell Varco UK Limited, but whose costs were borne by fellow subsidiary companies for the benefit of which these employees worked.

NATIONAL OILWELL VARCO UK LIMITED

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

8. Directors' remuneration

	2019 £000	2018 £000
Directors' emoluments	109	172
Amounts receivable under long-term incentive schemes	-	9
Company contributions to defined contribution pension schemes	6	11
	115	192
	115	192

During the year retirement benefits were accruing to 1 Director (2018 - 2) in respect of defined contribution pension schemes.

During the year no Directors (2018 - 1) received shares in respect of qualifying services and no Directors (2018 - nil) exercised share options.

One of the Directors who served during the year (2018 - 1) received remuneration for qualifying services of £nil not included in the above disclosure.

9. Income from shares in group undertakings

	2019 £000	2018 £000
NOV Downhole Eurasia Limited	20,353	21,800
Hebei Huayouyiji Tuboscope Coating Co. Ltd.	2,120	1,267
Elmar Far East Pty Ltd	1,881	752
National Oilwell Varco Almansoori Services LLC	770	376
Axiom Process Limited	-	3,524
NOV Mission Products UK Limited	-	1,038
	25,124	28,757
	25,124	28,757

10. Interest receivable

	2019 £000	2018 £000
Interest receivable on loans to group undertakings	247	525
Bank and other interest receivable	11	517
	258	1,042
	258	1,042

NATIONAL OILWELL VARCO UK LIMITED

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

11. Interest payable and similar expenses

	2019 £000	2018 £000
Interest payable on loans from group undertakings	10	194
Bank and other interest payable	442	2
	<u>452</u>	<u>196</u>

12. Other finance (expense)/income

	2019 £000	2018 £000
Net interest on net defined benefit pension liability (note 29)	(6)	2
Unwind of discount of long term liabilities and provisions	(27)	(87)
	<u>(33)</u>	<u>(85)</u>

NATIONAL OILWELL VARCO UK LIMITED

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

13. Taxation

	2019 £000	<i>As restated</i> 2018 £000
Corporation tax		
Adjustments in respect of previous periods	(514)	705
Group relief recoverable	(1,889)	(1,264)
	<u>(2,403)</u>	<u>(559)</u>
Foreign tax		
Foreign tax on income for the year	1,298	1,034
Foreign tax adjustments in respect of previous periods	44	(65)
	<u>1,342</u>	<u>969</u>
Total current tax	<u>(1,061)</u>	<u>410</u>
Deferred tax		
Origination and reversal of timing differences	400	619
Deferred tax on pension scheme	56	(148)
Deferred tax on share based payments	69	131
Adjustment in respect of previous periods	(262)	(366)
Total deferred tax (note 22)	<u>263</u>	<u>236</u>
Taxation on profit	<u>(798)</u>	<u>646</u>

NATIONAL OILWELL VARCO 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	<i>As restated</i>
	£000	<i>2018</i>
		<i>£000</i>
Profit before tax	12,742	<i>12,380</i>
Profit multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	2,421	<i>2,352</i>
Effects of:		
Expenses not deductible for tax purposes	205	<i>239</i>
Impairment of fixed assets not deductible for tax purposes	148	<i>-</i>
Amounts provided against cost of fixed asset investments not allowable for tax purposes	739	<i>1,834</i>
Overseas tax payable	1,298	<i>1,034</i>
Adjustments to tax charge in respect of prior periods	(732)	<i>274</i>
Share options	375	<i>573</i>
Income from shares in group undertakings not taxable	(4,774)	<i>(5,464)</i>
Income not taxable for tax purposes (including tax relief on intangible assets)	(936)	<i>(196)</i>
Losses not recognised	437	<i>-</i>
Taxable capital gain	21	<i>-</i>
Total tax credit/(charge) for the year	(798)	<i>646</i>

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.

NATIONAL OILWELL VARCO UK LIMITED

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

14. Dividends paid

	2019 £000	2018 £000
Interim June 2019: 26.12p per ordinary share	20,352	-
Interim June 2018: 54.63p per ordinary share	-	42,564
Interim June 2018: 2.12p per ordinary share	-	1,654
Dividend in specie 30 November 2018	-	24,045
	20,352	68,263

A dividend in specie of £24,045,000 was paid by the Company on 30 November 2018 to its shareholder NOV UK Holdings Limited, represented by the transfer of an intercompany loan payable by NOV Process & Flow Technologies UK Limited, a subsidiary undertaking.

