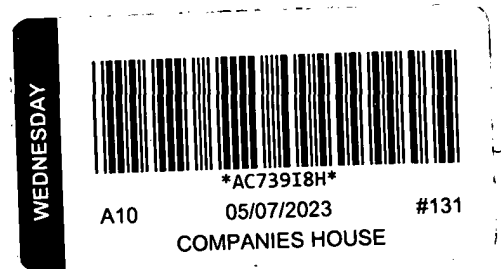


Registered number: 00873028

NATIONAL OILWELL VARCO UK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022



NATIONAL OILWELL VARCO UK LIMITED

COMPANY INFORMATION

Directors	C P O'Neil I Broughton
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

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NATIONAL OILWELL VARCO UK LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

Introduction

The Directors present their Strategic Report for the year ended 31 December 2022.

Business review

The Company's principal activity during the year was that of manufacturing, sale, rental and servicing of equipment and accessories to the energy 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, Wellstream Processing and XL Systems. The Company also operates branches in Azerbaijan, Norway, Netherlands, Denmark, Saudi Arabia, Cameroon and Ivory Coast.

Financial key performance indicators

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

	2022 £000	2021 £000
Turnover	302,138	221,519
Gross profit	53,457	10,589
Loss before taxation	(9,733)	(19,806)
Capital and reserves	302,886	316,978

Turnover for the year ended 31 December 2022 was £302,138,000, an increase of 36% from the prior year. The Company reported a gross profit of £53,457,000 in 2022, representing a gross profit margin of 17.7%, compared to £10,589,000 in 2021, representing a gross profit margin of 4.8%. Revenue and profitability have increased from the prior year following higher activity levels and the strong focus on the cost-cutting measures implemented in recent years. The average 2022 International rig count (as measured by Baker Hughes) increased by 13% to 851 compared to 755 in 2021, which reflects increased demand for the Company's products and services.

The loss before taxation decreased by 51%, mainly driven by the improvement in gross profit and a gain on sale of intangible assets of £10,349,000 in 2022, offset by lower income received from investments than in 2021.

Shareholders' funds declined slightly from £316,978,000 to £302,886,000 mainly due to the loss for the year. No dividends were distributed during the year (2021 - nil).

NATIONAL OILWELL VARCO UK LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

Future developments

During 2021, greater availability of COVID-19 vaccines resulted in the gradual reopening of economies around the world. Pent-up consumer and industrial demand combined with government economic stimulus programs amplified the global recovery, improving economic activity, and driving higher demand for oil and gas. Oil and gas drilling activity levels began to increase in every major region of the world during 2021, reflecting this growing demand. In early 2022, the war in Ukraine roiled energy markets, driving commodity prices to their highest levels in nearly a decade, and forcing many countries to reconsider their sources of energy supplies and the importance of energy security.

Despite a recent pullback in commodity prices, tightening government fiscal policies, concerns regarding a global recession, ongoing global supply chain disruptions and rising inflationary costs, management believes the industry is in the early stages of an extended recovery. Diminished global oil and gas inventories and productive capacity resulting from underinvestment in the industry over the last seven years, along with rising energy security risks, and higher commodity prices should continue to spur increased oilfield activity and demand for the Company's equipment and technology.

NOV remains committed to improving organizational efficiencies while focusing on the development and commercialization of innovative products and services, including technologies to reduce environmental impact of oil and gas operations, and technologies to accelerate the energy transition that are responsive to the longer-term needs of NOV's customers. We believe this strategy will further advance the Company's competitive position in all market conditions.

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.

NATIONAL OILWELL VARCO UK LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

Principal risks and uncertainties (continued)

Climate change

As the world searches for secure, low carbon sources of energy, NOV will do our part to support our customers' development of reliable energy. By improving the economic returns of renewables, we help facilitate the path to a lower carbon future. Still, we recognize the pivotal role oil and gas continue to play in the 21st century.

Most forecasts point to growing energy demand that can be satisfied only by a diverse mix of energy sources. In its World Energy Outlook 2022, the International Energy Agency (IEA) estimates that oil and gas will remain the most consumed energy sources through 2050, but their overall share in the global energy mix will drop from 80% today to just above 60%. The U.S. Energy Information Administration (EIA) projects that oil and gas demand will plateau rather than dramatically drop during this period. Both the EIA and the IEA see renewables as an additive source rather than a replacement. For example, estimates forecast that renewables will generate 43% of the world's electricity in 2030, up from 28% today.

As a supplier to the energy industry, we recognize the UK's energy transition agenda and its commitment to net zero by 2050. NOV is helping to reduce emissions and the environmental impact of the Oil and Gas industry. By providing products and services that reduce emissions from traditional oil and gas operations, we support the transition to a lower-carbon energy future. Furthermore, we are developing and implementing renewables technologies.

Given the myriad variables and uncertainties inherent to the energy transition, NOV is assessing physical and transitional climate risks and opportunities based on a range of potential outcomes. As part of this process, we are considering a broad range of environmental, social, and governance (ESG) issues in the context of the risks and impact they present to our business performance. Outcomes relevant to UK based businesses are not yet established for the current and future reporting periods. It should be noted that emerging regulation, geopolitical forces and market forces, including rising energy prices, may influence our approach. Although not confirmed, this may impact the Company's significant judgements and key estimates and could result in material changes to financial results and the carrying values of certain assets and liabilities in future reporting periods.

Specific to our UK operations, we are proactively engaging in a range of activity to support our diverse product range and flexible service offerings within both our legacy and renewables businesses. We are also continuing to implement a number of changes to reduce energy consumption and associated carbon emissions, further details are described in the "Greenhouse gas emissions, energy consumption and energy efficiency action" section of the Directors' report.

NATIONAL OILWELL VARCO UK LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

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

Stakeholder Group	Material issues	How the Company engages and considers stakeholder interests
Shareholders	<ul style="list-style-type: none">- Financial performance and strategy- Capital allocation- Corporate governance- Commitment to Ethics, Integrity and sustainability	<ul style="list-style-type: none">- The Company's Directors and key decision makers regularly review financial results and forecast future performance to protect the long-term investment of shareholders.- The Directors and key decision makers identify additional options for growth opportunities through investments in the markets where they believe NOV can develop a sustainable competitive advantage, resulting in higher capital returns.- The Directors review control procedures against NOV's internal controls to protect shareholders' investment.

NATIONAL OILWELL VARCO UK LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

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

Stakeholder Group	Material issues	How the Company engages and considers stakeholder interests
Shareholders (continued)	<ul style="list-style-type: none"> - Focus on Environment, social and government factors 	<ul style="list-style-type: none"> - The Directors conduct appropriate dividend review, prior to approval and payment to protect the local entity. - NOV, including the Company, believes in conducting business in an ethical, safe, socially responsible and environmentally sustainable manner. The Directors are dedicated to responsible operations and are passionate about creating a working environment where no harm is caused to people, the environment, or to society. - NOV is committed to leading by example and planning for a sustainable future; we understand that diversity, innovation, and quality are the key aspects of the Company's long-term sustainability and success for the benefit of the Shareholders and other key stakeholders.
Employees	<ul style="list-style-type: none"> - Engagement and work culture - Wellbeing - Training and development - Reward and Remuneration - Diversity, Equity and Inclusion 	<ul style="list-style-type: none"> - The Directors 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 minimize hazards and reduce risk, thereby protecting health and preventing injuries to employees. - 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.

NATIONAL OILWELL VARCO UK LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

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

Stakeholder Group	Material issues	How the Company engages and considers stakeholder interests
Employees (continued)		<ul style="list-style-type: none"> - The Company 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. - The Directors believe a diverse, inclusive, and equitable workforce is essential to the Company's long-term sustainability and success. The Company, through the work of its Human Resources Department, identifies opportunities for greater diversity, equity, and inclusion and educates employees on related principles, policies, and practices, relevant to their roles and responsibilities.
Suppliers and Customers	<ul style="list-style-type: none"> - Cost and payment practices - Quality, productivity and efficiency - Credibility, trust, reliability and reputation - Innovation and expertise - Long-term partnerships with a collaborative approach 	<ul style="list-style-type: none"> - The Company is committed to paying suppliers as per the contract terms and works consistently with its suppliers to make sure such terms reflect the business relationship in place. - Customer performance is regularly reviewed and reported to executive management, at group level. - The Company ensures that all suppliers provide quality products through active engagement with such suppliers. - The Company is committed to conducting business in a fair, transparent and competitive manner. This builds trust and long-term partnerships and results in cost savings with both suppliers and customers. - The Company often works with customers and suppliers to develop new, innovative solutions, which in turn promotes long-term partnerships. - The Company has devoted resources to further expand its intellectual property portfolio, focusing on technology that creates efficiency for all its customers.

