Registered number: 00873028

NATIONAL OILWELL VARCO UK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

NATIONAL OILWELL VARCO UK LIMITED

COMPANY INFORMATION

Directors	C P O'Neil R Oudendijk
Company secretary	A M Sloan
Registered number	00873028
Registered office	Stonedale Road Unit 10 Oldends Lane Industrial Estate Stonehouse Gloucestershire GL10 3RQ
Independent auditor	Ernst & Young LLP 4th Floor 2 Marischal Square Broad Street Aberdeen AB10 1BL

NATIONAL OILWELL VARCO UK LIMITED

CONTENTS

	Page
Strategic Report	1 - 6
Directors' Report	7 - 11
Directors' Responsibilities Statement	12
Independent Auditor's Report	13 - 21
Profit and Loss Account	22
Statement of Comprehensive Income	23
Balance Sheet	24
Statement of Changes in Equity	25 - 26
Notes to the Financial Statements	27 - 69

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

Introduction

The Directors present their Strategic Report for the year ended 31 December 2020.

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), Process & Flow Technologies, 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.

Financial key performance indicators

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

	2020	*2019*
	£000	*£000*
Turnover	**289,710**	*346,750*
Gross profit	**7,138**	*33,084*
Result before taxation	**(74,048)**	*12,742*
Capital and reserves	**136,775**	*732,651*

Turnover for the year ended 31 December 2020 was £289,710,000, a decrease of 16% from the prior year. The Company reported a gross profit of £7,138,000 in 2020, representing a gross profit margin of 2.5%, compared to £33,084,000 in 2019, representing a gross profit margin of 9.5%. The reduced turnover and profit compared to 2019 was driven by reduced activity levels, impacted by challenging market conditions due to the reduction in demand of oil and lower oil prices, as well as effects from travel restrictions and logistical challenges following Covid-19.

Gross profit declined by 78%, this was partially offset by an increase in dividend income but due to a significant increase in amounts provided against cost of investments the loss before taxation was £74,048,000 (2019 - profit £12,742,000).

Dividends of £519,966,000 (2019 - £20,352,000) were distributed during the year, which contributed towards the decline in Shareholders' funds. The current year dividends are represented by forgiveness of debt with fellow group companies (see note 13).

On 20 March 2020, the Directors passed a special resolution to reduce the share premium account from £507,714,000 to £nil and this amount was credited to the Profit and Loss Account. 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 (see note 20).

Future developments

Despite near-term disruptions from Covid-19, pandemic related supply chain disruptions, and inflationary forces, management is optimistic that improving market fundamentals and the actions the Company has taken to position its business for the future will drive growth and improve profitability. The Company remains committed to improving organisational efficiencies while focusing on the development and commercialisation of innovative products and services, including environmentally friendly technologies, that are responsive to the longer-term needs of our customers. We believe this strategy will further advance the Company's competitive position, regardless of the market.

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, NOV 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.

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.

During 2020 the oil and gas prices in the world markets were affected by the Covid-19 pandemic restrictions and oil prices fell dramatically during the early part of the year but subsequently recovered and continued to rise. However, the Company continues to implement cost efficiencies where possible to protect the long-term profitability of the Company.

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

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

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

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

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

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

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

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

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	- Financial performance and strategy - Capital allocation - Corporate governance	- 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. - Implement and 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	- Engagement and work culture - Wellbeing - Training and development - Reward and Remuneration	- 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.

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)		- The Company tracks voluntary attrition rates and offers exit interviews to 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	- Cost and payment practices - Quality, productivity and efficiency - Credibility, trust, reliability and reputation	- 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.

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)	- Innovation and expertise - Long-term partnerships with a collaborative approach	- 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	- Credibility, trust, reliability and reputation - Long-term partnerships with a collaborative approach	- 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. - In 2020, despite the restrictions in place around covid-19 our employees continued to support local charities. Examples of this include a raffle fundraiser to support Royal Manchester Children's Hospital, participation in Christmas Jumper Days for a Children's charity appeal and promotion of a declutter initiative to send in unwanted books, CDs, DVDs, etc. to raise money for one of our chosen charities.

This report was approved by the board on 31 May 2022 and signed on its behalf.

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R Oudendijk
Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

The Directors present their report and the financial statements for the year ended 31 December 2020.

Results and dividends

The loss for the year, after taxation, amounted to £71,039,000 *(2019 - profit £13,540,000).*

Dividends of £519,966,000 *(2019 - £20,352,000)* were distributed during the year.

Directors

The Directors who served during the year were:

C P O'Neil (appointed 31 December 2020)
R Oudendijk
S S Reid (resigned 31 December 2020)

Future developments

Likely future developments in the business of the Company are discussed in the Strategic Report.

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
On 31 March 2020, the Company issued a Eurobond with a 4.2% note due on 31 March 2028. Interest on this Eurobond is payable bi-annually on 31 March and 30 September in accordance with the terms of the bond. The Eurobond has a fixed rate of 4.2% and therefore has no risk from interest fluctuations. As the Company has no other external debt, its exposure to interest rate risk is considered low.

The Company has a limited exposure to interest rate risk on its intercompany interest-bearing borrowings. The Company's policy is to monitor interest rates on intragroup borrowings closely to mitigate interest rate risk.

Liquidity risk
The Company has available cash reserves along with availability of a bank overdraft facility. 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 2020 was £503,000 *(2019 - £1,336,000)*, 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.

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.

Going concern

In assessing the basis of preparation of the financial statements for the year ended 31 December 2020, the Directors have taken into account all available information about the future for a period of at least, but not limited to, 12 months from the date of approval of the financial statements. In order to satisfy themselves that the Company has adequate resources to remain in operational existence, the Directors have undertaken a review of the Company's ability to generate cash from trading activities, liquidity position and existing debt levels, covering the period to May 2023.

During late 2020, the NOV Inc. group ("NOV") initiated a global legal entity rationalisation project, which has impacted the Company. The project's aim is the simplification of NOV's legal structure through the elimination and amalgamation of legal entities, resulting in fewer legal entities, reduced compliance costs and a streamlined legal structure. As part of this project, management prepared extended financial forecasts to assist with the valuation of the Company's subsidiary undertakings, performed by an independent professional firm. In preparing these forecasts management has taken into account reasonably possible downside scenarios. The forecasts cover the going concern assessment period and demonstrate that the Company is in a strong position in terms of its ability to generate cash from trading activities. The Company expects a year on year growth in revenues, beginning in 2022. This growth is driven by the recovering energy markets and increase in oil price, which in recent months stabilised at around $100 per barrel.

As at 31 December 2020, the Company's principal debt facility of £516.8 million comprises of the balance due on the listed Eurobond held by a fellow group entity, maturing on 31 March 2028, with annual interest of £21.7 million payable bi-annually in March and September. There are no covenants attached to this debt. The Company is part of a Zero Balancing Arrangement ("ZBA") cash pool facility with fellow group entities. This ZBA arrangement allows for cash to be available to the Company to assist with working capital and liquidity needs as and when necessary. The Company does not hold any other debt and has no debt external to the NOV Inc. group.

Going concern (continued)

At 31 December 2020, the Company has a strong Balance Sheet with net current assets of £176.2 million and net assets of £136.8 million.

Based on the results of the going concern assessment, 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 an unlikely event that the Company requires assistance to meet its financial obligations, the parent undertaking would be able to provide support to the Company. The Directors have received a letter of support from the parent undertaking, confirming it will provide financial support to the Company if needed, up until 31 May 2023. The Directors have assessed the ability of the parent undertaking to provide financial support and are confident that the parent has adequate cash resources to assist the Company in meeting its liabilities as and when they fall due, if necessary. Accordingly, the Directors continue to adopt the going concern basis in preparing the financial statements.

Post balance sheet events

On 1 September 2021 the Company purchased the trade and assets of Fjords Processing Limited, a subsidiary undertaking, for a consideration equal to the fair market value.

On 1 September 2021 the Company purchased the entire share capital of Fjords Processing UK Ltd from a subsidiary undertaking for a consideration of £1.

On 9 September 2021 the Company has entered into a revolving credit note in the amount of USD 300,000,000 payable to NOV Worldwide C.V., with the associated interest rate of 0.957%, maturing on 8 September 2022.