15. Intangible assets

	Trade names £000	Goodwill £000	Total £000
Cost			
At 1 January 2019	2,021	9,537	11,558
Disposals	(61)	-	(61)
At 31 December 2019	1,960	9,537	11,497
Amortisation			
At 1 January 2019	1,516	8,919	10,435
Charge for the year	35	105	140
Disposals	(61)	-	(61)
At 31 December 2019	1,490	9,024	10,514
Net book value			
At 31 December 2019	470	513	983
At 31 December 2018	505	618	1,123

NATIONAL OILWELL VARCO UK LIMITED

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

16. Tangible fixed assets

	Freehold land £000	Freehold buildings £000	Leasehold improvements £000	Plant, machinery and rental equipment £000	Motor vehicles £000
Cost					
At 1 January 2019	3,300	25,822	2,164	85,897	203
Additions	-	9	-	2,929	-
Disposals	-	-	-	(6,582)	-
Transfers between classes	-	358	189	2,956	-
At 31 December 2019	<u>3,300</u>	<u>26,189</u>	<u>2,353</u>	<u>85,200</u>	<u>203</u>
Depreciation					
At 1 January 2019	-	15,626	1,896	61,457	202
Charge for the year	-	1,191	51	5,008	1
Disposals	-	-	-	(5,376)	-
Impairment charge	-	892	-	2,836	-
At 31 December 2019	<u>-</u>	<u>17,709</u>	<u>1,947</u>	<u>63,925</u>	<u>203</u>
Net book value					
At 31 December 2019	<u>3,300</u>	<u>8,480</u>	<u>406</u>	<u>21,275</u>	<u>-</u>
At 31 December 2018	<u>3,300</u>	<u>10,196</u>	<u>268</u>	<u>24,440</u>	<u>1</u>

NATIONAL OILWELL VARCO UK LIMITED

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

16. Tangible fixed assets (continued)

	Fixtures and fittings £000	Construction in progress £000	Total £000
Cost			
At 1 January 2019	7,711	1,466	126,563
Additions	168	10,363	13,469
Disposals	(30)	-	(6,612)
Transfers between classes	107	(3,610)	-
At 31 December 2019	<u>7,956</u>	<u>8,219</u>	<u>133,420</u>
Depreciation			
At 1 January 2019	5,309	-	84,490
Charge for the year	288	-	6,539
Disposals	(11)	-	(5,387)
Impairment charge	51	-	3,779
At 31 December 2019	<u>5,637</u>	<u>-</u>	<u>89,421</u>
Net book value			
At 31 December 2019	<u>2,319</u>	<u>8,219</u>	<u>43,999</u>
At 31 December 2018	<u>2,402</u>	<u>1,466</u>	<u>42,073</u>

As part of the annual impairment review, which was based on long-term forecasts of the Company's future revenues, costs and capacity relating to certain assets, including consideration of expected future market conditions and technological developments, an impairment loss of £3,779,000 was recorded in Cost of sales in the Profit and Loss Account.

NATIONAL OILWELL VARCO UK LIMITED

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

17. Fixed asset investments

	Subsidiary undertakings £000	Joint venture £000	Total £000
Cost			
At 1 January 2019	740,056	222	740,278
Additions	7,672	-	7,672
At 31 December 2019	<u>747,728</u>	<u>222</u>	<u>747,950</u>
Impairment			
At 1 January 2019	217,579	222	217,801
Charge for the year	3,892	-	3,892
At 31 December 2019	<u>221,471</u>	<u>222</u>	<u>221,693</u>
Net book value			
At 31 December 2019	<u>526,257</u>	<u>-</u>	<u>526,257</u>
At 31 December 2018	<u>522,477</u>	<u>-</u>	<u>522,477</u>

During the year, the Company purchased the entire share capital of MSI Pipe Protection Technologies UK Limited for a consideration of £352,000 and the entire share capital of Fjords Processing Limited for a consideration of £7,320,000.

An impairment loss of £3,892,000 was recognised against the investments in Tuboscope Vetco Capital Limited and NOV Kenya Limited. The impairment loss arose due to a decline in the revenue of those companies following difficult market conditions within their geographical areas.

In the opinion of the Directors, the aggregate value of the investments in subsidiary undertakings is not less than the amount at which they are stated in the financial statements.