NATIONAL OILWELL VARCO UK LIMITED

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

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

Stakeholder Group	Material issues	How the Company engages and considers stakeholder interests
Local UK Communities	<ul style="list-style-type: none">- Credibility, trust, reliability and reputation- Long-term partnerships with a collaborative approach	<ul style="list-style-type: none">- NOV, including the Company, is committed to making a positive impact in the communities in which its employees live and work. We do this through corporate donations, both monetary and in-kind, and employee voluntary hours. Our primary focus areas are education, poverty, children, and human rights. 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. Our employees continue to support local charities through fundraisers and charity appeals. 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.- The Company makes regular donations to charitable causes, for example in 2021 NOV donated \$7,500 in support of the UK's Royal National Lifeboat Institution, a charity that saves lives at sea.

This report was approved by the board on 30 June 2023 and signed on its behalf.



.....
I Broughton
Director

NATIONAL OILWELL VARCO UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

The Directors present their report and the financial statements for the year ended 31 December 2022.

Results and dividends

The loss for the year, after taxation, amounted to £13,119,000 (2021 - loss £9,984,000).

No dividends were distributed during either year.

Directors

The Directors who served during the year and to the date of this report were:

C P O'Neil
R Oudendijk (resigned 30 March 2023)
I Broughton (appointed 30 March 2023)

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 and as such, the Directors consider the Company's exposure to liquidity risk to be low.

Credit risk

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

Price risk

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

NATIONAL OILWELL VARCO UK LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

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 2022 was £148,000 (2021 - £460,000), the majority of which was incurred by the Elmar, Wellbore Technologies and Hydra Rig divisions.

Engagement with employees

During the year, the policy of providing employees with information about the group has been continued via the NOV 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.

NATIONAL OILWELL VARCO UK LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

Greenhouse gas emissions, energy consumption and energy efficiency action

The Directors recognise 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, we are reporting our greenhouse gas emissions (GHG) publicly on an annual basis. We first reported in 2020 and will build on this baseline for the business going forward. Results from 2022 are presented alongside results from 2021 to allow comparison.

The Streamlined Energy and Carbon Reporting requirements 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)

We 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).

	2022 Carbon Emissions (tCO₂e)	2021 Carbon Emissions (tCO₂e)
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	2,092.09	1,822.57
Scope 2 - Emissions resulting from the purchase of the electricity by the Company for its own use, including the purposes of transport	2,005.73	2,220.40

NATIONAL OILWELL VARCO UK LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

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

Intensity Metric

Intensity ratios are used to standardise reporting and the comparison of emissions data. An intensity metric of tCO₂e per £million revenue has been applied for the annual emissions of NOV:

	2022	2021
Carbon Emissions (tCO ₂ e)	4,097.82	4,042.97
Company Revenue (£million)	302.14	221.52
Carbon Intensity (tCO ₂ e/£million)	13.56	18.25

Energy Efficiency and Performance Impacts

The Company implemented a number of plans and procedures in 2022 to reduce energy consumption and associated carbon emissions, for example:

- During 2022 our Montrose location was able to convert its heating system from diesel to Kerosene fuel which provided a significant economic saving.
- Low energy LED lighting installation continued at our Portlethen locations with lights being installed in several work areas and offices. This was supplemented by the installation of Passive Infrared sensor controls in some office and toilet areas. Lighting improvements and the installation of LED lighting continued at our Glenrothes and Great Yarmouth locations.
- The Great Yarmouth group also introduced autonomic controls to access doors to minimise heat loss.
- Our Tuboscope group in Portlethen undertook an extensive upgrade of lighting across the location. This included some external areas as well as storage, warehouse and workshop areas. In total this location changed more than 200 fittings to low energy LED alternatives.

The reduction in electricity usage is in part due to reduced activity at the energy intensive Gateshead manufacturing location during the early part of 2022. Revenue increased during the reporting period which was in part a result of post-pandemic recovery, and although consumption also increased, this was limited by improving facility utilization. It is also worth noting that across all of NOV UK's operations the headcount increased by around 3.5% during this period.

Measures successfully undertaken in future to continue to improve sustainability performance will be reported in future years, alongside Scope 3 emissions where possible.

NATIONAL OILWELL VARCO UK LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

Going concern

In assessing the basis of preparation of the financial statements for the year ended 31 December 2022, 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 30 June 2024.

Management has prepared extended financial forecasts to assist with the assessment of going concern. 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 has achieved strong year on year growth in revenues during 2022 and expects this trend to continue into 2023 and stabilise thereafter. This growth is driven by the recovering energy markets and increase in oil price, which in recent months stabilised at around \$80 per barrel.

As at 31 December 2022, 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 the Treasurer 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 2022, the Company has a strong Balance Sheet with net current assets of £345.5 million and net assets of £302.9 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 30 June 2024. 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.

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.

Post balance sheet events

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

NATIONAL OILWELL VARCO UK LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

Auditor

The auditor, Ernst & Young LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 30 June 2023 and signed on its behalf.



.....
I Broughton
Director

NATIONAL OILWELL VARCO UK LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

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 in accordance with Section 10 of FRS 102 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 financial performance;
- state whether applicable UK Accounting Standards, including FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and 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.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report and a Directors' Report, that comply with that law and those regulations. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

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

Opinion

We have audited the financial statements of National Oilwell Varco UK Limited (the 'company') for the year ended 31 December 2022 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of comprehensive income, 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 2022 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 to 30 June 2024.
- We tested the assumptions included in the cash forecast. 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 parent company and have confirmed that the parent company has the authority to provide this financial support and has sufficient funds to give the financial support if required. Refer to Note 2.4 for further details.
- We performed downside stress testing on the Company's cash flows by assessing the impact of changes in assumptions used and concluded that the parent company has sufficient funds to provide support required in these downside stress testing situations.

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

- 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 to 30 June 2024.

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	<ul style="list-style-type: none">• Risk of misstatement due to management override, fraud, and error specifically around the posting of operating result adjusting on top journals.• Carrying value of investments• Valuation of defined benefit scheme liabilities
Materiality	<ul style="list-style-type: none">• Overall materiality of £8m which represents 2.6% of turnover.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the company and effectiveness of controls, the potential impact of climate change 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 prior year.

Climate change

Stakeholders are increasingly interested in how climate change will impact National Oilwell Varco UK Limited. The Company has determined that the most significant future impacts from climate change on its operations will be from potential governmental and societal responses to climate change risks and increased volatility in Carbon prices which may impact the level of activity undertaken by the Company's customers. These are explained on page 3 in the principal risks and uncertainties section of the strategic report while the company's plans and procedures to reduce energy consumption and associated Carbon emissions are explained on page 11 in the Streamlined Energy and Carbon Reporting Disclosures. All of these disclosures form part of the "Other information," rather than the audited financial statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on "Other information".

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

In planning and performing our audit we assessed the potential impacts of climate change on the Company's business and any consequential material impact on its financial statements.

As explained in the Basis of Preparation note, climate change risks are still developing and are not expected to have a material impact on the Company's financial reporting judgements, estimates or going concern assessment.

Our audit effort in considering the impact of climate change on the financial statements was focused on evaluating management's assessment of the impact of climate risk, physical and transition, their climate commitments, the effects of material climate risks disclosed on page 3 and the significant judgements and estimates disclosed in note 3 and whether these have been appropriately reflected. As part of this evaluation, we performed our own risk assessment to determine the risks of material misstatement in the financial statements from climate change which needed to be considered in our audit.

We also challenged the Directors' considerations of climate change risks in their assessment of going concern and associated disclosures. Where considerations of climate change were relevant to our assessment of going concern, these are described above.

Based on our work we have not identified the impact of climate change on the financial statements to be a key audit matter or to impact a key audit matter.