On 1 October 2021 NOV UK Holdings Limited contributed all of its assets to the Company in exchange for equity amounting to GBP 187,281,350. This includes the investment in the equity of NOV UK Finance Limited and Ameron Singapore Holding LLC.

On 1 October NOV UK Finance Limited sold its trade and assets to the Company in exchange for a note amounting to USD 48,091,367.

On 20 October 2021 NOV UK Holdings Limited distributed 100% of the shares of the Company to NOV Worldwide C.V., a partnership formed under Dutch law. This has resulted in the change of the Company's immediate parent undertaking from NOV UK Holdings Limited to NOV Worldwide C.V.

On 1 November 2021 the Company sold 100% of the equity in Ameron Singapore Holding LLC to NOV Norway AS for a note amounting to USD 68,278,445.

During December 2021 NOV Worldwide C.V. formed NOV UK Holdings LLC, a US limited liability company, and contributed 100% of the shares of the Company to this entity. This has resulted in the change of the Company's immediate parent undertaking from NOV Worldwide C.V. to NOV UK Holdings LLC.

In February 2022, a number of countries (including the US, UK and EU) imposed new sanctions against certain entities and individuals in Russia. Announcements of additional sanctions have been made following military operations initiated on 24 February 2022. The Company does not have significant exposure related to the current events in Ukraine, including as a result of sanctions imposed on Russia by various governments and the European Union, therefore no material impact expected on the future operations of the Company.

In March 2022 the Company sold certain intangible assets to a fellow group entity for USD 14,400,000 in exchange for a loan note. These intangible assets were internally developed and were not previously recognised on the Company's balance sheet under UK GAAP. The value of intangible assets was derived from a valuation prepared by an independent third party.

Greenhouse gas emissions, energy consumption and energy efficiency action

The Company recognises that our operations have an environmental impact and as we grow and develop our business, we need to take steps to mitigate equivalent increases in our emissions where we can do so.

As a business we are also aware of our reporting obligations under The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. As such, this year we are reporting our greenhouse gas emissions (GHG) publicly for the first time. Results from 2020, will serve as the baseline for our business going forward.

The Streamlined Energy and Carbon Reporting requirements for the first-year reporting for a Large Unquoted Company are listed below:

UK Energy Use and Associated Carbon Emissions

UK energy use (as a minimum gas, electricity and transport, including UK offshore area). This is divided into the following GHG scopes:

Scope 1 (Direct GHG Emissions)

- Combustion of fuel (e.g. natural gas);
- Mobile combustion – fuels used in transportation; and
- Facility operation – process emissions, or fugitive emissions (such as refrigerants).

Scope 2 (Indirect Emissions)

- Electricity Consumption (market and location based)

Scope 3 (Other Indirect Emissions)

- Mandatory energy use and related emissions from business travel in rental cars or employee-owned vehicles where NOV is responsible for purchasing the fuel.

We are required to report on all material emissions in scope 1 and 2, using an operational control approach. The methodology used to compile our greenhouse gas emissions inventory is in accordance with the requirements of the following standards: the WRI GHG Protocol Corporate Standard (revised version) and Defra's Environmental Reporting Guidelines: Including Streamlined Energy and Carbon Reporting requirements (March 2019).

	2020 Carbon Emissions (tCO_2e)
Scope 1 - Emissions resulting from activities for which the Company is responsible involving the combustion of gas or consumption of fuel for the purposes of transport	**5,490.93**
Scope 2 - Emissions resulting from the purchase of the electricity by the Company for its own use, including the purposes of transport	**3,061.41**

Intensity Metric

Intensity ratios are used to standardise reporting and the comparison of emissions data. An intensity metric of tCO_2e per £million revenue has been applied for the annual emissions of NOV:

Carbon Emissions (tCO_2e)	8,552.34
Company Revenue (£million)	£288.29
Carbon Intensity (tCO_2e/£million)	29.67

Greenhouse gas emissions, energy consumption and energy efficiency action (continued)

Energy Efficiency and Improvements
As part of the NOV Inc's group-wide commitments, the Company is committed to year-on-year improvements in our operational energy efficiency. 2020 marked the start of a new environmental database, designed to collect and monitor environmental metrics to aid NOV with compliance and environmental, social, and governance reporting. Measures successfully implemented will be reported in future years, alongside scope 3 (indirect emissions) where possible.

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 31 May 2022 and signed on its behalf.

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R Oudendijk
Director

DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020

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;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in FRS 102 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and performance;
- 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.

Opinion

We have audited the financial statements of National Oilwell Varco UK Limited (the 'company') for the year ended 31 December 2020 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 32, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- In conjunction with our walkthrough of the Company's financial close process, we confirmed our understanding of management's going concern assessment process and also engaged with management to ensure all key factors were considered in their assessment.

- We obtained management's going concern assessment, including the cash forecast for the going concern period which covers a year from the date of signing this audit opinion.

- We tested the assumptions included in the modelled scenario for the cash forecast and we confirmed that the recovery from Covid-19 had been factored into the forecasted scenario. We determined through inspection and testing that the methodology used was appropriate to make an assessment for the entity.

- We obtained the Company's letter of support from its ultimate Parent and have confirmed that the Parent has the authority to provide this and has sufficient funds to give support if required. Refer to Note 2.4 for further details.

- We performed stress testing on the Company's cash flow by assessing the impact of changes in assumptions used and concluded that the Parent has sufficient funds to provide support required in stress situations.
- We evaluated the Company's going concern disclosures included in the annual report and determined that the disclosures were appropriate and in conformity with the reporting standards.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Overview of our audit approach

Key audit matters	• 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	• Overall materiality of £2.95m which represents 1% of revenues

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.

Changes from the prior year

There have been no changes from the prior year.

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 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
Risk of misstatement due to management override, fraud and error specifically around revenue recognition, including via on-top journals *Refer to Accounting policies (page 30); and Note 4 of the Financial Statements (page 40)* 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. 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. Accordingly, we focus on manual adjustments relating to revenue.	We obtained an understanding of the key controls and processes in place over revenue recognition and the recording of manual journal entries. 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. We used risk-based filters to test material manual journal entries, including those posted by those charged with governance, to revenue through to source information to confirm that the revenue recognised was appropriate and was in line with the Company's accounting policy. We incorporated unpredictibility into our testing of manual journals and into our testing of revenue recognition. These procedures were supplemented with analytical review procedures and enquiry of management. We assessed the adequacy of disclosures within the financial statements. All audit work in relation to this key audit matter was undertaken by experienced audit team members with input from our data analytics team.	We have concluded that revenue recognised in the year is materially correct on the basis of procedures performed.

Risk	Our response to the risk	Key observations communicated to those charged with governance
Carrying value of investments (2020: £454m, 2019: £526m) *Refer to Accounting policies (page 33); and Note 16 of the Financial Statements (page 51)* The carrying value of investments in subsidiaries are subject to impairment assessments under FRS 102. 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. There is a risk that managements' expert use an inappropriate / inconsistent methodology or apply an erroneous assumption in their impairment test resulting in an incorrect carrying value of investment. There is a risk that management have provided incorrect information to the expert in their impairment test resulting in an incorrect carrying value of investment. The net investment impairment loss recognised in the year was £95m.	We have obtained an understanding of the process and confirmed the key controls in place to identify impairment triggers. We have reviewed management's impairment assessment and determined whether they have sufficiently evaluated the existence of impairment indicators. Where an indicator of impairment was identified we obtained managements' calculation of investment valuation. With support from our valuation specialists we have evaluated the competency of managements expert determining that the methodology used is consistent with valuation practice and corroborating significant assumptions used in the calculations were from reputable external sources of financial information. We tested the key assumptions that management made in the cashflow data provided to their expert. We tested the mathematical accuracy of the calculations and formulae used in management's impairment assessment. We performed sensitivity analysis on cashflows used by Management, to calculate the impact a change in the assumption would have on the impairment calculation and subsequently the value of investments.	We have concluded that following recognition of the impairment loss of £95m the carrying value of investments is materially correct and that management's assumptions in calculating this were appropriate.