NATIONAL OILWELL VARCO UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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17. Fixed asset investments (continued)

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Class of shares	Holding
Andergauge Limited [1]	National Oilwell Varco Badentoy Crescent, Badentoy Park, Portlethen, Aberdeen, United Kingdom, AB12 4YD	Ordinary shares	100%
Arabian Rig Manufacturing Company [1]	Ras Al Khair, Jubail, the Kingdom of Saudi Arabia	Shares	70%
Axiom Process Limited	Stonedale Road, Oldends Lane Industrial Estate, Stonehouse, Gloucestershire, United Kingdom, GL10 3RQ	Ordinary shares	100%
Big Red Tubulars Limited	P.O. Box 146, Road Town, Tortola, British Virgin Islands	Shares	100%
Camco Drilling Group Limited [1]	L'Estrange & Brett, Arnott House, 12/16 Bridge Street, Belfast, Northern Ireland, BT1 1LS	Shares	100%
Elmar Far East Pty Limited	G J WALSH & CO, 213 Brisbane Street, IPSWICH, QLD 4305, Australia	Ordinary shares	100%
Fjords Processing Limited	C/O National Oilwell Varco Stonedale Road, Oldends Lane Industrial Estate, Stonehouse, Gloucestershire, United Kingdom, GL10 3RQ	Ordinary shares	100%
Fjords Processing UK Ltd [2]	C/O National Oilwell Varco Stonedale Road, Oldends Lane Industrial Estate, Stonehouse, Gloucestershire, United Kingdom, GL10 3RQ	Ordinary shares	100%
Greystone Technologies Pty Ltd	Butler Settineri, Level 1 Unit 16, 100 Railway Road, Subiaco, WA 6008, Australia	Ordinary shares	51%
Hebei Huayouyiji Tuboscope Coating Co., Ltd	No.102# East Road of Dong Huan, Qing County, Cangzhou City, Hebei Province, China	JV interest	60%
Hydralift Holdings UK Limited	Stonedale Road, Oldends Lane Industrial Estate, Stonehouse, Gloucestershire, United Kingdom, GL10 3RQ	Ordinary shares	100%
Merpro Group Limited	National Oilwell Varco Badentoy Crescent, Badentoy Park, Portlethen, Aberdeen, Aberdeenshire, United Kingdom, AB12 4YD	Ordinary shares	100%
Merpro Products Limited [3]	National Oilwell Varco Badentoy Crescent, Badentoy Park, Portlethen, Aberdeen, Aberdeenshire, United Kingdom, AB12 4YD	Ordinary shares	100%
Merpro Tortek Limited [3]	National Oilwell Varco Badentoy Crescent, Badentoy Park, Portlethen, Aberdeen, Aberdeenshire, United Kingdom, AB12 4YD	Ordinary shares	100%
Mono Group Pension Trustees Limited	C/O National Oilwell Varco, Badentoy Crescent, Badentoy, Industrial Park, Portlethen, Aberdeen, Aberdeenshire, United Kingdom, AB12 4YD	Ordinary shares	100%
Mono Pumps New Zealand Company [4]	35-41 Fremlin Place, Avondale, Auckland, New Zealand	Ordinary shares	100%
National Oilwell (U.K.) Limited	Stonedale Road, Oldends Lane Industrial Estate, Stonehouse, Gloucestershire, United Kingdom, GL10 3RQ	Ordinary shares	100%

NATIONAL OILWELL VARCO UK LIMITED

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

17. Fixed asset investments (continued)

Subsidiary undertakings (continued)