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
<p>Risk of misstatement due to management override, fraud, and error specifically around the posting of operating result adjusting on top journals</p> <p><i>Refer to Accounting policies (page 33); and Note 4 of the Financial Statements (page 44)</i></p> <p>There is a risk that the financial statements as a whole are not free from material misstatement due to the risk of management override of controls whether caused by fraud or error.</p>	<p>We obtained an understanding of the key controls and processes in place over the posting of manual journal entries.</p> <p>We used risk-based filters to test material manual journal entries, including those posted by those charged with governance, through to source information to confirm that the adjustment was appropriate and was in line with the Company's accounting policy.</p>	<p>We have concluded that operating result adjusting on top journals are materially correct on the basis of procedures performed.</p>

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

Risk	Our response to the risk	Key observations communicated to those charged with governance
<p>Manual on top adjustments that impact operating results are a particular area of focus for our audit in considering areas of management bias and fraud. We recognise that these adjustments can involve significant judgement.</p>	<p>We incorporated unpredictability into our testing of manual journals.</p> <p>These procedures were supplemented with analytical review procedures and enquiry of management.</p> <p>We assessed the adequacy of disclosures within the financial statements.</p> <p>All audit work in relation to this key audit matter was undertaken by experienced audit team members.</p>	
<p>Carrying value of investments (2022: £439m, 2021: £463m)</p> <p><i>Refer to accounting policies (page 36); and Note 15 of the Financial Statements (page 55-58)</i></p> <p>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.</p>	<p>We have obtained an understanding of the process and confirmed the key controls in place to identify impairment triggers.</p> <p>We have reviewed management's impairment assessment and using our knowledge of the company and the industry it works in determined whether they have sufficiently evaluated the existence of impairment indicators.</p> <p>Where an indicator of impairment was identified we obtained managements' calculation of investment valuation.</p> <p>We tested the mathematical accuracy of the calculations and formulae used in management's impairment assessment.</p>	<p>We have concluded that following recognition of the impairment loss of £30m the carrying value of investments is materially correct and that management's assumptions in calculating this were appropriate.</p>

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

Risk	Our response to the risk	Key observations communicated to those charged with governance
<p>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.</p> <p>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.</p> <p>The net investment impairment loss recognised in the year was £30m.</p>	<p>Where management used an external valuation we have, with support from our valuation specialists, 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.</p> <p>We tested the key assumptions that management made in the cashflow data provided to their expert.</p> <p>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 the investments.</p> <p>Where Management have determined that an impairment was required, we confirmed that the investment was appropriately adjusted.</p> <p>We evaluated the Company's disclosures included and determined that they are appropriate and in conformity with the reporting standards.</p> <p>All audit work in relation to this key audit matter was undertaken by experienced audit team members with input from our valuation specialists.</p>	

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

Risk	Our response to the risk	Key observations communicated to those charged with governance
<p>Valuation of defined benefit pension scheme liabilities (2022: £34m, 2021: £52m)</p> <p><i>Refer to accounting policies (page 39); and Note 27 of the Financial Statements (page 66-69)</i></p> <p>The company makes provision for the net pension liability of its defined benefit pension scheme.</p> <p>The significant risk relates to the potential misstatement of the pension liability due to the significant judgments being exercised by management in determining the appropriate underlying actuarial assumptions.</p> <p>The principal assumptions include life expectancies of scheme members, discount rate and inflation rates.</p>	<p>We obtained an understanding and assessed the key controls, processes, and methodology for calculating the pension scheme liabilities.</p> <p>We inspected the trustee meeting minutes for the pension plans throughout the year.</p> <p>Our actuarial specialists evaluated the consistency of the methodology applied to calculate the pension liabilities as well as the appropriateness of the underlying actuarial assumptions, such as life expectancies of scheme members, discount rates and inflation rates, at the year end, ensuring they are within an acceptable range.</p> <p>We considered the competency and objectivity of managements' experts.</p> <p>We have assessed the adequacy of disclosures within the financial statements.</p> <p>All audit work in relation to this key audit matter was undertaken by experienced audit team members with input from our actuarial specialists.</p>	<p>We have concluded that the pension liability is materially correct and that managements' judgments in relation to underlying actuarial assumptions were appropriate.</p>

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

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 £8 million (2021: £4.5 million), which is 2.6% (2021: 2%) of turnover. We believe that the users of the financial statements focus on turnover and as such deem it to be the most appropriate measurement basis for setting the materiality.

In line with the FRC updated definition of a listed entity, it was concluded that the Company does not meet the FRC definition of a listed entity as the debt is listed due to structural requirements. Hence, we used a higher percentage of the materiality basis for 2022 audit (2.6%) in comparison with 2021 audit (2%).

During the course of our audit, we reassessed initial 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% (2021: 75%) of our planning materiality, namely £6m (2021: £3.4m). We have set performance materiality at this percentage due to our expectations around the monetary level of material misstatement and given the level of misstatements found (corrected) in the prior year audit. The increase is due to the increase in the materiality.

Reporting threshold

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

We agreed with the those charged with governance that we would report to them all uncorrected audit differences in excess of £400k (2021: £225k), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. The increase is due to the increase in the materiality.

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 1-14, 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

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

otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to 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 14, 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.

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

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 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.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company 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 with management, internal audit and those responsible for legal and compliance procedures 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, noting there was no contradictory evidence.
- We assessed the susceptibility of the company'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. We also read correspondence with regulatory authorities and, where appropriate, utilised our internal specialists to assist in the assessment of the correspondence. 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.

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

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

Kevin Weston (Senior statutory auditor)

for and on behalf of

Ernst & Young LLP, Statutory Auditor
Aberdeen
30 June 2023

NATIONAL OILWELL VARCO UK LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	2022 £000	2021 £000
Turnover	4	302,138	221,519
Cost of sales		(248,681)	(210,930)
Gross profit		53,457	10,589
Distribution costs		(9,552)	(7,806)
Administrative expenses		(28,239)	(23,763)
Other operating income		-	1,147
Gain/(loss) on disposal of tangible fixed assets		2,657	(7)
Operating profit/(loss)	5	18,323	(19,840)
Income from shares in group undertakings	9	8,209	54,307
Gain on sale of intangible assets		10,349	-
Impairment of fixed asset investments	15	(29,526)	(33,871)
Interest receivable	10	5,055	1,265
Interest payable	11	(22,143)	(21,622)
Other finance expense		-	(45)
Loss before tax		(9,733)	(19,806)
Tax on loss	12	(3,386)	9,822
Loss for the financial year		(13,119)	(9,984)

The notes on pages 30 to 73 form part of these financial statements.

NATIONAL OILWELL VARCO UK LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	2022 £000	2021 £000
Loss for the financial year		(13,119)	(9,984)
Other comprehensive income			
Actuarial gain on defined benefit schemes	27	3,659	3,116
Change in irrecoverable pension surplus not recognised	27	(3,845)	329
Other comprehensive (loss)/income for the year		(186)	3,445
Total comprehensive loss for the year		(13,305)	(6,539)

The notes on pages 30 to 73 form part of these financial statements.

NATIONAL OILWELL VARCO UK LIMITED
REGISTERED NUMBER:00873028

BALANCE SHEET
AS AT 31 DECEMBER 2022

	Note	2022 £000	2021 £000
Fixed assets			
Intangible assets	13	512	863
Tangible assets	14	37,269	38,415
Investments	15	438,817	463,271
		<u>476,598</u>	<u>502,549</u>
Current assets			
Stocks	16	72,428	47,108
Debtors	17	316,635	392,552
Cash at bank and in hand	18	49,925	41,958
		<u>438,988</u>	<u>481,618</u>
Creditors: amounts falling due within one year	19	(93,508)	(143,956)
Net current assets		<u>345,480</u>	<u>337,662</u>
Total assets less current liabilities		<u>822,078</u>	<u>840,211</u>
Creditors: amounts falling due after more than one year	20	(516,800)	(516,800)
Provisions			
Other provisions	22	(2,392)	(6,395)
Defined benefit pension liability	27	-	(38)
Net assets		<u>302,886</u>	<u>316,978</u>
Capital and reserves			
Called up share capital	23	77,916	77,916
Share premium account	24	187,281	187,281
Share based payment reserve	24	5,473	6,859
Merger reserve	24	(54,442)	(54,442)
Profit and loss account	24	86,658	99,364
		<u>302,886</u>	<u>316,978</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 30 June 2023.



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I Broughton
Director

NATIONAL OILWELL VARCO UK LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Called up share capital £000	Share premium account £000	Share based payment reserve £000	Merger reserve £000	Profit and loss account £000	Total equity £000
At 1 January 2022	77,916	187,281	6,859	(54,442)	99,364	316,978
Comprehensive loss for the year						
Loss for the year	-	-	-	-	(13,119)	(13,119)
Actuarial loss on pension scheme (note 27)	-	-	-	-	(186)	(186)
Total comprehensive loss for the year	-	-	-	-	(13,305)	(13,305)
Equity distribution: excess share based payments recharge (note 24)	-	-	-	-	(509)	(509)
Amounts paid to fellow subsidiary for vested restricted share awards (note 24)	-	-	(762)	-	-	(762)
Share based payments (note 25)	-	-	484	-	-	484
Realisation of Share based payment reserve (note 24)	-	-	(1,108)	-	1,108	-
At 31 December 2022	77,916	187,281	5,473	(54,442)	86,658	302,886

The notes on pages 30 to 73 form part of these financial statements.

NATIONAL OILWELL VARCO UK LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**

	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 2021	77,916	-	8,012	(53,550)	104,397	136,775
Comprehensive loss for the year						
Loss for the year	-	-	-	-	(9,984)	(9,984)
Actuarial gains on pension scheme (note 27)	-	-	-	-	3,445	3,445
Total comprehensive loss for the year	-	-	-	-	(6,539)	(6,539)
Share issue	-	187,281	-	-	-	187,281
Merger reserve movement (note 24)	-	-	-	(892)	-	(892)
Amounts paid to fellow subsidiary for vested restricted share awards (note 24)	-	-	(991)	-	-	(991)
Share based payments (note 25)	-	-	1,344	-	-	1,344
Realisation of Share based payment reserve (note 24)	-	-	(1,506)	-	1,506	-
At 31 December 2021	77,916	187,281	6,859	(54,442)	99,364	316,978

The notes on pages 30 to 73 form part of these financial statements.

