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**PIPEX LIMITED**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**PIPEX LIMITED**

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**COMPANY INFORMATION**

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<b>Directors</b>	A J Fleming R Oudendijk
<b>Company secretary</b>	A M Sloan
<b>Registered number</b>	01203356
<b>Registered office</b>	C/O National Oilwell Varco Stonedale Road Oldends Lane Industrial Estate Stonehouse Gloucestershire GL10 3RQ
<b>Independent auditors</b>	Ernst & Young LLP The Paragon Counterslip Bristol BS1 6BX

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**PIPEX LIMITED**

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## PIPEX LIMITED

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### STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

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#### Introduction

The directors present their Strategic Report for the year ended 31 December 2017.

#### Business review

Prior to 31 March 2016 the company's principal activity was that of the provision of company services to its five subsidiaries Pipex Structural Composites Limited, Pipex Composite Pipes Limited, Pipex Project Services Limited, Pipex Drainage & Civils Products Limited and Pipex PX (Scotland) Limited.

On 31st March 2016 the trade and assets of the company's subsidiaries were transferred to Pipex Limited at net book value in exchange for intercompany debt. The principal activity of the company from that date is the design, manufacture, supply and installation of innovative composite and thermoplastic products and systems to construction, industrial and military applications.

During the year the intercompany debt due from Pipex Limited to Pipex Composite Pipes Limited, Pipex Project Services Limited, Pipex Drainage & Civils Products Limited for the transferred trade and assets was settled (note 9).

#### Principal risks and uncertainties

##### *Foreign exchange risk*

Given the companies heavy reliance on foreign suppliers, the principal risk and uncertainty facing the company is adverse currency fluctuations. The company manages this risk by using forward foreign exchange contracts.

##### *Legislative risk*

When designing a new product, the company ensures that the legislative requirements of the end user are fully met.

#### Financial key performance indicators

Key performance indicators applicable to the company are turnover, gross profit, shareholders' funds.

	<b>12 months ended 31 December 2017 £</b>	<b>9 months ended 31 December 2016 £</b>
Turnover	<b>13,160,867</b>	<b>8,177,448</b>
Gross profit	<b>2,997,325</b>	<b>1,429,107</b>
Equity shareholders' funds	<b>5,913,505</b>	<b>2,308,171</b>

Given the nature of the company's business prior to the transfer of the trade and assets from the subsidiaries and also the change in the accounting reference date, the directors are of the opinion that these key performance indicators are not comparable between the two periods.

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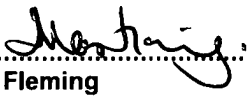
**PIPEX LIMITED**

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**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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This report was approved by the board on 28 June 2018 and signed on its behalf.

  
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**A J Fleming**  
Director

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## PIPEX LIMITED

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### DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

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The directors present their report and the financial statements for the year ended 31 December 2017.

#### Results and dividends

The profit for the year, after taxation, amounted to £3,567,626 (*9 months ended 31 December 2016 - loss £ 920,395*).

The directors do not propose the payment of a dividend (*9 months ended 31 Dec 2016 - £nil*).

#### Directors

The directors who served during the year were:

A J Fleming  
R Oudendijk

#### Future developments

The directors believe that despite the challenging market conditions experienced during 2017, which continued in 2018, turnover and profitability of the company will be strong during the coming years. This is due to the high quality products and service levels provided by the company and the benefits of being part of a growing global group.

#### Financial instruments

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

##### *Interest rate risk*

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

##### *Liquidity risk*

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

##### *Credit risk*

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

##### *Price risk*

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

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## PIPEX LIMITED

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### DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

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#### Going concern

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

#### Research and development activities

The company continues to meet and exceed market demand by enhancing its product offering through research and development.

#### Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

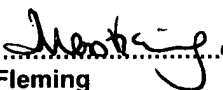
#### Post balance sheet events

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

#### Auditors

In accordance with s.487 of the Companies Act 2006, Ernst & Young LLP is deemed to be re-appointed as the auditor of the company.

This report was approved by the board on 28 June 2018 and signed on its behalf.