Name	Registered office	Class of shares	Holding
National Oilwell Varco Almansoori Services	PO Box 27011, Mussafah Industrial Area, Abu Dhabi, United Arab Emirates	Shares	49%
NOV Australia Pty Ltd [4]	75 Frankston Gardens Drive, Carrum Downs, Victoria 3201, Australia	Ordinary shares	100%
NOV Completion and Production Solutions Korea Ltd	13F, 48, Centum Jungang-ro, Haeundae-gu, Busan, South Korea	Units	100%
NOV Downhole Eurasia Limited	Stonedale Road, Oldends Lane Industrial Estate, Stonehouse, Gloucestershire, United Kingdom, GL10 3RQ	Ordinary shares	100%
NOV Downhole Kazakhstan, LLP [5]	Business Centre KZ 123 V, Utemisov M. street, Atyrau 060005, Kazakhstan	Limited partnership interest	100%
NOV Elmar (Middle East) Limited	National Oilwell Varco Badentoy Crescent, Badentoy Park, Portlethen, Aberdeen, Aberdeenshire, United Kingdom, AB12 4YD	Ordinary shares	100%
NOV Grant Prideco Drilling Products Middle East FZE	PO Box 261108, Jebel Ali Free Zone, Dubai, United Arab Emirates	Shares	100%
NOV Grant Prideco LLC [6]	Abu Dhabi - Mussaffah - ICAD II - (5AR17)	Shares	49%
NOV Kenya Limited [7]	SK Offices, Block E1, Raphta Road Westlands, Nairobi, Kenya	Ordinary shares	100%
NOV Mission Products UK Limited	Stonedale Road, Oldends Lane Industrial Estate, Stonehouse, Gloucestershire, United Kingdom, GL10 3RQ	Ordinary shares	100%
NOV Oil Services Angola Limitada [8]	Rua Kima Kienda, s/n, Cercania do Porto de Luanda, Bairro Boavista, Distrito Urbano da Ingombota, Luanda, Angola	Quotas	49%
NOV Process & Flow Technologies UK Limited	Stonedale Road, Oldends Lane Industrial Estate, Stonehouse, Gloucestershire, United Kingdom, GL10 3RQ	Ordinary shares	100%
NOV Saudi Arabia Co. Ltd. [9]	P.O. Box 52681, Dammam 2nd Industrial City, Dammam, 11573, the Kingdom of Saudi Arabia	Shares	100%
NOV Saudi Arabia Trading Co. Ltd. [1]	The Business Gate Center, King Fahad Road, Alkhalidiyah Ash Shamaliyah, Dammam, the Kingdom of Saudi Arabia	Shares	75%
NOV UK (Angola Acquisitions) Limited	National Oilwell Varco Badentoy Crescent, Badentoy Park, Portlethen, Aberdeen, United Kingdom, AB12 4YD	Ordinary shares	100%
Pipex Limited [10]	C/O National Oilwell Varco Stonedale Road, Oldends Lane Industrial Estate, Stonehouse, Gloucestershire, United Kingdom, GL10 3RQ	Ordinary shares	100%
Pipex PX Limited	C/O National Oilwell Varco Stonedale Road, Oldends Lane Industrial Estate, Stonehouse, Gloucestershire, United Kingdom, GL10 3RQ	Ordinary shares	100%
Pipex Structural Composites Limited [11]	C/O National Oilwell Varco Stonedale Road, Oldends Lane Industrial Estate, Stonehouse, Gloucestershire, United Kingdom, GL10 3RQ	Ordinary shares	100%

NATIONAL OILWELL VARCO UK LIMITED

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

17. Fixed asset investments (continued)

Subsidiary undertakings (continued)

Name	Registered office	Class of shares	Holding
Procon Engineering Limited [12]	Stonedale Road, Oldends Lane Industrial Estate, Stonehouse, Gloucestershire, United Kingdom, GL10 3RQ	Ordinary shares	100%
ReedHycalog UK Limited [1]	L'Estrange & Brett, Arnott House, 12/16 Bridge Street, Belfast, United Kingdom, BT1 1LS	Ordinary shares	100%
Slip Clutch Systems Limited [1]	Stonedale Road, Oldends Lane Industrial Estate, Stonehouse, Gloucestershire, United Kingdom, GL10 3RQ	Ordinary shares	100%
Tuboscope Vetco Capital Limited	C/O National Oilwell Varco, Badentoy Crescent, Badentoy Park, Portlethen, Aberdeen, Aberdeenshire, United Kingdom, AB12 4YD	Ordinary shares	100%
Tuboscope Vetco Moscow CJSC [13]	2 Paveletskaya Square Bldg 3, 9 Fl , MOSCOW , 115054, Russian Federation	Common shares	100%
Tubular Coating Solutions Ltd	Plot 0300L01: 017-044, 3rd Dammam Industrial City, the Kingdom of Saudi Arabia	Shares	55%
Vallourec Drilling Oil Equipment Manufacturing L.L.C. [14]	Plots 72, 73, Mussafah M-42, Abu Dhabi, United Arab Emirates	Shares	49%
Varco CIS, LLC [15]	2 Paveletskaya Square Bldg 3, 9 Fl , MOSCOW , 115054, Russian Federation	Capital stock	100%