NATIONAL OILWELL VARCO UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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).

Climate change

As the world searches for secure, low carbon sources of energy, NOV will do our part to support our customers' development of reliable energy. By improving the economic returns of renewables, we help facilitate the path to a lower carbon future. Still, we recognize the pivotal role oil and gas continue to play in the 21st century.

Most forecasts point to growing energy demand that can be satisfied only by a diverse mix of energy sources. In its World Energy Outlook 2022, the International Energy Agency (IEA) estimates that oil and gas will remain the most consumed energy sources through 2050, but their overall share in the global energy mix will drop from 80% today to just above 60%. The U.S. Energy Information Administration (EIA) projects that oil and gas demand will plateau rather than dramatically drop during this period. Both the EIA and the IEA see renewables as an additive source rather than a replacement. For example, estimates forecast that renewables will generate 43% of the world's electricity in 2030, up from 28% today.

As a supplier to the energy industry, we recognize the UK's energy transition agenda and its commitment to net zero by 2050. NOV is helping to reduce emissions and the environmental impact of the Oil and Gas industry. By providing products and services that reduce emissions from traditional oil and gas operations, we support the transition to a lower-carbon energy future. Furthermore, we are developing and implementing renewables technologies.

Given the myriad variables and uncertainties inherent to the energy transition, NOV is assessing physical and transitional climate risks and opportunities based on a range of potential outcomes. As part of this process, we are considering a broad range of environmental, social, and governance (ESG) issues in the context of the risks and impact they present to our business performance. Outcomes relevant to UK based businesses are not yet established for the current and future reporting periods. It should be noted that emerging regulation, geopolitical forces and market forces, including rising energy prices, may influence our approach. Although not confirmed, this may impact the Company's significant judgements and key estimates and could result in material changes to financial results and the carrying values of certain assets and liabilities in future reporting periods.

Specific to our UK operations, we are proactively engaging in a range of activity to support our diverse product range and flexible service offerings within both our legacy and renewables businesses. We are also continuing to implement a number of changes to reduce energy consumption and associated carbon emissions, further details are described in the "Greenhouse gas emissions, energy consumption and energy efficiency action" section of the Directors' report.

NATIONAL OILWELL VARCO UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

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 2022 and these financial statements may be obtained from its principal office at 10353 Richmond Avenue, Houston, Texas, 77042, 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 10353 Richmond Avenue, Houston, Texas, 77042, USA. The Company is therefore exempt from the requirement to prepare group accounts by virtue of section 401 of the Companies Act 2006. These financial statements therefore present information about the Company as an individual undertaking and not about its group.

2.4 Going concern

In assessing the basis of preparation of the financial statements for the year ended 31 December 2022, 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 30 June 2024.

Management has prepared extended financial forecasts to assist with the assessment of going concern. 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 has achieved strong year on year growth in revenues during 2022 and expects this trend to continue into 2023 and stabilise thereafter. This growth is driven by the recovering energy markets and increase in oil price, which in recent months stabilised at around \$80 per barrel.

NATIONAL OILWELL VARCO UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.4 Going concern (continued)

As at 31 December 2022, 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 the Treasurer 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 2022, the Company has a strong Balance Sheet with net current assets of £345.5 million and net assets of £302.9 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 30 June 2024. 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.

2.5 Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

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

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

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

NATIONAL OILWELL VARCO UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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. There are no conditions attached to the grants.

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.

NATIONAL OILWELL VARCO UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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, which is the higher of its fair value less costs to sell and its value in use, is determined. 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 'Gain on sale of intangible assets' in the Profit and Loss Account.

NATIONAL OILWELL VARCO UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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, which is the higher of its fair value less costs to sell and its value in use, is determined. An impairment loss is recognised in Cost of sales 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 'Gain/(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.

NATIONAL OILWELL VARCO UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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, which is the higher of its fair value less costs to sell and its value in use, is determined. 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 value 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 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.

2.17 Interest income

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

NATIONAL OILWELL VARCO UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.18 Derivatives

The Company enters into forward exchange contracts to hedge certain nonfunctional currency monetary accounts. The gain or loss on the derivative instrument is recognised in Administrative expenses, together with the changes in the hedged nonfunctional monetary accounts. The Company has determined the fair value of its derivative financial instruments using level 2 inputs (inputs other than quoted prices in active markets for identical assets and liabilities that are observable either directly or indirectly for substantially the full term of the asset or liability) in the fair value hierarchy as the fair value is based on publicly available foreign exchange and interest rates at each financial reporting date.

2.19 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.

2.20 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.

NATIONAL OILWELL VARCO UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

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

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.

NATIONAL OILWELL VARCO UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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.

NATIONAL OILWELL VARCO UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

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.

NATIONAL OILWELL VARCO UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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 2022 review, management has assessed all relevant external and internal sources of information including; key industry indicators for oil and gas and related industries, outlook for the oilfield services sector, future energy transitional opportunities, as well as consideration of financial results to date and forecasts for future performance. Based on management's assessment of these factors, no external indicators were considered to exist at the reporting date. For further detail refer to Note 15.

Consideration was given as to whether previously recognised impairment losses should be reversed in the current year. Judgement was applied to determine whether the circumstances that caused the prior impairment losses have permanently ceased to exist. No impairment losses were reversed in 2022.

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.

NATIONAL OILWELL VARCO UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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 12 years based on the most recent actuarial valuation calculations available. Based on this average duration, a discount rate of 4.80% per annum was adopted based on market conditions as at 31 December 2022. The longevity assumptions are based on the SAPS year of birth tables with future improvements in line with CMI 2021 projections from 2013 for the S3 tables, with core smoothing parameter, no initial addition, default 2020 and 2021 weight parameter of 0% and 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 27.

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.

NATIONAL OILWELL VARCO UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

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.

(vi) Deferred taxation

Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in note 21.

NATIONAL OILWELL VARCO UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

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:

	2022	2021
	£000	£000
Sale of goods	172,012	137,241
Rendering of services	107,126	65,482
Rental of equipment	22,950	18,739
Grant income	50	57
	302,138	221,519

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

	2022	2021
	£000	£000
Europe	157,967	119,507
Middle East	53,632	35,526
Americas	43,850	30,762
Africa	29,434	21,300
Far East	17,255	14,424
	302,138	221,519

NATIONAL OILWELL VARCO UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

4. Turnover and segmental analysis (continued)

A geographical analysis of intangible and tangible fixed assets is as follows:

	2022 £000	2021 £000
Europe	29,726	31,964
Africa	7,101	6,319
Americas	954	995
	<u>37,781</u>	<u>39,278</u>

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 Maker. All Turnover, Profit before taxation and Net assets are attributable to the supply of materials, equipment and services for the oil and gas industry.

NATIONAL OILWELL VARCO UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

5. Operating profit/(loss)

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

	2022	2021
	£000	£000
Research & development charged as an expense	148	460
Exchange differences	(21,007)	1,433
Change in fair value of hedging instruments	4,136	(1,218)
Operating lease rentals:		
- plant and machinery	965	1,333
- land and buildings	4,041	3,998
Auditor's remuneration (note 6)	634	628
Impairment of stock (note 16)	2,301	3,078
Depreciation of tangible fixed assets (note 14)	7,104	6,850
Amortisation of intangible assets, including goodwill (note 13)	317	308
Government furlough credits	-	(1,147)
	<u> </u>	<u> </u>

6. Auditor's remuneration

During the year, the Company obtained the following services from the Company's auditor:

	2022	2021
	£000	£000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	511	448
The audit of financial statements of UK subsidiaries of the Company pursuant to legislation, borne by the Company	11	2
Taxation advisory services provided to the Company	112	178
	<u> </u>	<u> </u>
	634	628
 The audit of financial statements of UK subsidiaries of the Company pursuant to legislation, borne by respective subsidiaries		
	404	354
	<u> </u>	<u> </u>
	1,038	982
	<u> </u>	<u> </u>

NATIONAL OILWELL VARCO UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

7. Employees

Staff costs were as follows:

	2022	2021
	£000	£000
Wages and salaries	73,293	64,464
Social security costs	7,996	7,177
Cost of defined contribution scheme (note 27)	3,748	3,515
	85,037	75,156
Share-based payments (note 25)	1,980	1,438
	87,017	76,594

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

	2022	2021
	No.	No.
Production	1,423	1,399
Administration	296	317
Sales	147	145
	1,866	1,861

Average number of employees reported above include 472 (2021 - 492) 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.