Risk	Our response to the risk	Key observations communicated to those charged with governance
	Where Management have determined that an impairment was required, we confirmed that the investment was appropriately adjusted. We evaluated the Company's disclosures included within the Financial Statements and determined that they are appropriate and in conformity with the reporting standards. All audit work in relation to this key audit matter was undertaken by experienced audit team members with input from our valuation specialists.	
Valuation of defined benefit pension scheme liabilities (2020: £58m; 2019: £50m) *Refer to Accounting policies (page 36); and Note 27 of the Financial Statements (page 61)* The Entity makes provision for the net pension liability of its defined benefit pension scheme. 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. The principal assumptions include life expectancies of scheme members, discount rate and inflation rates.	We obtained an understanding and assessed the key controls and processes and methodology for calculating the pension scheme liabilities. 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. 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.	We have concluded that the pension liability is materially correct and that managements' judgments in relation to underlying actuarial assumptions were appropriate.

Risk	Our response to the risk	Key observations communicated to those charged with governance
	We considered the competency and objectivity of managements' experts. We have assessed the adequacy of disclosures within the financial statements. All audit work in relation to this key audit matter was undertaken by experienced audit team members with input from our actuarial specialists.	

There have been no changes in key audit matters in the current year.

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.

We determined materiality for the company to be £2.95 million (2019: £3.5 million), which is 1% (2019: 1%) of revenues. The entity is loss making during 2020 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.

During the course of the audit, we reassessed materiality and found no change was required following the finalisation of the audit procedures.

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% (2019: 75%) of our planning materiality, namely £2.2m (2019: £2.6m). 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 £148k (2019: £175k), 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.

Other information

The other information comprises the information included in the annual report set out on pages 1 - 12, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

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.

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 course of 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 themselves 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 set out on page 12, 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.

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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant are those that relate to the reporting framework (UK GAAP and Companies Act 2006) and the relevant tax compliance regulations in the jurisdictions in which the entity operates. In addition, we concluded that there are certain significant laws and regulations relation to health and safety, employee matters, environments and bribery and corruptions practices.

- We understood how National Oilwell Varco UK Limited is complying with those frameworks by making enquiries of management, internal audit, those responsible for legal and compliance procedures and the Company Secretary to understand how the company maintains and communicates its policies and procedures in these areas. We corroborated our enquiries through our examination of Board minutes and by obtaining copies of communications in these areas and noted that there was no contradictory evidence.
- We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur by making enquiries with management, internal audit and other employees within the company to understand the entity's policies and procedures. We also obtained documentation on the entity-level controls environment to determine whether it supports the prevention, detection and correction of material misstatements, including those that are due to fraud. We considered the risk of management override and determined that revenue recognition may present a fraud risk.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved enquiry with management and considering whether any events or conditions during the audit might have indicated non-compliance with laws and regulations. Our procedures on revenue included utilisation of data analytical tools to correlate sales to debtors and cash.
- Our procedures on journal entries testing included a focus on journals meeting our defined risk criteria, including those posted by those charged with governance, based on our understanding of the business and enquiry with management. Where instances of higher risk journals were identified, we performed additional audit procedures to address each identified risk. These procedures included testing transactions back to source information. We incorporated unpredictability into our testing of manual journals and into our testing of revenue recognition.
- Our procedures on judgements and estimates made in the financial statements included challenging the assumptions made and models used in determining estimates and sought to obtain both contradictory and corroborative evidence to challenge and/or support estimate inputs.

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.

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.

Ernst & Young LLP

Gemma Noble (Senior statutory auditor)

for and on behalf of

Ernst & Young LLP
Aberdeen
31 May 2022

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 £000	*2019 £000*
Turnover	4	**289,710**	*346,750*
Cost of sales		**(282,572)**	*(313,666)*
Gross profit		**7,138**	*33,084*
Distribution costs		**(6,811)**	*(8,615)*
Administrative expenses		**(35,690)**	*(34,480)*
Other operating income		**2,784**	*-*
Profit on disposal of tangible fixed assets		**369**	*1,748*
Operating loss	5	**(32,210)**	*(8,263)*
Income from shares in group undertakings	9	**68,866**	*25,124*
Amounts provided against cost of fixed asset investments	16	**(94,600)**	*(3,892)*
Interest receivable	10	**531**	*258*
Interest payable	11	**(16,597)**	*(452)*
Other finance expense		**(38)**	*(33)*
(Loss)/profit before tax		**(74,048)**	*12,742*
Tax on (loss)/profit	12	**3,009**	*798*
(Loss)/profit for the financial year		**(71,039)**	*13,540*

The notes on pages 27 to 69 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 £000	*2019* *£000*
(Loss)/profit for the financial year		**(71,039)**	*13,540*
Other comprehensive income			
Actuarial (loss)/gain on defined benefit schemes	27	**(4,784)**	*1,156*
Change in irrecoverable pension surplus not recognised	27	**1,090**	*(1,034)*
Movement on deferred tax relating to pension liability	27	**-**	*(23)*
Other comprehensive (loss) / income for the year		**(3,694)**	*99*
Total comprehensive (loss) / income for the year		**(74,733)**	*13,639*

The notes on pages 27 to 69 form part of these financial statements.

BALANCE SHEET
AS AT 31 DECEMBER 2020

	Note		2020 £000		2019 £000
Fixed assets					
Intangible assets	14		**1,083**		*983*
Tangible assets	15		**36,944**		*43,999*
Investments	16		**453,558**		*526,257*
			491,585		*571,239*
Current assets					
Stocks	17	**56,243**		*73,452*	
Debtors	18	**197,469**		*196,127*	
Cash at bank and in hand		**330**		*346*	
		254,042		*269,925*	
Creditors: amounts falling due within one year	19	**(77,836)**		*(105,326)*	
Net current assets			**176,206**		*164,599*
Total assets less current liabilities			**667,791**		*735,838*
Creditors: amounts falling due after more than one year	20		**(516,800)**		*-*
Provisions for liabilities					
Other provisions	22		**(10,622)**		*(3,187)*
Defined benefit pension liability	27		**(3,594)**		*-*
Net assets			**136,775**		*732,651*
Capital and reserves					
Called up share capital	23		**77,916**		*77,916*
Share premium account	24		**-**		*507,714*
Share based payment reserve	24		**8,012**		*22,471*
Merger reserve	24		**(53,550)**		*(53,550)*
Profit and loss account	24		**104,397**		*178,100*
			136,775		*732,651*

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 31 May 2022.

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R Oudendijk
Director

The notes on pages 27 to 69 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Called up share capital	Share premium account	Share based payment reserve	Merger reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000	£000
At 1 January 2020	77,916	507,714	22,471	(53,550)	178,100	732,651
Comprehensive income for the year						
Loss for the year	-	-	-	-	(71,039)	(71,039)
Actuarial losses on pension scheme (note 27)	-	-	-	-	(3,694)	(3,694)
Total comprehensive income for the year	-	-	-	-	(74,733)	(74,733)
Share premium reduction (note 24)	-	(507,714)	-	-	507,714	-
Dividends: Equity capital (note 13)	-	-	-	-	(519,966)	(519,966)
Amounts paid to fellow subsidiary for vested restricted share awards (note 24)	-	-	(1,724)	-	-	(1,724)
Share based payments (note 25)	-	-	547	-	-	547
Realisation of Share based payment reserve (note 24)	-	-	(13,282)	-	13,282	-
At 31 December 2020	77,916	-	8,012	(53,550)	104,397	136,775

The notes on pages 27 to 69 form part of these financial statements.

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

	Called up share capital	Share premium account	Share based payment reserve	Merger reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000	£000
At 1 January 2019	77,916	507,714	20,582	(53,550)	184,813	737,475
Comprehensive income for the year						
Profit for the year	-	-	-	-	13,540	13,540
Actuarial gains on pension scheme (note 27)	-	-	-	-	122	122
Deferred tax relating to pension scheme	-	-	-	-	(23)	(23)
Total comprehensive income for the year	-	-	-	-	13,639	13,639
Dividends: Equity capital (note 13)	-	-	-	-	(20,352)	(20,352)
Share based payments (note 25)	-	-	1,889	-	-	1,889
At 31 December 2019	77,916	507,714	22,471	(53,550)	178,100	732,651

The notes on pages 27 to 69 form part of these financial statements.