[1] Held by NOV Downhole Eurasia Limited

[2] Held by Fjords Processing Limited

[3] Held by Merpro Group Limited

[4] Held by NOV Process & Flow Technologies UK Limited

[5] Held by NOV Downhole Eurasia Limited (99%) and National Oilwell Varco UK Limited (1%)

[6] Held by Big Red Tubulars Limited

[7] Held by National Oilwell Varco UK Limited (99%) and NOV Downhole Eurasia Limited (1%)

[8] Held by NOV UK (Angola Acquisitions) Limited

[9] Held by NOV Downhole Eurasia Limited (90%) and National Oilwell Varco UK Limited (10%)

[10] Held by Pipex Limited

[11] Held by Pipex PX Limited

[12] Held by HydraLift Holdings (UK) Limited

[13] Held by Varco CIS

[14] Held by NOV Grant Prideco Drilling Products Middle East FZE

[15] Held by Tuboscope Vetco Capital Limited (99%) and National Oilwell Varco UK Limited (1%)

NATIONAL OILWELL VARCO UK LIMITED

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

18. Stocks

	2019 £000	2018 £000
Raw materials and consumables	23,289	25,612
Work in progress	16,407	16,460
Finished goods and goods for resale	33,756	40,624
	<u>73,452</u>	<u>82,696</u>

Inventory impairment losses totalling £17,656,000 (2018 - £2,024,00) were recognised in Cost of sales in the Profit and Loss Account. The 2019 inventory impairment expense of £17,656,000 was based on an update of assumptions relating to estimates of future demand.

19. Debtors

	2019 £000	<i>As restated</i> 2018 £000
Due after more than one year		
Amounts owed by fellow subsidiary undertakings	-	47,857
	<u>-</u>	<u>47,857</u>
Due within one year		
Trade debtors	51,355	43,756
Amounts owed by fellow subsidiary undertakings	89,351	52,193
Amounts owed by subsidiary undertakings	28,930	20,050
Other debtors	32	30
VAT recoverable	1,779	1,708
Prepayments	4,693	3,589
Accrued income	16,621	20,430
Overseas tax	-	58
Deferred taxation (note 22)	2,932	3,206
Financial instruments	434	1,122
	<u>196,127</u>	<u>146,142</u>

Amounts owed by fellow subsidiary undertakings due after more than one year represent prepaid royalty fees.

Trade debtors are stated after provisions for impairment of £1,422,000 (2018 - £1,214,000).

NATIONAL OILWELL VARCO UK LIMITED

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

20. Creditors: Amounts falling due within one year

	2019	<i>As restated</i>
	£000	2018
		£000
Bank overdrafts	-	59,822
Payments received on account	7,882	4,055
Trade creditors	21,488	19,873
Amounts owed to fellow subsidiary undertakings	30,251	33,159
Amounts owed to subsidiary undertakings	3,760	4,959
Amounts owed to parent undertaking	2,051	-
Corporation tax	1,347	656
Taxation and social security	150	1,238
Overseas tax	21	-
Group relief	22,778	19,859
Accruals	12,183	15,607
Deferred income	2,729	509
Other creditors	686	304
Financial instruments	-	312
	105,326	160,353
	105,326	160,353

Deferred income includes deferred government grant income of £301,000 (2018 - £367,000). The grant is conditional on maintenance of headcount at an agreed level until 20 December 2020 and related fixed assets remaining in use until 20 December 2022. The expectation is that these conditions will be maintained.

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

	2019	2018
	£000	£000
Other creditors	-	991
	-	991
	-	991

NATIONAL OILWELL VARCO UK LIMITED

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

22. Deferred taxation

	2019 £000
At beginning of year	3,206
Charged to Profit and loss	(263)
Charged to Other comprehensive income	(23)
Transferred from subsidiary undertaking	12
At end of year	2,932

The deferred tax asset is made up as follows:

	2019 £000	<i>As restated 2018 £000</i>
Decelerated capital allowances	1,997	2,072
Pension	-	79
Other timing differences	318	315
Financial instrument spreading	266	320
Share based payments	351	420
	2,932	3,206