NATIONAL OILWELL VARCO UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

8. Directors' remuneration

	2022 £000	2021 £000
Directors' emoluments	259	219
Amounts receivable under long-term incentive schemes	67	25
Company contributions to defined contribution pension schemes	12	12
	<u>338</u>	<u>256</u>

The Directors of the Company are also directors of various UK holding companies, UK subsidiary undertakings and fellow UK group companies.

One of the Directors is employed and paid by the Company. The Directors do not believe it is practicable to apportion his time, and therefore remuneration included in the above disclosure, between service as a Director and employee of the Company and their service as a Director of the Company's subsidiary undertakings and fellow UK group companies.

The other Director is employed and paid by a holding company outside the UK. The remuneration attributable to this Director for their service as a Director of the UK group companies, included within the aggregate directors' remuneration above, is represented by the charges borne by the Company under a contractual recharge agreement in respect of qualifying services as Director of the Company and its subsidiary undertakings.

The highest paid Director during the financial year received remuneration of £277,000 (2021 - £210,000). The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £12,000 (2021 - £12,000).

During the year retirement benefits were accruing to 1 Director (2021 - 1) in respect of defined contribution pension schemes.

During the year 1 Director (2021 - 1) received shares in respect of qualifying services and no Directors (2021 - nil) exercised share options.

NATIONAL OILWELL VARCO UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

9. Income from shares in group undertakings

	2022	2021
	£000	£000
NOV UK Finance Limited	3,493	16,484
Hebei Huayouyiji Tuboscope Coating Co. Ltd.	3,158	3,807
National Oilwell Varco Almansoori Services LLC	1,507	345
Varco CIS, LLC	51	-
NOV Downhole Eurasia Limited	-	18,156
Fjords Processing Limited	-	8,408
Pipex PX Limited	-	6,040
NOV UK (Angola Acquisitions) Limited	-	584
R&M Energy Systems Australia Pty Ltd	-	483
	<u>8,209</u>	<u>54,307</u>

10. Interest receivable

	2022	2021
	£000	£000
Interest receivable on loans to group undertakings	4,612	1,217
Bank and other interest receivable	443	48
	<u>5,055</u>	<u>1,265</u>

11. Interest payable

	2022	2021
	£000	£000
Bank interest payable	-	(147)
Interest payable on loans from group undertakings	22,143	21,769
	<u>22,143</u>	<u>21,622</u>

NATIONAL OILWELL VARCO UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

12. Taxation

	2022	2021
	£000	£000
Corporation tax		
Current tax on profits for the year	573	-
Adjustments in respect of previous periods	(1,178)	(131)
Double taxation relief	(561)	-
Group relief receivable	(4,222)	(5,115)
	<u>(5,388)</u>	<u>(5,246)</u>
Foreign tax		
Foreign tax on income for the year	1,085	1,133
Foreign tax in respect of prior periods	60	(137)
	<u>1,145</u>	<u>996</u>
Total current tax	<u>(4,243)</u>	<u>(4,250)</u>
Deferred tax		
Origination and reversal of timing differences	-	57
Losses carried forward recognised	1,463	-
Deferred tax recognised on capital losses	134	29
Deferred tax recognised on non trade loan relationships	3,533	(421)
Deferred tax not recognised in prior periods	-	(4,137)
Deferred tax adjustments relating to prior periods	2,538	(1,100)
Effect of changes in tax rates	(39)	-
Total deferred tax	<u>7,629</u>	<u>(5,572)</u>
Taxation on loss	<u><u>3,386</u></u>	<u><u>(9,822)</u></u>

NATIONAL OILWELL VARCO UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

12. Taxation (continued)

Factors affecting tax charge/(credit) for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

	2022	2021
	£000	£000
Loss before tax	(9,733)	(19,806)
Loss multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	(1,849)	(3,763)
Effects of:		
Expenses not deductible for tax purposes	168	178
Impairment of fixed asset investments not allowable for tax purposes	5,610	6,436
Adjustments to tax charge in respect of prior periods	(1,118)	(268)
Income not taxable	(383)	(1,014)
Income from shares in group undertakings not taxable	(1,560)	(10,318)
Overseas tax payable	188	1,133
Losses not recognised	-	3,407
Deferred tax adjustments relating to prior periods	2,538	(1,100)
Deferred tax not recognised in prior periods	-	(4,137)
Effect of changes in tax rate	(39)	-
Taxable capital gain	267	29
Other timing differences	(436)	(405)
Total tax charge/(credit) for the year	3,386	(9,822)

NATIONAL OILWELL VARCO UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

12. Taxation (continued)

Factors that may affect future tax charges

UK corporation tax is calculated at 19% (2021 - 19%) of the estimated assessable profit or loss for the year.

The Finance Act 2021 was substantially enacted on 24 May 2021 and has increased the corporation tax rate from 19% to 25% with effect from 1 April 2023.

The deferred taxation balances have been measured using the rates expected to apply in the reporting periods when the timing differences reverse.

Deferred taxes on the Balance Sheet have been measured at 25% which represents the future corporation tax rate that was enacted at the Balance Sheet date.

As at 31 December 2022, the Company has an unrecognised deferred tax asset of £10,894,000 (2021 - £9,452,000) in relation timing differences, overseas tax credits, non trade loan relationships and UK tax losses.

13. Intangible assets

	Software £000	Trade names £000	Goodwill £000	Total £000
Cost				
At 1 January 2022	678	1,960	9,537	12,175
Additions	370	-	-	370
Disposals	-	(1,960)	-	(1,960)
At 31 December 2022	1,048	-	9,537	10,585
Amortisation				
At 1 January 2022	566	1,550	9,196	11,312
Charge for the year	224	6	87	317
Disposals	-	(1,556)	-	(1,556)
At 31 December 2022	790	-	9,283	10,073
Net book value				
At 31 December 2022	258	-	254	512
At 31 December 2021	112	410	341	863

NATIONAL OILWELL VARCO UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

14. Tangible fixed assets

	Freehold land £000	Freehold buildings £000	Leasehold improvements £000	Machinery and rental equipment £000
Cost				
At 1 January 2022	3,420	29,334	2,670	97,547
Additions	360	-	1	4,866
Disposals	-	(2)	-	(6,842)
Transfers between classes	-	181	41	7,009
At 31 December 2022	<u>3,780</u>	<u>29,513</u>	<u>2,712</u>	<u>102,580</u>
Depreciation				
At 1 January 2022	-	20,140	2,021	78,188
Charge for year	-	1,401	85	5,600
Disposals	-	(1)	-	(3,482)
At 31 December 2022	<u>-</u>	<u>21,540</u>	<u>2,106</u>	<u>80,306</u>
Net book value				
At 31 December 2022	<u><u>3,780</u></u>	<u><u>7,973</u></u>	<u><u>606</u></u>	<u><u>22,274</u></u>
At 31 December 2021	<u><u>3,420</u></u>	<u><u>9,194</u></u>	<u><u>649</u></u>	<u><u>19,359</u></u>

NATIONAL OILWELL VARCO UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

14. Tangible fixed assets (continued)

	Motor vehicles £000	Fixtures and fittings £000	Construction in progress £000	Total £000
Cost				
At 1 January 2022	165	8,033	5,703	146,872
Additions	37	19	5,018	10,301
Disposals	-	-	(1,033)	(7,877)
Transfers between classes	-	(88)	(7,143)	-
At 31 December 2022	<u>202</u>	<u>7,964</u>	<u>2,545</u>	<u>149,296</u>
Depreciation				
At 1 January 2022	165	7,943	-	108,457
Charge for year	11	7	-	7,104
Disposals	-	(51)	-	(3,534)
At 31 December 2022	<u>176</u>	<u>7,899</u>	<u>-</u>	<u>112,027</u>
Net book value				
At 31 December 2022	<u>26</u>	<u>65</u>	<u>2,545</u>	<u>37,269</u>
At 31 December 2021	<u>-</u>	<u>90</u>	<u>5,703</u>	<u>38,415</u>

NATIONAL OILWELL VARCO UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

15. Fixed asset investments

	Subsidiary undertakings £000
Cost	
At 1 January 2022	685,051
Additions	5,072
At 31 December 2022	<u>690,123</u>
Impairment	
At 1 January 2022	221,780
Charge for the year	29,526
At 31 December 2022	<u>251,306</u>
Net book value	
At 31 December 2022	<u>438,817</u>
At 31 December 2021	<u>463,271</u>

On 24 August 2022, the Company purchased 100% of the share capital of NOV Azerbaijan LLC from Grant Prideco, Inc., a fellow NOV group company, for a consideration of £1,075,000.

On 2 October 2022, the Company formed NOV Doha Energy Trading and Services LLC, under the laws of Qatar, with 1000 shares of QAR 16,380 each (equivalent to £3,997,000).