1. General information

National Oilwell Varco UK Limited is a limited liability company incorporated in England and Wales. The registered office is Stonedale Road, Unit 10 Oldends Lane Industrial Estate, Stonehouse, Gloucestershire, GL10 3RQ.

2. Accounting policies

2.1 Basis of preparation of financial statements

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

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

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

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

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

The information required by sections 11, 12 and 26 noted above is included in the consolidated financial statements of NOV Inc. as at 31 December 2020 and these financial statements may be obtained from its principal office at 7909 Parkwood Circle Drive, Houston, Texas, 77036, USA.

2.3 Exemption from preparing consolidated financial statements

The Company is a wholly owned subsidiary company of NOV Inc. and the Company and all of its subsidiary undertakings are included in the consolidated accounts of NOV Inc. The registered office of NOV 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. Accounting policies (continued)

2.4 Going concern

In assessing the basis of preparation of the financial statements for the year ended 31 December 2020, the Directors have taken into account all available information about the future for a period of at least, but not limited to, 12 months from the date of approval of the financial statements. In order to satisfy themselves that the Company has adequate resources to remain in operational existence, the Directors have undertaken a review of the Company's ability to generate cash from trading activities, liquidity position and existing debt levels, covering the period to May 2023.

During late 2020, the NOV Inc. group ("NOV") initiated a global legal entity rationalisation project, which has impacted the Company. The project's aim is the simplification of NOV's legal structure through the elimination and amalgamation of legal entities, resulting in fewer legal entities, reduced compliance costs and a streamlined legal structure. As part of this project, management prepared extended financial forecasts to assist with the valuation of the Company's subsidiary undertakings, performed by an independent professional firm. In preparing these forecasts management has taken into account reasonably possible downside scenarios. The forecasts cover the going concern assessment period and demonstrate that the Company is in a strong position in terms of its ability to generate cash from trading activities. The Company expects a year on year growth in revenues, beginning in 2022. This growth is driven by the recovering energy markets and increase in oil price, which in recent months stabilised at around $100 per barrel.

As at 31 December 2020, the Company's principal debt facility of £516.8 million comprises of the balance due on the listed Eurobond held by a fellow group entity, maturing on 31 March 2028, with annual interest of £21.7 million payable bi-annually in March and September. There are no covenants attached to this debt. The Company is part of a Zero Balancing Arrangement ("ZBA") cash pool facility with fellow group entities. This ZBA arrangement allows for cash to be available to the Company to assist with working capital and liquidity needs as and when necessary. The Company does not hold any other debt and has no debt external to the NOV Inc. group.

At 31 December 2020, the Company has a strong Balance Sheet with net current assets of £176.2 million and net assets of £136.8 million.

Based on the results of the going concern assessment, 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 an unlikely event that the Company requires assistance to meet its financial obligations, the parent undertaking would be able to provide support to the Company. The Directors have received a letter of support from the parent undertaking, confirming it will provide financial support to the Company if needed, up until 31 May 2023. The Directors have assessed the ability of the parent undertaking to provide financial support and are confident that the parent has adequate cash resources to assist the Company in meeting its liabilities as and when they fall due, if necessary. Accordingly, the Directors continue to adopt the going concern basis in preparing the financial statements.

2. Accounting policies (continued)

2.5 Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

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

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

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

2. 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.

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. The grant is conditional on related fixed assets remaining in use until 20 December 2022. The expectation is that these conditions will be maintained.

Grants of a revenue nature, including furlough, are recognised in the Profit and Loss Account in Other operating income in the same period as the related expenditure.

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, liabilities and contingent 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
Software	- 4 - 5 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. Accounting policies (continued)

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.

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. Accounting policies (continued)

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.

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. Accounting policies (continued)

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.

2.19 Interest income

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

2.20 Share based payments

The Company participates in a group share-based payment plan, in which the ultimate parent grants share options and restricted shares directly to the employees of the Company. These share-based payment transactions are treated as equity-settled in the financial statements of the Company as there is no obligation to provide shares to its employees.

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 for failure to meet service conditions or non-market vesting conditions.

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.

There is a contractual recharge agreement in place requiring the Company to reimburse a fellow group company for the cost of the share-based payments. The cost of these transactions to the Company is measured at fair value, which is established initially at the grant date and at each Balance Sheet date thereafter until the awards are settled. During the vesting period a liability is recognised representing the product of the fair value of the award and the portion of the vesting period expired as at the Balance Sheet date. From the end of the vesting period until settlement, the liability represents the full fair value of the award as at the balance sheet date. The liability recognised during the vesting period and changes in the carrying amount for the liability are recognised in equity as a repayment of capital contribution for the equity-settled awards and anything in excess of that contribution is a distribution.

2. Accounting policies (continued)

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 Turnover from rental of equipment 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.

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. Accounting policies (continued)

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.

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 a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

a. Critical judgements in applying the entity's accounting policies

(i) Investment impairment

The Company considers all investments for evidence of impairment annually. For the 2020 review, the Company engaged a professional valuation firm to perform a valuation of the subsidiary undertakings. This value is then compared to the carrying value of the investment to assess whether there are indicators that impairment may exist. When an indicator is found, the value of a subsidiary's net assets are taken into consideration as well as the valuation provided to determine if an impairment is required. Judgement is applied in assessing the amount by which to impair any investments.

b. Critical accounting estimates and assumptions

(i) Useful lives of tangible fixed assets

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

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 1.30% per annum was adopted based on market conditions as at 31 December 2020. The longevity assumptions are based on the SAPS year of birth tables with future improvements in line with CMI 2019 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.

On 20 November 2020, the High Court ruled that individual transfer payments made since 17 May 1990 would need to be equalised for the effects of GMP. This judgment followed on from the previous judgment on 26 October 2018, which has previously been allowed for in accounting disclosures, where the High Court ruled that schemes had a legal obligation to pay benefits allowing for GMP equalisation. Based on actuarial advice using the available data relating to the impacted cash equivalent transfer values and a number of other assumptions, an approximate estimate was made of the additional expected liability arising in respect of the transfer payments. This additional expected liability has been accounted for as a past service cost which arose on 20 November 2020.

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

b. Critical accounting estimates and assumptions (continued)

(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.

(v) Other provisions

Other provisions recognised at the Balance sheet date include provision for warranty costs, onerous lease contracts, dilapidations and Customs and International trade matters. 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:

	2020 £000	2019 £000
Sale of goods	**205,497**	*222,513*
Rendering of services	**71,415**	*107,366*
Rental of equipment	**12,739**	*16,787*
Grant income	**59**	*84*
	289,710	*346,750*

A geographical analysis of turnover is provided below. Turnover has been attributed to geographic areas on the basis of the location of the customer.

	2020 £000	2019 £000
Europe	**177,189**	*178,694*
Americas	**29,704**	*40,238*
Middle East	**39,061**	*63,940*
Africa	**24,328**	*27,004*
Far East	**19,428**	*36,874*
	289,710	*346,750*

4. Turnover and segmental analysis (continued)

A geographical analysis of fixed assets is as follows:

	2020 £000	*2019* *£000*
Europe	**29,753**	*39,625*
Africa	**5,999**	*5,000*
Americas	**2,275**	*-*
Middle East	**-**	*357*
	38,027	*44,982*

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 this information is not provided to or analysed by the Company's Chief operating decision makers. All Turnover, Profit before taxation and Net assets are attributable to the supply of materials, equipment and services for the oil and gas industry.