23. Other provisions

	Warranty costs £000	Onerous lease £000	Dilapidations £000	Total £000
At 1 January 2019	836	1,267	1,033	3,136
Additions	741	-	141	882
Unwind of discount	-	10	-	10
Amounts reversed	(378)	-	-	(378)
Utilised in year	(336)	(113)	(14)	(463)
At 31 December 2019	863	1,164	1,160	3,187

NATIONAL OILWELL VARCO UK LIMITED

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

23. Other provisions (continued)

Warranty provision

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

Onerous lease provision

Where leasehold properties become vacant, the Company provides for all costs, net of anticipated income, to the end of the lease or the anticipated date of the disposal or sublease. This provision relates to a property in Aberdeen which was vacated during 2016 and is surplus to the Company's requirements. The provision is expected to be utilised over the life of the related lease to 2023.

Dilapidations provision

As part of the Company's property leasing arrangements, there is an obligation to repair damages which incur during the life of the lease, such as wear and tear. The cost is charged to profit and loss as the obligation arises. The provision is expected to be utilised in the next financial year as the leases terminate.

24. Share capital

	2019 £000	2018 £000
Allotted, called up and fully paid		
77,916,000 Ordinary shares of £1 each	<u>77,916</u>	<u>77,916</u>

25. Reserves

Share premium account

This reserve records the amount above the nominal value received for shares issued, less transaction costs.

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.

Profit and loss account

The Profit and Loss Account includes non-distributable reserves of £939,000 (2018 - £939,000). This non-distributable element arose as a result of an accumulated internally generated gain on sale of trade and assets of various subsidiaries to National Oilwell Varco UK Limited.

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.

NATIONAL OILWELL VARCO UK LIMITED

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

26. Share based payments

Senior Executive Plan

Share options in the company's ultimate parent undertaking, 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.

27. Prior year adjustment

In 2015 National Oilwell Varco UK Limited entered into a 5 year royalty prepayment agreement with a fellow group company. A function of the prepayment agreement is that the true up of the final royalty payment for each year covered is due in 2020. The calculation of this true-up resulted in a significant credit. As partly attributable to previous years, this has resulted in a prior period adjustment. The below table sets out the impact.

	<i>2018</i>		<i>2018</i>
	<i>As previously</i>	<i>Adjustment</i>	<i>As restated</i>
	<i>stated</i>	<i>£000</i>	<i>£000</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Administrative expenses	57,776	8,972	48,804
Tax on profit	(2,379)	3,025	646
Debtors: Due after more than one year:			
Amounts owed by fellow subsidiary undertakings	-	47,857	47,857
Debtors: Due within one year:			
Amounts owed by fellow subsidiary undertakings	74,841	(22,648)	52,193
Deferred taxation	3,531	(325)	3,206
Corporation tax	672	(672)	-
Creditors:			
Amounts falling due within one year:			
Group relief	(16,613)	(3,246)	(19,859)
Corporation tax	-	(656)	(656)
Equity:			
Profit and loss account brought forward	230,660	14,363	245,023
Profit and loss account	164,503	20,310	184,813
	<u>230,660</u>	<u>14,363</u>	<u>245,023</u>
	<u>164,503</u>	<u>20,310</u>	<u>184,813</u>

NATIONAL OILWELL VARCO UK LIMITED

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

28. Capital commitments

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

	2019 £000	2018 £000
Contracted for but not provided in these financial statements	<u>1,021</u>	<u>773</u>

29. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £4,364,000 (2018 - £3,768,000). Contributions totalling £NIL (2018 - £NIL) were payable to the fund at the Balance Sheet date.

The Company operates a defined benefit pension plan.

The National Oilwell (U.K.) Limited Pension Plan is a defined benefit plan for the legacy employees of National Oilwell (U.K.) Limited, providing benefits based on final pensionable salaries. The assets of the plan are held separately from those of the group, being invested by managers for this purpose. The plan closed to future accrual on 30 June 2012. As a result, the current service cost is only in respect of the period up until closure and the surplus and expected return on assets have been restricted as per paragraph 28.22 of FRS 102.

The assets of the plan are held in separate trustee administered funds.

The most recent formal actuarial valuation prepared by a qualified independent actuary of the plan has an effective date of 31 December 2018. The method used in this valuation is the projected unit method. The valuation showed that the market value of the assets was £52,320,000 resulting in a pension plan surplus.