The Company considers all investments for evidence of impairment annually. For the purposes of the 2022 investment impairment review of subsidiaries, management has assessed all relevant, reasonable, and supportable external and internal sources of information available as of the reporting date. Based on their assessment of the conditions existing at the Balance Sheet date, management has concluded that, with the exception of the specific circumstances noted below, no other indicators of impairment existed as of 31 December 2022.

The Directors acknowledge the significant adverse changes in economic conditions and the political and business environment developments as a direct consequence Russia's invasion of Ukraine in February 2022. This has introduced uncertainty in the conduct of businesses and, as a result, an impairment charge of £29,526,000 has been recognised against investment in subsidiaries with operations in Russia and Belarus.

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

NATIONAL OILWELL VARCO UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

15. Fixed asset investments (continued)

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Class of shares	Holding
AF Global FZE [2]	LB10120, Jebel Ali Free Zone, Dubai, United Arab Emirates	Ordinary shares	100%
Andergauge Limited [3]	National Oilwell Varco Badentoy Crescent, Badentoy Park, Portlethen, Aberdeen, United Kingdom, AB12 4YD	Ordinary shares	100%
Arabian Rig Manufacturing Company [3]	P.O. Box 5000, Dhahran, 31311, the Kingdom of Saudi Arabia	Shares	70%
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	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	JV interest	60%
Mono Group Pension Trustees Limited	C/O National Oilwell Varco, Badentoy Crescent, Badentoy, Industrial Park, Portlethen, Aberdeen, Aberdeenshire, United Kingdom, AB12 4YD	Ordinary shares	100%
Mono Pumps New Zealand Company [4]	35-41 Fremlin Place, Avondale, Auckland, New Zealand	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 [1]	PO Box 27011, Mussafah Industrial Area, Abu Dhabi, United Arab Emirates	Shares	49%
NOV Australia Pty Ltd [4]	75 Frankston Gardens Drive, Carrum Downs, Victoria 3201, Australia	Ordinary shares	100%
NOV Azerbaijan LLC	Corporation Trust Centre, 1209 Orange Street, Wilmington, NEW Castle, Delaware 19801	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%
NOV Doha Energy Trading and Services LLC	NOV Doha Energy Trading and Services LLC, Building No. 38, Street No. 512, Zone 57, Old Industrial Area, Doha, Qatar	Shares	100%

NATIONAL OILWELL VARCO UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

15. Fixed asset investments (continued)

Subsidiary undertakings (continued)

Name	Registered office	Class of shares	Holding
NOV Downhole Kazakhstan, LLP [5]	Business Centre KZ 123 V, Utemisov M. street, Atyrau 060005, Kazakhstan	Limited partnership interest	100%
NOV Elmar (Middle East) Limited	National Oilwell Varco Badentoy Crescent, Badentoy Park, Portlethen, Aberdeen, Aberdeenshire, United Kingdom, AB12 4YD	Ordinary shares	100%
NOV Equipment Manufacturing LLC [2]	Plots 72, 73, Mussafah M-42, Abu Dhabi, United Arab Emirates	Shares	100%
NOV Grant Prideco LLC [1], [6]	Abu Dhabi - Mussaffah - ICAD II - (5AR17)	Shares	49%
NOV Kenya Limited [7]	SK Offices, Block E1, Raphta Road Westlands, Nairobi, Kenya	Ordinary shares	100%
NOV Oil & Gas Services Senegal S.A.R.L	37, Cite CPI - VDN - 3EME ETAGE - Dakar, Senegal	Ordinary shares	100%
NOV Oil Services Angola Limitada [1], [8]	Rua Kima Kienda, s/n, Cercania do Porto de Luanda, Bairro Boavista, Distrito Urbano da Ingombota, Luanda, Angola	Quotas	49%
NOV Process & Flow Technologies UK Limited	Stonedale Road, Oldends Lane Industrial Estate, Stonehouse, Gloucestershire, United Kingdom, GL10 3RQ	Ordinary shares	100%
NOV Products Middle East FZE (f.k.a.NOV Grant Prideco Drilling Products Middle East FZE)	PO Box 261108, Jebel Ali Free Zone, Dubai, United Arab Emirates	Shares	100%
NOV Saudi Arabia Co. Ltd. [9]	Dammam 2nd Industrial City, Bldg 3648 Unit1, 34332-7358 Dammam, the Kingdom of Saudi Arabia	Shares	100%
NOV Saudi Arabia Trading Co. Ltd. [3]	Dammam The Business Gate Center, Bldg 3648 Unit 20, 34332-7358 Dammam, the Kingdom of Saudi Arabia	Shares	100%
NOV Tuboscope Italia S.R.L.	Companies House, Corso Lodi 18, Milano, Italy	Quotas	100%
NOV UK (Angola Acquisitions) Limited	National Oilwell Varco Badentoy Crescent, Badentoy Park, Portlethen, Aberdeen, United Kingdom, AB12 4YD	Ordinary shares	100%
NOV UK Finance Limited	Unit 10 Stonedale Road, Oldends Lane Industrial Estate, Stonehouse, Gloucestershire, United Kingdom, GL10 3RQ	Ordinary shares	100%
Pipex Limited	C/O National Oilwell Varco, Badentoy Crescent, Badentoy Park, Portlethen, Aberdeen, Aberdeenshire, United Kingdom, AB12 4YD	Ordinary shares	100%
Pipex PX Limited	C/O National Oilwell Varco Stonedale Road, Oldends Lane Industrial Estate, Stonehouse, Gloucestershire, United Kingdom, GL10 3RQ	Ordinary shares	100%
R&M Energy Systems Australia Pty Ltd	75 Frankston Gardens Drive, Carrum Downs, Victoria 3201, Australia	Ordinary shares	100%

NATIONAL OILWELL VARCO UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

15. Fixed asset investments (continued)

Subsidiary undertakings (continued)

Name	Registered office	Class of shares	Holding
R&M Singapore Holding LLC	C/O The Corporation Trust Company, Corporation Trust Center, 1209 Orange St., Wilmington, New Castle County, Delaware 19801, United States of America	Membership interest	100%
ReedHycalog UK Limited [3]	L'Estrange & Brett, Arnott House, 12/16 Bridge Street, Belfast, United Kingdom, BT1 1LS	Ordinary shares	100%
Robbins & Myers Holdings UK Limited	Unit 10 Stonedale Road, Oldends Lane Industrial Estate, Stonehouse, Gloucestershire, United Kingdom, GL10 3RQ	Ordinary shares	100%
Slip Clutch Systems Limited [3]	Unit 10 Stonedale Road, Oldends Lane Industrial Estate, Stonehouse, Gloucestershire, United Kingdom, GL10 3RQ	Ordinary shares	100%
Tuboscope Vetco Capital Limited	C/O National Oilwell Varco, Badentoy Crescent, Badentoy Park, Portlethen, Aberdeen, Aberdeenshire, United Kingdom, AB12 4YD	Ordinary shares	100%
Tuboscope Vetco Moscow CJSC [10]	2 Paveletskaya Square Bldg 3, 9 FI, 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%
Varco CIS, LLC [11]	2 Paveletskaya Square Bldg 3, 9 FI, MOSCOW, 115054, Russian Federation	Capital stock	100%

[1] Controlled by the Company due to power to govern the financial and operating policies of the entities under a statute or an agreement

[2] Held by NOV Products Middle East FZE

[3] Held by NOV Downhole Eurasia Limited

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

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

[6] Held by Big Red Tubulars Limited

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

[8] Held by Tuboscope Vetco Capital Limited

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

[10] Held by Varco CIS

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

NATIONAL OILWELL VARCO UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

16. Stocks

	2022	2021
	£000	£000
Raw materials and consumables	26,685	12,796
Work in progress (goods to be sold)	20,238	13,549
Finished goods and goods for resale	25,505	20,763
	<u>72,428</u>	<u>47,108</u>

Inventory impairment losses totaling £2,301,000 (2021 - £3,078,000) 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.

17. Debtors

	2022	2021
	£000	£000
Due after more than one year		
Amounts owed by fellow subsidiary undertakings (a)	3,602	50,791
Other debtors (b)	2,604	-
	<u>6,206</u>	<u>50,791</u>
Due within one year		
Trade debtors	45,721	31,181
Amounts owed by parent undertakings (c)	88,327	159,876
Amounts owed by fellow subsidiary undertakings (d)	45,165	79,393
Amounts owed by subsidiary undertakings (e)	90,376	36,251
Other debtors	6	6
VAT recoverable	759	2,287
Prepayments	3,823	3,961
Accrued income	24,455	12,484
Deferred taxation (note 21)	161	7,790
Corporation tax repayable	5,790	1,591
Group relief receivable	5,846	4,603
Derivative financial instruments	-	2,338
	<u>316,635</u>	<u>392,552</u>

NATIONAL OILWELL VARCO UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

17. Debtors (continued)

Trade debtors are stated after provisions for impairment of £853,000 (2021 - £869,000).