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**A J Fleming**  
Director

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**PIPEX LIMITED**

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**DIRECTORS' RESPONSIBILITIES STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



## **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF PIPEX LIMITED**

### **Opinion**

We have audited the financial statements of Pipex Limited for the year ended 31 December 2017, which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 34, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Other information**

The other information comprises the information included in the Annual Report and Financial Statements, other than the financial statements and our Auditors' Report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in

## **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF PIPEX LIMITED (CONTINUED)**

doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

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

### **Responsibilities of directors**

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

## **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF PIPEX LIMITED (CONTINUED)**

### **Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditors' Report.

### **Use of our report**

This report is made solely to the company's members, 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*

Eleri James (Senior Statutory Auditor)  
for and on behalf of  
**Ernst & Young LLP, Statutory Auditor**  
Bristol

28 June 2018

**PIPEX LIMITED**

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2017**

	<b>Note</b>	<b>12 months ended 31 December 2017 £</b>	<b>9 months ended 31 December 2016 £</b>
Turnover	4	13,160,867	8,177,448
Cost of sales		(10,163,542)	(6,748,341)
<b>Gross profit</b>		<b>2,997,325</b>	<b>1,429,107</b>
Administrative expenses		(2,807,088)	(2,446,824)
Other operating income	5	114,526	57,552
<b>Operating profit/(loss)</b>	6	<b>304,763</b>	<b>(960,165)</b>
Loss on sale of tangible fixed assets		(3,430)	(13,715)
<b>Profit/(loss) on ordinary activities before interest</b>		<b>301,333</b>	<b>(973,880)</b>
Income from shares in group undertakings	9	3,367,500	-
Amounts written off investments	16	(4,682)	-
Interest receivable	11	240	93
Interest payable and similar charges	12	(4,549)	(6,943)
<b>Profit/(loss) before tax</b>		<b>3,659,842</b>	<b>(980,730)</b>
Tax on profit/(loss)	13	(92,216)	60,335
<b>Profit/(loss) for the financial year/period</b>		<b>3,567,626</b>	<b>(920,395)</b>

The notes on pages 14 to 36 form part of these financial statements.

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PIPEX LIMITED

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STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2017

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	<b>12 months ended 31 December 2017 £</b>	<b>9 months ended 31 December 2016 £</b>
Profit/(loss) for the financial year/period	<b>3,567,626</b>	<b>(920,395)</b>
<b>Other comprehensive income</b>		
(Loss)/gain on derivative financial instruments	<b>(32,292)</b>	<b>10,811</b>
<b>Other comprehensive income for the year/period</b>	<b>(32,292)</b>	<b>10,811</b>
<b>Total comprehensive income for the year/period</b>	<b>3,535,334</b>	<b>(909,584)</b>

**PIPEX LIMITED**  
**REGISTERED NUMBER: 01203356**

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2017**

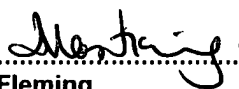
	<b>Note</b>	<b>2017 £</b>	<b>2016 £</b>
<b>Fixed assets</b>			
Intangible assets	14	118,822	232,068
Tangible assets	15	4,353,246	4,548,847
Investments	16	4,660	9,342
		<b>4,476,728</b>	<b>4,790,257</b>
<b>Current assets</b>			
Stocks	17	1,961,037	3,204,385
Debtors: amounts falling due within one year	18	3,875,711	3,429,738
Cash at bank and in hand		84,009	253,846
		<b>5,920,757</b>	<b>6,887,969</b>
Creditors: amounts falling due within one year	19	(4,282,844)	(9,191,431)
<b>Net current assets/(liabilities)</b>		<b>1,637,913</b>	<b>(2,303,462)</b>
<b>Total assets less current liabilities</b>		<b>6,114,641</b>	<b>2,486,795</b>
Creditors: amounts falling due after more than one year	20	-	(36,248)
<b>Provisions for liabilities</b>			
Deferred tax	22	(25,126)	(610)
Other provisions	23	(78,740)	-
Deferred government grants	24	(97,270)	(141,766)
<b>Net assets</b>		<b>5,913,505</b>	<b>2,308,171</b>

**PIPEX LIMITED**  
**REGISTERED NUMBER: 01203356**

**BALANCE SHEET (CONTINUED)**  
**AS AT 31 DECEMBER 2017**

	Note	2017 £	2016 £
<b>Capital and reserves</b>			
Called up share capital	25	60,533	60,533
Share premium account	26	18,828	18,828
Capital redemption reserve	26	14,494	14,494
Capital contribution reserve	26	2,526,707	2,526,707
Share based payments reserve	26	96,000	26,000
Profit and loss account		3,196,943	(338,391)
		<u>5,913,505</u>	<u>2,308,171</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 28 June 2018.

  
 .....  
**A J Fleming**  
 Director  
 The notes on pages 14 to 36 form part of these financial statements.