5. Operating loss

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

	2020 £000	*2019 £000*
Research & development charged as an expense	503	*1,336*
Exchange differences	5,855	*2,403*
Change in fair value of hedging instruments	(686)	*(376)*
Operating lease rentals:		
- plant and machinery	1,412	*1,666*
- land and buildings	4,096	*4,434*
Auditor's remuneration (note 6)	532	*361*
Impairment of stock (note 17)	9,773	*17,656*
Depreciation of tangible fixed assets (note 15)	6,727	*6,539*
Impairment of tangible fixed assets (note 15)	6,843	*3,779*
Amortisation of intangible assets, including goodwill (note 14)	490	*140*
Government furlough credits	(2,784)	*-*

6. Auditor's remuneration

	2020 £000	*2019 £000*
Fees payable to the Company's auditor for the audit of the Company's annual accounts	360	*332*
The audit of financial statements of UK subsidiaries of the Company pursuant to legislation, borne by the Company	8	*23*
Taxation advisory services provided to the Company	164	*6*
	532	*361*
The audit of financial statements of UK subsidiaries of the Company pursuant to legislation, borne by respective subsidiaries	326	*314*
	858	*675*

7. Employees

Staff costs were as follows:

	2020 £000	*2019* *£000*
Wages and salaries	**69,630**	*78,040*
Social security costs	**7,174**	*9,228*
Cost of defined contribution pension scheme (note 27)	**3,943**	*4,364*
	80,747	*91,632*
Share-based payments (note 25)	**1,827**	*1,889*
	82,574	*93,521*

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

	2020 No.	*2019* *No.*
Production	**1,612**	*1,906*
Administration	**358**	*397*
Sales	**153**	*163*
	2,123	*2,466*

Staff costs and number of employees reported above include 602 (*2019 - 842*) employees whose contracts of employment were with National Oilwell Varco UK Limited, but whose costs were borne by fellow subsidiary companies within the NOV UK group, for the benefit of which these employees worked.

8. Directors' remuneration

	2020 £000	*2019* *£000*
Directors' emoluments	107	*109*
Amounts receivable under long-term incentive schemes	3	*-*
Company contributions to defined contribution pension schemes	6	*6*
	116	*115*

During the year retirement benefits were accruing to 1 Director *(2019 - 1)* in respect of defined contribution pension schemes.

During the year 1 Director *(2019 - nil)* received shares in respect of qualifying services and no Directors *(2019 - nil)* exercised share options.

Two of the Directors who served during the year *(2019 - 1)* received no remuneration for qualifying services as the services provided to the Company during the year were negligible, therefore their remuneration is not included in the above disclosure.

9. Income from shares in group undertakings

	2020 £000	*2019* *£000*
NOV Downhole Eurasia Limited	59,229	*20,353*
Hebei Huayouyiji Tuboscope Coating Co. Ltd.	4,588	*2,120*
National Oilwell Varco Almansoori Services LLC	2,646	*770*
Elmar Far East Pty Ltd	2,020	*1,881*
MSI Pipe Protection Technologies UK Limited	383	*-*
	68,866	*25,124*

10. Interest receivable

	2020 £000	*2019* *£000*
Interest receivable on loans to group undertakings	531	*247*
Bank and other interest receivable	-	*11*
	531	*258*

11. Interest payable

	2020 £000	2019 £000
Bank and other interest payable	199	*442*
Interest payable on loans from group undertakings	16,398	*10*
	16,597	*452*

12. Taxation

	2020 £000	2019 £000
Corporation tax		
Adjustments in respect of previous periods	(1,734)	*(514)*
Group relief recoverable	(3,561)	*(1,889)*
	(5,295)	*(2,403)*
Foreign tax		
Foreign tax on income for the year	1,212	*1,298*
Foreign tax in respect of prior periods	302	*44*
	1,514	*1,342*
Total current tax	(3,781)	*(1,061)*
Deferred tax		
Origination and reversal of timing differences	(1,241)	*400*
Deferred tax on pension scheme	-	*56*
Deferred tax on share based payments	-	*69*
Adjustment in respect of previous periods	2,013	*(262)*
Total deferred tax (note 21)	772	*263*
Taxation on (loss) / profit	(3,009)	*(798)*

12. Taxation (continued)

Factors affecting tax credit for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19% *(2019 - 19%). The differences are explained below:*

	2020 £000	*2019* *£000*
(Loss)/profit before tax	(74,048)	*12,742*
(Loss) / Profit multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	(14,069)	*2,421*
Effects of:		
Impairment of fixed assets not deductible for tax purposes	958	*148*
Expenses not deductible for tax purposes	490	*205*
Amounts provided against cost of fixed asset investments not allowable for tax purposes	17,974	*739*
Adjustments to tax charge in respect of prior periods	581	*(732)*
Income not taxable for tax purposes (including tax relief on intangible assets)	(994)	*(936)*
Share options	(41)	*375*
Income from shares in group undertakings not taxable	(13,085)	*(4,774)*
Overseas tax payable	1,212	*1,298*
Losses not recognised	4,027	*437*
Taxable capital gain	-	*21*
Other timing differences	(62)	*-*
Total tax credit for the year	**(3,009)**	*(798)*

12. Taxation (continued)

Factors that may affect future tax charges

UK corporation tax is calculated at 19% *(2019 - 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 canceling the reduction in the UK corporation tax rate to 17% enacted by Finance Bill 2016.

Deferred taxes on the balance sheet have been measured at 19% (2019 - 19%) which represents the future corporation tax rate that was enacted at the balance sheet date.

The UK Budget 2021 announcements on 3 March 2021 included measures to support economic recovery as a result of the ongoing Covid-19 pandemic. These included an increase to the UK's main corporation tax rate to 25%, which is due to be effective from 1 April 2023. These changes were not substantively enacted at the balance sheet date and hence have not been reflected in the measurement of deferred tax balances at the period end. If the company's deferred tax balances at the period end were remeasured at 25% this would result in additional deferred tax of £0.7 million.

Disclosures relating to unrecognised deferred tax asset as at 31 December 2020 are provided in Note 21.

13. Dividends paid

	2020 £000	*2019* *£000*
Waiver of amount receivable from parent company	**516,800**	-
Waiver of amount receivable from fellow subsidiary	**3,166**	-
Interim June 2019: 26.12p per ordinary share	-	*20,352*
	519,966	*20,352*

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 and this has been recorded as a distribution.

During December 2020 it was agreed to forgive a receivable from National Oilwell Varco LP, a fellow group company, in the amount of £3,166,000 and this has been recorded as a distribution.

14. Intangible assets

	Software £000	Trade names £000	Goodwill £000	Total £000
Cost				
At 1 January 2020	-	1,960	9,537	11,497
Additions	590	-	-	590
At 31 December 2020	590	1,960	9,537	12,087
Amortisation				
At 1 January 2020	-	1,490	9,024	10,514
Charge for the year	369	35	86	490
At 31 December 2020	369	1,525	9,110	11,004
Net book value				
At 31 December 2020	221	435	427	1,083
At 31 December 2019	*-*	*470*	*513*	*983*

15. Tangible fixed assets

	Freehold land £000	Freehold buildings £000	Leasehold improvements £000	Plant, machinery and rental equipment £000
Cost				
At 1 January 2020	3,300	26,189	2,353	85,200
Additions	120	2,712	36	2,504
Disposals	-	(30)	-	(2,379)
Transfers between classes	-	73	11	9,467
At 31 December 2020	3,420	28,944	2,400	94,792
Depreciation				
At 1 January 2020	-	17,709	1,947	63,925
Charge for the year	-	1,244	15	5,398
Disposals	-	(1)	-	(1,040)
Impairment charge	-	103	1	4,536
At 31 December 2020	-	19,055	1,963	72,819
Net book value				
At 31 December 2020	3,420	9,889	437	21,973
At 31 December 2019	*3,300*	*8,480*	*406*	*21,275*

15. Tangible fixed assets (continued)

	Motor vehicles £000	Fixtures and fittings £000	Construction in progress £000	Total £000
Cost				
At 1 January 2020	203	7,956	8,219	133,420
Additions	-	8	2,504	7,884
Disposals	(38)	(26)	-	(2,473)
Transfers between classes	-	-	(9,551)	-
At 31 December 2020	165	7,938	1,172	138,831
Depreciation				
At 1 January 2020	203	5,637	-	89,421
Charge for the year	-	71	-	6,728
Disposals	(38)	(26)	-	(1,105)
Impairment charge	-	2,203	-	6,843
At 31 December 2020	165	7,885	-	101,887
Net book value				
At 31 December 2020	-	53	1,172	36,944
At 31 December 2019	-	*2,319*	*8,219*	*43,999*

As part of the annual impairment review of all fixed assets, 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 £6,843,000 was recorded in Cost of sales in the Profit and Loss Account.