A Schedule of Contributions was agreed between the Employer and the Trustees, and certified by the Actuary on 27 March 2020 which states that as the plan was in surplus on a technical provisions basis at 31 December 2018, there is no formal requirement to have a Recovery Plan and no deficit funding contributions are due to be paid over the period of the Schedule, being 1 April 2020 to 30 March 2025. The Schedule of Contributions does, however, require the Company to pay Plan expenses and levies to the Pension Protection Fund and the Pensions Regulator as well as additional contributions as may from time to time be agreed by the Trustees and the Company.

The next full actuarial valuation will be carried out with an effective date of 31 December 2021.

National Oilwell Varco UK Limited is also the sponsoring employer of the Merpro Group Pension & Life Assurance Scheme. However, the Company's subsidiary NOV Process & Flow Technologies UK Limited is the economic employer and bears all costs associated with the scheme.

NATIONAL OILWELL VARCO UK LIMITED

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

29. Pension commitments (continued)

Reconciliation of present value of plan liabilities:

	2019	2018
	£000	£000
Reconciliation of present value of plan liabilities		
Opening defined benefit obligation	50,268	51,384
Interest cost	1,280	1,209
Remeasurement of defined benefit obligation	201	(1,253)
Benefits paid	(2,037)	(2,058)
Past service cost	-	986
At the end of the year	49,712	50,268

Reconciliation of present value of plan assets:

	2019	2018
	£000	£000
Opening fair value of plan assets	49,852	54,902
Interest income	1,274	1,295
Return on plan assets greater/(less) than discount rate	1,357	(4,487)
Contributions by employer	300	200
Benefits paid	(2,037)	(2,058)
At the end of the year	50,746	49,852

Composition of plan assets:

	2019	2018
	£000	£000
Insurance policies	26,103	27,455
Pooled investment vehicles	23,901	21,869
Other	742	528
Total plan assets	50,746	49,852

The pension plan has not invested in any of the Company's own financial instruments nor in properties or other assets used by the Company.

NATIONAL OILWELL VARCO UK LIMITED

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

29. Pension commitments (continued)

	2018	2018
	£000	£000
Amounts recognised on the Balance Sheet		
Fair value of plan assets	50,746	49,852
Present value of plan liabilities	(49,712)	(50,268)
Net pension scheme asset/(liability)	1,034	(416)
Irrecoverable surplus	(1,034)	-
Net defined benefit pension scheme liability	-	(416)

The Company has not recognised the defined benefit pension asset at 31 December 2019 as it does not expect to be able to recover the surplus either through reduced contributions or agreed refunds from the scheme.

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 pension liability	6	(2)
Past service cost	-	986
Total	6	984
Amounts recognised in other comprehensive income		
Actual return on plan assets	2,631	(3,276)
Less: amounts included in the net interest on the defined benefit liability	(1,274)	(1,211)
Return on plan assets greater/(less) than discount rate	1,357	(4,487)
Remeasurement of defined benefit obligation	(201)	1,253
Actuarial gain/(loss) recorded in other comprehensive income	1,156	(3,234)

NATIONAL OILWELL VARCO UK LIMITED

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

29. Pension commitments (continued)

	2019	2018
	£000	£000
Change in irrecoverable surplus		
Irrecoverable surplus at the beginning of year	-	3,518
Interest on irrecoverable surplus	-	84
Change in irrecoverable surplus during the year	1,034	(3,602)
Irrecoverable surplus at the end of year	1,034	-

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 (CPI)	2.1	2.4
Post retirement mortality rates	Years	Years
- for a male aged 65 now	21.0	21.9
- at 65 for a male aged 50 now	21.9	22.9
- for a female aged 65 now	23.7	23.8
- at 65 for a female aged 50 now	24.8	25.0

NATIONAL OILWELL VARCO UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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30. 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	3,708	3,734
Later than 1 year and not later than 5 years	12,804	12,414
Later than 5 years	38,357	39,745
	<u>54,869</u>	<u>55,893</u>
	2019	2018
	£000	£000
Plant and machinery		
Not later than 1 year	616	690
Later than 1 year and not later than 5 years	717	729
Later than 5 years	18	-
	<u>1,351</u>	<u>1,419</u>

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 cancellable operating leases based on fixed monthly invoicing with no lease incentives included in the terms of the lease.

NATIONAL OILWELL VARCO UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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31. Related party transactions

As FRS 102 does not require disclosure of transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such group, these transactions have not been disclosed.