(a) Amounts owed by fellow subsidiary undertakings due after more than one year includes the following:

(i) £3,602,000 (2021 - nil) represented by a loan facility with National Oilwell Varco Guyana Inc. with interest rate of 1.2%, repayable to the Company in whole or in part at any time before the maturity date of 2 November 2026. Early repayment is at the discretion of the debtor.

(ii) £nil (2021 - £50,791,000) represented by a loan facility with National Oilwell Varco Norway AS with interest rate of 3.1% plus the rate designated as the secured overnight financing rate adjusted for applicable market tenor for United States Dollar deposits with 12 month maturities, repayable to the Company in whole or in part at any time before the maturity date of 1 November 2026. The debtor made an early repayment in full during 2022.

(b) Other debtors due after more than one year is represented by a convertible loan instrument with Cerulean Winds Limited of up to £4,500,000, interest rate of 6% per annum and maturity date of 26 January 2024. The balance outstanding at year end includes principal amount of £2,500,000 and accrued interest of £104,000.

(c) Amounts owed by parent undertaking due within one year includes the following:

(i) £56,046,000 (2021 - £159,876,000) represented by a loan facility with NOV Worldwide BV of up to \$300,000,000 and interest rate of 3.6% (2021 - 0.957%), repayable to the Company in whole or in part at any time before the maturity date of 7 September 2023.

(ii) £12,097,000 (2021 - nil) represented by a loan facility with NOV International Holdings LLC with principal of \$14,400,000 and interest rate of 2.17%, repayable to the Company in whole or in part at any time before the maturity date of 4 March 2024. As the Company has the right to demand early repayment, the balance has been presented as due within one year.

(d) Amounts owed by fellow subsidiary undertakings due within one year includes the following:

(i) £20,100,000 (2021 - £20,968,000) represented by short term loan notes with Tuboscope Vetco France SAS and NOV Brandt Europe France (2021 - Tuboscope Vetco France SAS, NOV-BLM SAS, NOV Downhole Europe B.V., and NOV Brandt Europe France), with interest rate of 5.75% (2021 - ranging from 0.77% to 3.15%), all repayable to the Company in whole or in part at any time before the maturity date of 7 December 2023 (2021 - maturity date of 11 November 2022).

(ii) £6,259,000 (2021 - £7,502,000) represented by a loan facility with National Oilwell Varco Muscat LLC of up to \$12,000,000 and interest rate of 1.5%, repayable to the Company in whole or in part at any time before the maturity date of 4 March 2024. As the Company has the right to demand early repayment, the balance has been presented as due within one year.

(iii) £1,713,000 (2021 - £1,504,000) represented by a loan facility with Coil Services ME LLC of \$2,000,000 and interest rate of 2%, repayable to the Company in whole or in part at any time before the maturity date of 4 March 2024. As the Company has the right to demand early repayment, the balance has been presented as due within one year.

(e) Amounts owed by subsidiary undertakings due within one year includes the following:

(i) £18,129,000 (2021 - £12,169,000) represented by a loan facility with Tubular Coating Solutions Limited of up to \$26,100,000 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.

NATIONAL OILWELL VARCO UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

17. Debtors (continued)

(ii) £27,000 (2021 - £25,000) represented by a loan facility with NOV Oil & Gas Services Senegal SARL of up to €300,000 and interest rate of 0.5%, repayable to the Company in whole or in part at any time before the maturity date of 1 July 2023.

(iii) £8,410,000 (2021 - £nil) represented by a loan facility with NOV Grant Prideco Drilling Products Middle East FZE of up to \$25,000,000 and interest rate of 5%, repayable to the Company in whole or in part at any time before the maturity date of 7 September 2026. As the Company has the right to demand early repayment, the balance has been presented as due within one year.

None of the other above balances are interest bearing.

18. Cash and cash equivalents

	2022 £000	2021 £000
Cash at bank and in hand	49,925	41,958

The Company is the Treasurer of a zero balancing cash pool with fellow UK group companies.

19. Creditors: Amounts falling due within one year

	2022 £000	2021 £000
Payments received on account	7,236	4,833
Trade creditors	20,444	17,121
Amounts owed to fellow subsidiary undertakings (a)	27,803	73,630
Amounts owed to subsidiary undertakings	16,377	5,201
Amounts owed to parent undertakings (b)	1,115	28,530
Taxation and social security	3,793	3,626
Overseas tax	211	91
Accruals	11,910	8,059
Deferred income (c)	2,821	2,746
Other creditors	-	119
Derivative financial instruments	1,798	-
	93,508	143,956

NATIONAL OILWELL VARCO UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

19. Creditors: Amounts falling due within one year (continued)

(a) Amounts owed to fellow subsidiary undertakings due within one year in 2021 included £51,389,000 represented by short term loan notes with XL Systems Europe B.V., NOV Tuboscope NL B.V., and NOV Germany Holding GMBH all with interest rate of 0.77%, repayable to the fellow subsidiary in whole or in part at any time before the maturity date of 11 November 2022. The balances were settled during 2022.

(b) Amounts owed to parent undertakings due within one year in 2021 included an amount of £27,905,000 represented by a loan facility with Varco BJ B.V. of up to \$38,500,000 and interest rate of 0.77%, repayable to the parent in whole or in part at any time before the maturity date of 11 November 2022. The balance was settled during 2022.

(c) Deferred income includes deferred government grant income of £135,000 (2021 - £185,000). The conditions attached to the grant have been satisfied. The remaining amounts included in deferred income are represented by advances received from customers and billing in excess of cost.

None of the other above balances are interest bearing.

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

	2022 £000	2021 £000
Amounts owed to fellow subsidiary undertaking - listed Eurobond	516,800	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 2022 and 31 December 2021 was £522,271,000 with associated interest payable of £5,471,000 presented within Amounts owed to fellow subsidiary undertakings within Creditors: Amounts falling due within one year (Note 19).

NATIONAL OILWELL VARCO UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

21. Deferred taxation

	2022 £000
At beginning of year	7,790
Charged to Profit and loss (note 12)	(7,629)
At end of year	161

The deferred tax asset recognised is made up as follows:

	2022 £000	2021 £000
Tax losses	-	4,180
Non trade loan relationships	161	3,420
Capital losses	-	190
	161	7,790

NATIONAL OILWELL VARCO UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

22. Other provisions

	Warranty provision £000	Onerous lease £000	Dilap- idations £000	Other provision £000	Restructure provision £000	Total £000
At 1 January 2022	556	1,009	807	2,514	1,509	6,395
Additions	312	-	167	4	-	483
Amounts reversed	(122)	-	(231)	(52)	-	(405)
Utilised in year	(31)	(131)	(151)	(2,259)	(1,509)	(4,081)
At 31 December 2022	715	878	592	207	-	2,392

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

During 2020, the Company recognised a provision relating to an audit by HMRC in respect of Customs and International trade matters for the years 2017 onwards. The remaining balance is expected to be utilised in the next financial year.

Restructuring provision

Following an announcement in late 2021 to close one of the Company's manufacturing plants located in Gateshead, a provision of £1,509,000 was recognised in 2021 and utilised during the year.

23. Share capital

	2022 £000	2021 £000
Allotted, called up and fully paid		
77,916,495 Ordinary shares of £1 each	77,916	77,916

NATIONAL OILWELL VARCO UK LIMITED

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24. Reserves

Share premium account

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

Merger reserve

The Merger reserve is represented by amounts that arose on group reconstructions where merger accounting has been applied. Any differences between the consideration paid and the net assets acquired on such group reconstructions have been recorded in the merger reserve in accordance with FRS 102 section 19 and Tech 02/17BL para 9.36. The movements in 2021 were represented by the difference between the net asset value and consideration paid in relation to the transfer trade and assets from NOV UK Holdings Limited, NOV UK Finance Limited and Fjords Processing 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.

Profit and loss account

The Profit and Loss Account does not include any non-distributable amounts.

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 £12.36 (2021 - £10.66). These shares will vest in three equal amounts annually on the anniversary of the date of grant.

26. Capital commitments

At 31 December 2022 the Company had capital commitments as follows:

	2022 £000	2021 £000
Contracted for but not provided in these financial statements	1,378	123

NATIONAL OILWELL VARCO UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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 £3,748,000 (2021 - £3,515,000). Contributions totalling £NIL (2021 - £NIL) were payable to the fund at the Balance Sheet date.

The Company also operates a defined benefit pension plan.