16. Fixed asset investments

	Subsidiary undertakings £000	Joint venture £000	Total £000
Cost			
At 1 January 2020	747,728	222	747,950
Additions	21,901	-	21,901
Disposals	-	(222)	(222)
At 31 December 2020	769,629	-	769,629
Impairment			
At 1 January 2020	221,471	222	221,693
Charge for the period	94,600	-	94,600
Disposals	-	(222)	(222)
At 31 December 2020	316,071	-	316,071
Net book value			
At 31 December 2020	453,558	-	453,558
At 31 December 2019	*526,257*	-	*526,257*

16. Fixed asset investments (continued)

During the year the Company subscribed for an additional 2 Ordinary shares of £1.00 each in the capital of NOV Process & Flow Technologies UK Limited, a subsidiary undertaking, for a total subscription price of £21,900,000. This is a separate and unrelated transaction to that described in Note 27 Pension Commitments, explaining the transfer of the assets and liabilities of the Merpro Group Pension and Life Assurance Scheme to the Company. Refer to Note 27 for more details.

On 24 June 2020 the Company established a company in the Republic of Senegal with limited liability and with registered share capital of 600,000 CFA Francs (£1,000) in which the Company holds 100% of the capital, under the name NOV Oil & Gas Services Senegal S.A.R.L.

During the year the company sold its interest in the joint venture Greystone Technologies Pty Ltd for £nil consideration.

During late 2020, the NOV Inc. group ("NOV") initiated a global legal entity rationalisation project, which has impacted the Company. The project's aim is the simplification of NOV's legal structure through the elimination and amalgamation of legal entities, resulting in fewer legal entities, reduced compliance costs and a streamlined legal structure. As part of the project a comprehensive third party valuation was performed on the individual (direct and indirect) subsidiaries of the Company. As a result of the current status of the Oil & Gas industry, heavily impacted by the Covid-19 pandemic, this resulted in an impairment charge of £94,600,000. This was mainly related to the investments in NOV Downhole Eurasia Limited and NOV Process & Flow Technologies UK Limited.

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.

16. 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, Unit 10 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%
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, Unit 10 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, Unit 10 Oldends Lane Industrial Estate, Stonehouse, Gloucestershire, United Kingdom, GL10 3RQ	Ordinary shares	100%
Hebei Huayouyiji Tuboscope Coating Co., Ltd	No.102# East Road of Dong Huan, Qing County, Cangzhou City, Hebei Province, China	Shares	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%
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 [3]	35-41 Fremlin Place, Avondale, Auckland, New Zealand	Shares	100%
MSI Pipe Protection Technologies UK Limited	Stonedale Road, Unit 10 Oldends Lane Industrial Estate, Stonehouse, Gloucestershire, United Kingdom, GL10 3RQ	Ordinary shares	100%
National Oilwell (U.K.) Limited	Stonedale Road, Unit 10 Oldends Lane Industrial Estate, Stonehouse, Gloucestershire, United Kingdom, GL10 3RQ	Ordinary shares	100%
National Oilwell Varco Almansoori Services [13]	PO Box 27011, Mussafah Industrial Area, Abu Dhabi, United Arab Emirates	Shares	49%
NOV Australia Pty Ltd [3]	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, Unit 10 Oldends Lane Industrial Estate, Stonehouse, Gloucestershire, United Kingdom, GL10 3RQ	Ordinary shares	100%

16. Fixed asset investments (continued)

Subsidiary undertakings (continued)

Name	Registered office	Class of shares	Holding
NOV Downhole Kazakhstan, LLP [4]	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 [5], [13]	Abu Dhabi - Mussafffah - ICAD II - (5AR17)	Shares	49%
NOV Kenya Limited [6]	SK Offices, Block E1, Raphta Road Westlands, Nairobi, Kenya	Ordinary shares	100%
NOV Mission Products UK Limited	Stonedale Road, Unit 10 Oldends Lane Industrial Estate, Stonehouse, Gloucestershire, United Kingdom, GL10 3RQ	Ordinary shares	100%
NOV Oil & Gas Services Senegal S.A.R.L	37, Cite CPI - VDN - 3EME ETAGE - Dakar, Senegal	Ordinary shares	100%
NOV Oil Services Angola Limitada [7], [13]	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, Unit 10 Oldends Lane Industrial Estate, Stonehouse, Gloucestershire, United Kingdom, GL10 3RQ	Ordinary shares	100%
NOV Saudi Arabia Co. Ltd. [8]	P.O. Box 52681, Dammam 2nd Industrial City, Dammam, 11573, the Kingdom of Saudi Arabia	Shares	100%
NOV Saudi Arabia Trading Co. [1]	Dammam The Business Gate Center, Bldg 3648 Unit 20, 34332-7358 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 [9]	C/O National Oilwell Varco Stonedale Road, Unit 10 Oldends Lane Industrial Estate, Stonehouse, Gloucestershire, United Kingdom, GL10 3RQ	Ordinary shares	100%
Pipex PX Limited	C/O National Oilwell Varco Stonedale Road, Unit 10 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 [10]	C/O National Oilwell Varco Stonedale Road, Unit 10 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%

16. Fixed asset investments (continued)

Subsidiary undertakings (continued)

Name	Registered office	Class of shares	Holding
Tuboscope Vetco Moscow CJSC [10]	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. [11], [13]	Plots 72, 73, Mussafah M-42, Abu Dhabi, United Arab Emirates	Shares	49%
Varco CIS, LLC [12]	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 NOV Process & Flow Technologies UK Limited
[4] Held by NOV Downhole Eurasia Limited (99%) and National Oilwell Varco UK Limited (1%)
[5] Held by Big Red Tubulars Limited
[6] Held by National Oilwell Varco UK Limited (99%) and NOV Downhole Eurasia Limited (1%)
[7] Held by NOV UK (Angola Acquisitions) Limited
[8] Held by NOV Downhole Eurasia Limited (90%) and National Oilwell Varco UK Limited (10%)
[9] Held by Pipex PX Limited
[10] Held by Varco CIS
[11] Held by NOV Grant Prideco Drilling Products Middle East FZE
[12] Held by Tuboscope Vetco Capital Limited (99%) and National Oilwell Varco UK Limited (1%)
[13] Controled by the Company due to power to govern the financial and operating policies of the entities under a statute or an agreement

17. Stocks

	2020 £000	*2019* *£000*
Raw materials and consumables	13,404	*23,289*
Work in progress	15,989	*16,407*
Finished goods and goods for resale	26,850	*33,756*
	56,243	*73,452*

Inventory impairment losses totaling £9,773,000 *(2019 - £17,656,000)* were recognised in Cost of sales in the Profit and Loss Account. The inventory impairment expense was based on an update of assumptions relating to estimates of future demand.

18. Debtors

	2020 £000	*2019* *£000*
Due after more than one year		
Amounts owed by subsidiary undertaking	**9,750**	-
	9,750	-
Due within one year		
Trade debtors	**32,477**	*51,355*
Amounts owed by parent undertaking	**60,221**	-
Amounts owed by fellow subsidiary undertakings	**69,434**	*89,351*
Amounts owed by subsidiary undertakings	**6,317**	*28,930*
Other debtors	**15**	*32*
VAT recoverable	**4,667**	*1,779*
Prepayments	**3,112**	*4,693*
Accrued income	**8,196**	*16,621*
Deferred taxation (note 21)	**2,160**	*2,932*
Derivative financial instruments	**1,120**	*434*
	197,469	*196,127*

Trade debtors are stated after provisions for impairment of £1,429,000 *(2019 - £1,422,000)*.

Amounts owed by subsidiary undertakings due after more than one year of £9,750,000 is represented by a loan facility with Tubular Coating Solutions Limited of up to $16,000,000 and interest rate of 2.5%, repayable to the Company in whole or in part at any time before the maturity date of 15 May 2023.