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, were as follows:

	2019 Sales and recharges to related party £000	2019 Amounts owed by related party £000	2018 Sales and recharges to related party £000	2018 Amounts owed by related party £000
Coil Services Middle East LLC	207	183	2	55
National Oilwell Varco Almansoori Services LLC	94	-	105	-
NOV Brandt Oilfield Services Middle East LLC	910	-	1,366	79
NOV Intelliserv UK Limited	4	-	4	-
NOV Oil and Gas Services Ghana Limited	5	-	17	17
NOV Saudi Arabia Trading Co. Ltd	14,481	9,888	10,052	8,029
NOV Tuboscope Middle East LLC	-	-	51	-
Tuboscope and Co. LLC	1	-	61	16
Tubular Coating Solutions Limited	17	-	9	-
	15,719	10,071	11,667	8,196

NATIONAL OILWELL VARCO UK LIMITED

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

31. Related party transactions (continued)

	2019 Purchases from related party £000	2019 Amounts owed to related party £000	<i>2018 Purchases from related party £000</i>	<i>2018 Amounts owed to related party £000</i>
Coil Services Middle East LLC	2	-	40	-
Intelliserv LLC	382	356	-	-
National Oilwell Varco Almansoori Services LLC	67	34	63	2
NOV Brandt Oilfield Services Middle East LLC	53	49	148	-
NOV Oil and Gas Services Ghana Limited	7	4	-	-
NOV Oil Services Angola Lda	-	12	11	13
NOV Saudi Arabia Trading Co. Ltd	3	-	6	-
NOV Tuboscope Middle East LLC	685	75	1,345	1,307
Tuboscope and Co. LLC	112	92	-	-
Vetco Saudi Arabia Ltd	321	164	-	-
	1,632	786	<i>1,613</i>	<i>1,322</i>

32. 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 £3,448,000 (2018 - £8,165,000) entered into in the normal course of business. No outflow is expected from these guarantees.

The Company records provisions for claims and other uncertain liabilities when it is more likely than not that a liability has been incurred and the amount can be reasonably estimated. These accruals are adjusted periodically as assessments change or new or additional information become available. In estimating the likelihood of an unfavourable outcome, management evaluates the specific facts and circumstances in light of the related laws and regulations and the outcome of similar cases, if any.

The Company is currently under audit by HMRC in respect of customs compliance matters for the years 2017 onwards. The audit is expected to conclude in 2021. Due to the audit being in its early stages and the inherent uncertainty in estimating the future outcome of such matters, it is not possible to estimate any potential financial effect arising from the outcome of this audit.

NATIONAL OILWELL VARCO UK LIMITED

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

33. Post balance sheet events

On 20 March 2020 the Directors passed a special resolution to reduce the share premium account from £507,714,000 to £nil and the amount by which the share premium account was reduced was credited to the profit and loss account.

On 31 March 2020 a listed Eurobond in the amount of £516,800,000 issued by the parent undertaking NOV UK Holdings Limited was assigned to the Company. Subsequently, the Company agreed to forgive, release and discharge this debt.

On 31 March 2020 the Company issued a listed Eurobond in the amount of £516,800,000 with an interest rate of 4.2% and maturity date of 31 March 2028.

On 1 September 2020 the trade and assets of the Process and Flow Technologies Montrose business were transferred from a subsidiary undertaking, NOV Process & Flow Technologies UK Limited, for a consideration equal to its net assets.

On 5 October 2020 the Company subscribed for an additional 1 Ordinary share of £1.00 each in the capital of NOV Process & Flow Technologies UK Limited, a subsidiary undertaking, for a total subscription price of £12,000,000.

On 14 October 2020 the Company subscribed for an additional 1 Ordinary share of £1.00 each in the capital of NOV Process & Flow Technologies UK Limited, a subsidiary 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 local economies and driving sharp demand destruction for crude oil. 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 reduction in revenue compared to 2019 which is expected to remain depressed throughout 2020. The impact of COVID-19 has been considered as part of the going concern assessment and although this is expected to be a severe downturn for the global oil and gas industry for the whole of 2020, the Company is well positioned with ample liquidity and a focus on cost control. 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 to the impact of the pandemic.

NATIONAL OILWELL VARCO UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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34. Controlling party

The Company's immediate parent undertaking is NOV UK Holdings Limited, a company incorporated in Scotland.

The Company's ultimate parent undertaking 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.