The National Oilwell (U.K.) Limited Pension Plan is a defined benefit plan for the legacy employees of National Oilwell (U.K.) Limited, providing benefits based on final pensionable salaries. The assets of the plan are held separately from those of the Company, 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 2021. The method used in this valuation is the projected unit method. The valuation showed that the market value of the assets was £53,940,000 resulting in a pension plan deficit. The restoration of the funding level of the Plan to 100% over a period of 5 years from 1 January 2023 was agreed between the Trustees and the Company and formalised in a Recovery Plan and in the Schedule of Contributions. To eliminate the remaining shortfall the Trustees and the Company agreed that contributions totalling £960,000 per annum will be paid to the Plan in equal monthly instalments from 1 January 2023 to 31 December 2025. An assessment will be carried out on a quarterly basis starting 30 September 2023 and if the Plan is over 100% funded on the Technical Provisions basis over two consecutive quarters, then the Company may, following consultation with the Trustees, reduce or suspend the contributions.

The Schedule of Contributions also requires the Company to pay Scheme expenses and levies to the PPF and the Pensions Regulator.

The next full actuarial valuation will be carried out with an effective date of 31 December 2024.

On 1 September 2020, the assets and liabilities of the Merpro Group Pension and Life Assurance Scheme were transferred from NOV Process & Flow Technologies UK Limited, a subsidiary undertaking. The scheme was a defined benefit plan for the legacy employees of Merpro Limited, providing benefits based on final pensionable salaries. On 23 July 2019 the Merpro Group Pension and Life Assurance Scheme trustees purchased a buy-in contract to cover the entire membership of the Scheme in line with the Scheme's guaranteed benefit structure. The buyout was actioned on 26 November 2021 and the scheme officially wound up on the 7 October 2022. As such, the impact of this event was recognised as a settlement in 2021. There remained a small amount of cash within the Trustee bank account at 31 December 2021, and 2022 represents the final year of disclosures for the Scheme.

NATIONAL OILWELL VARCO UK LIMITED

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27. Pension commitments (continued)

Reconciliation of present value of plan liabilities:

	2022	2021
	£000	£000
Opening defined benefit obligation	51,523	57,698
Interest cost	911	737
Remeasurement of defined benefit obligation	(16,346)	(2,036)
Benefits paid	(1,859)	(2,169)
Administrative costs paid	-	84
Settlements	-	(2,791)
At the end of the year	34,229	51,523

Reconciliation of present value of plan assets:

	2022	2021
	£000	£000
Opening fair value of plan assets	51,661	54,609
Interest income	915	692
Return on plan assets (less)/greater than discount rate	(12,687)	1,080
Contributions by employer	224	240
Benefits paid	(1,859)	(2,169)
Settlements	-	(2,791)
At the end of the year	38,254	51,661

Composition of plan assets:

	2022	2021
	£000	£000
Insurance policies	16,858	25,051
Other quoted securities	8,221	24,661
Bonds	12,672	-
Other	503	1,949
Total plan assets	38,254	51,661

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.

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

	2022	2021
	£000	£000
Amounts recognised on the Balance Sheet		
Fair value of plan assets	38,254	51,661
Present value of plan liabilities	(34,229)	(51,523)
Net pension scheme asset	4,025	138
Irrecoverable surplus	(4,025)	(176)
Net defined benefit pension scheme liability	-	(38)

At the end of the current year, the National Oilwell (U.K.) Limited Pension Plan was in surplus. At the end of the prior year, the Merpro Group Pension and Life Assurance Scheme was in surplus and the National Oilwell (U.K.) Limited Pension Plan was in deficit. 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:

	2022	2021
	£000	£000
Amounts recognised in profit and loss		
Net interest on net defined benefit pension liability	-	45
Administrative costs	-	84
Total	-	129
Amounts recognised in other comprehensive income		
Actual return on plan assets	(11,772)	1,772
Less: amounts included in the net interest on the defined benefit liability	(915)	(692)
Return on plan assets (less)/greater than discount rate	(12,687)	1,080
Remeasurement of defined benefit obligation	16,346	2,036
Actuarial gain recorded in other comprehensive income	3,659	3,116

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

27. Pension commitments (continued)

	2022	<i>2021</i>
	£000	<i>£000</i>
Change in irrecoverable surplus		
Irrecoverable surplus at the beginning of year	176	<i>505</i>
Interest on irrecoverable surplus	4	<i>-</i>
Change in irrecoverable surplus during the year	3,845	<i>(329)</i>
Irrecoverable surplus at the end of the year	4,025	<i>176</i>

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

	2022	<i>2021</i>
	%	<i>%</i>
Discount rate	4.8	<i>1.8</i>
Future salary increases	3.2	<i>3.4</i>
Future pension increases	*	<i>*</i>
Inflation assumption	*	<i>*</i>
 Mortality rates	 Years	 <i>Years</i>
- for a male aged 65 now	21.1	<i>21.1</i>
- at 65 for a male aged 50 now	22.0	<i>22.0</i>
- for a female aged 65 now	23.9	<i>23.9</i>
- at 65 for a female aged 50 now	25.0	<i>25.0</i>

*The assumption for future pension increases and inflation is in line with RPI assumption of 3.2% less 1% to 2030 and 0% thereafter (2021 - 3.4% less 1% to 2030 and 0% thereafter).

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28. Commitments under operating leases

At 31 December 2022 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2022 £000	2021 £000
Not later than 1 year	4,467	3,579
Later than 1 year and not later than 5 years	15,224	12,666
Later than 5 years	39,574	33,949
	<u>59,265</u>	<u>50,194</u>
	2022 £000	2021 £000
Plant and machinery		
Not later than 1 year	389	513
Later than 1 year and not later than 5 years	551	882
Later than 5 years	-	32
	<u>940</u>	<u>1,427</u>

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

NATIONAL OILWELL VARCO UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

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. These related parties are members of the NOV Inc. group which are not wholly owned by the ultimate parent. Transactions entered into, and trading balances outstanding were as follows:

	2022 Sales and recharges to related party £000	2022 Amounts owed by related party £000	<i>2021 Sales and recharges to related party £000</i>	<i>2021 Amounts owed by related party £000</i>
Entities over which the Company has joint control or significant influence				
National Oilwell Varco Almansoori Services LLC	107	3	131	8
NOV Saudi Arabia Trading Co. Ltd	-	-	1,532	6
Arabian Rig Manufacturing Company	1,535	1,471	152	132
	<u>1,642</u>	<u>1,474</u>	<u>1,815</u>	<u>146</u>
Other related parties				
Coil Services Middle East LLC	190	36	491	216
NOV Brandt Oilfield Services Middle East LLC	615	-	490	-
NOV Intelliserv UK Limited	11	-	4	-
NOV Oil and Gas Services Ghana Limited	-	14	-	7
NOV Tuboscope Middle East LLC	-	-	-	7
PT NOV Oilfield Services	333	410	27	34
RE.MAC.UT S.R.L.	-	-	54	12
	<u>1,149</u>	<u>460</u>	<u>1,066</u>	<u>276</u>

NATIONAL OILWELL VARCO UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

29. Related party transactions (continued)

	2022 Purchases from related party £000	2022 Amounts owed to related party £000	2021 Purchases from related party £000	2021 Amounts owed to related party £000
Entities over which the Company has joint control or significant influence				
National Oilwell Varco Almansoori Services LLC	29	-	27	-
NOV Oil Services Angola Lda	-	13	-	12
NOV Saudi Arabia Trading Co. Ltd	-	-	10	16
	<u>29</u>	<u>13</u>	<u>37</u>	<u>28</u>
Other related parties				
Intelliserv LLC	398	75	45	285
NOV Brandt Oilfield Services Middle East LLC	5,044	1,067	654	372
NOV Oil and Gas Services Ghana Limited	2	-	13	-
NOV Intelliserv UK Limited	15	-	5	5
NOV Tuboscope Middle East LLC	5	2	1	-
Coil Services Middle East LLC	2	-	-	-
Fiber Glass Systems Oman LLC	14	-	14	14
Vetco Saudi Arabia Ltd	-	-	22	-
	<u>5,480</u>	<u>1,144</u>	<u>754</u>	<u>676</u>

Terms and conditions of transactions with related parties

Outstanding balances with entities are unsecured, interest free and cash settlement is expected within 90 days of invoice. The Company has not provided or benefited from any guarantees for any related party receivables or payables. During the year ended 31 December 2022, the Company has not made any provision for doubtful debts relating to amounts owed by related parties (2021 - nil).

30. Contingent liabilities

At 31 December 2022, the Company had contingent liabilities in respect of outstanding guarantees given for performance bonds and contracting agreements amounting to £15,539,000 (2021 - £15,437,000) entered into in the normal course of business. No outflow is expected from these guarantees. Included within that amount is £13,259,000 (2021 - £12,386,000) entered into on behalf of fellow group companies, for which any liability would be expected to be borne by the respective group company.

NATIONAL OILWELL VARCO UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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31. Post balance sheet events

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

32. Controlling party

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 10353 Richmond Avenue, Houston, Texas 77042, USA.