Amounts owed by subsidiary undertakings due within one year includes a loan facility with NOV Grant Prideco Drilling Products Middle East FZE of up to $15,100,000 and interest rate of 5%, repayable to the Company in whole or in part at any time before the maturity date of 31 December 2021. The amount outstanding at 31 December 2020 is £554,000 *(2019 - £10,213,000)*.

Amounts owed by parent undertaking are represented by the balances due from NOV UK Holdings Limited at 31 December 2020, relating to the cash pool facility.

19. Creditors: Amounts falling due within one year

	2020 £000	*2019 £000*
Payments received on account	2,222	*7,882*
Trade creditors	15,947	*21,488*
Amounts owed to fellow subsidiary undertakings	25,219	*30,251*
Amounts owed to subsidiary undertakings	1,446	*3,760*
Amounts owed to parent undertaking	-	*2,051*
Corporation tax	4	*1,347*
Taxation and social security	2,793	*150*
Overseas tax	254	*21*
Group relief	21,080	*22,778*
Accruals	6,159	*12,183*
Deferred income	2,712	*2,729*
Other creditors	-	*686*
	77,836	*105,326*

Deferred income includes deferred government grant income of £242,000 *(2019 - £301,000)*. The grant is conditional on related fixed assets remaining in use until 20 December 2022. The expectation is that these conditions will be maintained. The remaining amounts included in deferred income are represented by advances received from customers and billing in excess of cost.

None of the above balances are interest bearing.

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

	2020 £000	*2019 £000*
Amounts owed to group company - listed Eurobond	516,800	*-*

The listed Eurobond balance falling due after more than one year comprises a 4.2% Eurobond with face value of £516,800,000 issued and listed on the Cayman Islands Stock Exchange on 31 March 2021 due on 31 March 2028. The carrying value of this Eurobond at 31 December 2020 was £522,271,000 with associated interest payable of £5,471,000 presented within Creditors: Amounts falling due within one year (Note 19).

21. Deferred taxation

	2020 £000
At beginning of year	**2,932**
Debited to Profit and loss	**(772)**
	-
At end of year	**2,160**

The deferred tax asset is made up as follows:

	2020 £000	*2019 £000*
Decelerated capital allowances	-	*1,997*
Other timing differences	-	*318*
Financial instrument spreading	-	*266*
Share based payments	-	*351*
Tax losses	**2,160**	-
	2,160	*2,932*

As at 31 December 2020, the company has an unrecognised deferred tax asset of £8,909,000 (2019: £1,005,000) in relation timing differences, overseas tax credits and UK tax losses, amounting to £46,889,000. If the company's unrecognised deferred tax balances at the period end were remeasured at 25% this would result in additional unrecognised deferred tax of £2,600,000.

22. Other provisions

	Warranty provision £000	Onerous lease £000	Dilapidations £000	Other provision £000	Total £000
At 1 January 2020	863	1,164	1,160	-	3,187
Additions	742	-	62	7,894	8,698
Unwind of discount	-	39	-	-	39
Amounts reversed	(614)	-	-	-	(614)
Utilised in year	(214)	(120)	(637)	-	(971)
Transferred from accruals	-	-	283	-	283
At 31 December 2020	777	1,083	868	7,894	10,622

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 as the leases terminate.

Other Provision
The Company is currently under audit by HMRC in respect of Customs and International trade matters for the years 2017 onwards. As part of this audit a provision has been recorded in respect of Import VAT that is not expected to be deductible as input tax as the Company was not the owner of the relevant goods, errors in the operation of the company's authorisation for inward processing relief and the outcome of an audit regarding valuation and classification matters for the years 2017 to 2019. A provision of £7,894,000 has been made in the year with £3,895,000 charged to the Profit and Loss Account and the remainder charged against the recoverable VAT held as a debtor on the Balance Sheet. Out of the total amount charged to the Profit and Loss Account during the year, £200,000 relates to interest and £1,793,000 relates to penalties, estimated to be incurred with regards to the matters under the HMRC audit. The provision is expected to be utilised in the next financial year.

The Company is still in discussions regarding the liability for the year ended 31 December 2020 and due to the inherent uncertainty in estimating the future outcome of such matters, it is not possible to estimate the timing of conclusion or any potential financial effect arising from the outcome of this audit. As a result, no provision has been made for the 2020 amounts and the amount is disclosed as a contingent liability, refer to note 30.

23. Share capital

	2020 £000	*2019 £000*
Allotted, called up and fully paid		
77,916,000 Ordinary shares of £1 each	**77,916**	*77,916*

24. Reserves

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

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 (2019 - £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. During 2020, a recharge agreement was entered into with the parent company. From 2020 onwards, the parent company (via a fellow subsidiary) recharges the Company annually for the equivalent cost of vested restricted share awards and this is recorded as a reduction to the Share based payment reserve, with a corresponding entry to the Amounts owed to fellow subsidiary undertakings. The realised element of the Share based payment reserve is transferred annually to the Profit and loss reserve.

25. Share based payments

Senior Executive Plan
Share options in the company's ultimate parent undertaking, NOV Inc., are granted to senior executives. The exercise price of the options is equal to the closing market price of NOV 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
NOV 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 £15.56 *(2019 - £21.57)*. These shares will vest in three equal amounts annually on the anniversary of the date of grant.

26. Capital commitments

At 31 December 2020 the Company had capital commitments as follows:

	2020 £000	*2019 £000*
Contracted for but not provided in these financial statements	168	*1,021*

27. 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 £3,943,000 *(2019 - £4,364,000)*. Contributions totaling £NIL *(2019 - £NIL)* were payable to the fund at the Balance Sheet date.

The Company operates two defined benefit pension plans.

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.

On 1 September 2020, the assets and liabilities of the Merpro Group Pension and Life Assurance Scheme were transferred from NOV Processes & Flow Technologies UK Limited, a subsidiary undertaking. The scheme is a defined benefit plan for the legacy employees of Merpro 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 1 November 1993. 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 most recent formal actuarial valuation prepared by a qualified independent actuary of the plan has an effective date of 5 April 2019. The valuation showed that the market value of the assets was £3,609,000 resulting in a pension plan surplus.

The two defined benefit pension plans are presented in the following disclosures in aggregate.

27. Pension commitments (continued)

Reconciliation of present value of plan liabilities:

	2020 £000	*2019 £000*
Opening defined benefit obligation	49,712	*50,268*
Transferred from subsidiary company	2,875	*-*
Interest cost	938	*1,280*
Remeasurement of defined benefit obligation	6,555	*201*
Benefits paid	(2,562)	*(2,037)*
Past service cost	180	*-*
At the end of the year	**57,698**	*49,712*

Reconciliation of present value of plan assets:

	2020 £000	*2019 £000*
Opening fair value of plan assets	50,746	*49,852*
Transferred from subsidiary company	3,412	*-*
Interest income	962	*1,274*
Administrative costs	(20)	*-*
Return on plan assets greater than discount rate	1,771	*1,357*
Contributions by employer	300	*300*
Benefits paid	(2,562)	*(2,037)*
At the end of the year	**54,609**	*50,746*

Composition of plan assets:

	2020 £000	*2019 £000*
Insurance policies	30,156	*26,103*
Pooled investment vehicles	23,877	*23,901*
Other	576	*742*
Total plan assets	**54,609**	*50,746*

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

27. Pension commitments (continued)

	2020 £000	2019 £000
Amounts recognised on the Balance Sheet		
Fair value of plan assets	**54,609**	*50,746*
Present value of plan liabilities	**(57,698)**	*(49,712)*
Net pension scheme (liability)/asset	**(3,089)**	*1,034*
Irrecoverable surplus	**(505)**	*(1,034)*
Net defined benefit pension scheme liability	**(3,594)**	*-*

At the year end, the Merpro Group Pension and Life Assurance Scheme was in surplus and the National Oilwell (U.K.) Limited Pension Plan was in deficit (2019 - surplus). The Company has not recognised the defined benefit pension asset as it does not expect to be able to recover the surplus either through reduced contributions or agreed refunds from the schemes.

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

	2020 £000	2019 £000
Amounts recognised in profit and loss		
Net interest on net defined benefit pension liability	**-**	*6*
Past service cost	**180**	*-*
Administrative costs	**20**	*-*
Total	**200**	*6*
Amounts recognised in other comprehensive income		
Actual return on plan assets	**2,733**	*2,631*
Less: amounts included in the net interest on the defined benefit liability	**(962)**	*(1,274)*
Return on plan assets greater than discount rate	**1,771**	*1,357*
Remeasurement of defined benefit obligation	**(6,555)**	*(201)*
Actuarial (loss)/gain recorded in other comprehensive income	**(4,784)**	*1,156*

27. Pension commitments (continued)

	2020 £000	*2019 £000*
Change in irrecoverable surplus		
Irrecoverable surplus at the beginning of year	1,034	-
Transferred from subsidiary company	537	-
Interest on irrecoverable surplus	24	-
Change in irrecoverable surplus during the year	(1,090)	*1,034*
Irrecoverable surplus at the end of year	**505**	*1,034*

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

	2020 %	*2019 %*
Discount rate	1.3	*1.9*
Future salary increases	2.9	*3.1*
Future pension increases	*	*2.1*
Inflation assumption	*	*2.1*
Mortality rates	Years	*Years*
- for a male aged 65 now	21.1	*21.0*
- at 65 for a male aged 50 now	22.0	*21.9*
- for a female aged 65 now	23.8	*23.7*
- at 65 for a female aged 50 now	24.9	*24.8*

*The assumption for future pension increases and inflation is in line with RPI assumption of 2.9% less 1% to 2030 and 0% thereafter.

28. Commitments under operating leases

At 31 December 2020 the Company had future minimum lease payments due under non-cancellable operating leases as follows:

	2020 £000	*2019 £000*
Land and buildings		
Not later than 1 year	**3,734**	*3,708*
Later than 1 year and not later than 5 years	**13,024**	*12,804*
Later than 5 years	**36,365**	*38,357*
	53,123	*54,869*

	2020 £000	*2019 £000*
Plant and machinery		
Not later than 1 year	**710**	*616*
Later than 1 year and not later than 5 years	**1,106**	*717*
Later than 5 years	**92**	*18*
	1,908	*1,351*

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.

29. 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 2020, were as follows:

	2020 Sales and recharges to related party £000	**2020 Amounts owed by related party £000**	*2019 Sales and recharges to related party £000*	*2019 Amounts owed by related party £000*
Coil Services Middle East LLC	**516**	**586**	*207*	*183*
National Oilwell Varco Almansoori Services LLC	**93**	**3**	*94*	-
NOV Brandt Oilfield Services Middle East LLC	**81**	**9**	*910*	-
NOV Intelliserv UK Limited	**4**	-	*4*	-
NOV Oil and Gas Services Ghana Limited	**25**	**18**	*5*	-
NOV Saudi Arabia Trading Co. Ltd	**3,997**	**1,012**	*14,481*	*9,888*
Tuboscope and Co. LLC	-	-	*1*	-
Tubular Coating Solutions Limited	-	-	*17*	-
	4,716	**1,628**	*15,719*	*10,071*

29. Related party transactions (continued)

	2020 Purchases from related party £000	2020 Amounts owed to related party £000	*2019 Purchases from related party £000*	*2019 Amounts owed to related party £000*
Coil Services Middle East LLC	-	-	*2*	*-*
Intelliserv LLC	**202**	**419**	*382*	*356*
National Oilwell Varco Almansoori Services LLC	**28**	-	*67*	*34*
NOV Brandt Oilfield Services Middle East LLC	**38**	-	*53*	*49*
NOV Oil and Gas Services Ghana Limited	**12**	**6**	*7*	*4*
NOV Oil Services Angola Lda	-	**12**	*-*	*12*
NOV Saudi Arabia Trading Co. Ltd	**791**	**1**	*3*	*-*
NOV Tuboscope Middle East LLC	**2**	**2**	*685*	*75*
Tuboscope and Co. LLC	-	-	*112*	*92*
Vetco Saudi Arabia Ltd	**50**	-	*321*	*164*
	1,123	**440**	*1,632*	*786*

Loan agreement
On 16 June 2020 the Company entered into a loan agreement with Tubular Coating Solutions Limited establishing a 2.5% revolving credit facility of up to $16,000,000, repayable to the Company in whole or in part at any time before the maturity date of 15 May 2023. The carrying value of the total amount advanced by the Company to Tubular Coating Solutions Limited at 31 December 2020 was £9,750,000, being $13,310,000, and is included in Note 18 within Debtors due after more than one year. Interest receivable for the year ended 31 December 2020 amounted to £140,000 and is included in Note 18 within Amounts owed by fellow subsidiary undertakings due within one year.

30. Contingent liabilities

At 31 December 2020, the Company had contingent liabilities in respect of outstanding guarantees given for performance bonds and contracting agreements amounting to £3,796,000 *(2019 - £3,448,000)* entered into in the normal course of business. No outflow is expected from these guarantees.

The Company records a contingent liability when it is probable that a loss will occur, and the amount of the loss can be reliably estimated. If the liability is reasonably possible but not probable, or if the liability is probable, but the amount cannot be reliably estimated, the Company discloses the existence of a contingent liability.

The Company is currently under audit by HMRC in respect of Customs and International trade matters for the years 2017 onwards. After the year end, the Company has agreed the assessments in respect of the years ended 31 December 2017, 2018 and 2019 with HMRC and relevant amounts have been provided within Other Provisions in note 22. The Company is still in discussions regarding the year ended 31 December 2020 and due to inherent uncertainty in estimating the future outcome of such matters, it is not possible to estimate the timing of conclusion or any potential financial effect arising from the outcome of this audit.

31. Post balance sheet events

On 1 September 2021 the Company purchased the trade and assets of Fjords Processing Limited, a subsidiary undertaking, for a consideration equal to the fair market value.

On 1 September 2021 the Company purchased the entire share capital of Fjords Processing UK Ltd from a subsidiary undertaking for a consideration of £1.

On 9 September 2021 the Company has entered into a revolving credit note in the amount of USD 300,000,000 payable to NOV Worldwide C.V., with the associated interest rate of 0.957%, maturing on 8 September 2022.

On 1 October 2021 NOV UK Holdings Limited contributed all of its assets to the Company in exchange for equity amounting to GBP 187,281,350. This includes the investment in the equity of NOV UK Finance Limited and Ameron Singapore Holding LLC.

On 1 October NOV UK Finance Limited sold its trade and assets to the Company in exchange for a note amounting to USD 48,091,367.

On 20 October 2021 NOV UK Holdings Limited distributed 100% of the shares of the Company to NOV Worldwide CV, a partnership formed under Dutch law. This has resulted in the change of the Company's immediate parent undertaking from NOV UK Holdings Limited to NOV Worldwide C.V.

On 1 November 2021 the Company sold 100% of the equity in Ameron Singapore Holding LLC to NOV Norway AS for a note amounting to USD 68,278,445.

During December 2021 NOV Worldwide C.V. formed NOV UK Holdings LLC, a US limited liability company, and contributed 100% of the shares of the Company to this entity. This has resulted in the change of the Company's immediate parent undertaking from NOV Worldwide C.V. to NOV UK Holdings LLC.

In February 2022, a number of countries (including the US, UK and EU) imposed new sanctions against certain entities and individuals in Russia. Announcements of additional sanctions have been made following military operations initiated on 24 February 2022. The Company does not have significant exposure related to the current events in Ukraine, including as a result of sanctions imposed on Russia by various governments and the European Union, therefore no material impact expected on the future operations of the Company.

31. Post balance sheet events (continued)

In March 2022 the Company sold certain intangible assets to a fellow group entity for USD 14,400,000 in exchange for a loan note. These intangible assets were internally developed and were not previously recognised on the Company's balance sheet under UK GAAP. The value of intangible assets was derived from a valuation prepared by an independent third party.

32. Controlling party

The Company's immediate parent undertaking as at 31 December 2020 was NOV UK Holdings Limited, a company incorporated in Scotland.

As at 31 December 2021 the Company's immediate parent undertaking is NOV UK Holdings LLC, a limited liability company incorporated in the US.

The Company's ultimate parent undertaking is NOV Inc., a company incorporated in the United States of America. The consolidated accounts of NOV 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.