PIPEX LIMITED

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2017

	Called up share capital £	Share premium account £	Capital redemption reserve £	Share based payments reserve £	Capital contribution reserve £	Profit and loss account £	Total equity £
<b>At 1 April 2016 (restated) (note 27)</b>	60,533	18,828	14,494	-	2,526,707	571,193	3,191,755
<b>Comprehensive income for the period</b>							
Loss for the period	-	-	-	-	-	(920,395)	(920,395)
Gain on derivative financial instruments	-	-	-	-	-	10,811	10,811
<b>Total comprehensive income for the period</b>	-	-	-	-	-	(909,584)	(909,584)
Share based payments (note 28)	-	-	-	26,000	-	-	26,000
<b>At 31 December 2016</b>	60,533	18,828	14,494	26,000	2,526,707	(338,391)	2,308,171
<b>Comprehensive income for the year</b>							
Profit for the year	-	-	-	-	-	3,567,626	3,567,626
Loss on derivative financial instruments	-	-	-	-	-	(32,292)	(32,292)
<b>Total comprehensive income for the year</b>	-	-	-	-	-	3,535,334	3,535,334
Share based payments (note 28)	-	-	-	70,000	-	-	70,000
<b>At 31 December 2017</b>	60,533	18,828	14,494	96,000	2,526,707	3,196,943	5,913,505



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## PIPEX LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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#### 1. General information

Pipex Limited is a limited liability company incorporated in England and Wales. The Registered office is Stonedale Road, Oldends Lane Industrial Estate, Stonehouse, Gloucestershire, GL10 3RQ.

#### 2. Accounting policies

##### 2.1 Basis of preparation of financial statements

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

The company is itself a subsidiary company and is exempt from the requirement to prepare group accounts by virtue of section 401 of the Companies Act 2006. These financial statements therefore present information about the company as an individual undertaking and not about its group.

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 4 Statement of Financial Position paragraph 4.12(a)(iv);
- 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 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of National Oilwell Varco, Inc. as at 31 December 2017 and these financial statements may be obtained from its principal office at 7909 Parkwood Circle Drive, Houston, Texas, 77036, USA.

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## PIPEX LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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#### 2. Accounting policies (continued)

##### 2.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

##### **Sale of goods**

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the company has transferred the significant risks and rewards of ownership to the buyer;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

##### **Rendering of services**

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

##### **Construction contracts**

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

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## PIPEX LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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#### 2. Accounting policies (continued)

##### 2.4 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Software	-	5 years
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##### 2.5 Tangible assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold buildings	- 35 years straight line
Plant and machinery	- 12 years straight line
Motor vehicles	- 5 years straight line
Office equipment	- 5 years straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Profit and Loss Account.

##### 2.6 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

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## PIPEX LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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#### **2. Accounting policies (continued)**

##### **2.7 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 weighted average basis. Work in progress and finished goods include labour and attributable overheads.

At each Balance Sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

##### **2.8 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.

##### **2.9 Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

##### **2.10 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.

##### **2.11 Hedge accounting**

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

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

##### **2.12 Government grants**

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to the Profit and Loss Account at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Profit and Loss Account in the same period as the related expenditure.

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## PIPEX LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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## 2. Accounting policies (continued)

### 2.13 Foreign currency translation

#### Functional and presentation currency

The company's financial statements are prepared in Pound Sterling (GBP), which is the functional and presentation currency of the company.

#### Transactions and balances

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

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

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

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

### 2.14 Finance costs

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

### 2.15 Share based payments

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined using an appropriate pricing model. In valuing equity-settled transactions no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the company (market conditions).

No expense is recognised for awards that do not ultimately vest.

At each Balance Sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions on the number of equity instruments that will ultimately vest as described above. The movement in cumulative expense since the previous Balance Sheet date is recognised in the Profit and Loss Account, with a corresponding entry in equity.

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## PIPEX LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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#### 2. Accounting policies (continued)

##### 2.16 Leased assets: the company as lessee

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Profit and Loss Account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

##### 2.17 Pensions

###### Defined contribution pension plan

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.

##### 2.18 Interest income

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

##### 2.19 Borrowing costs

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

##### 2.20 Provisions for liabilities

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Profit and Loss Account in the year that the company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

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## PIPEX LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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#### 2. Accounting policies (continued)

##### 2.21 Current and deferred taxation

The tax expense for the period 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.

##### 2.22 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.

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## PIPEX LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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#### 3. Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the Balance Sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements and estimates have had the most significant effect on amounts recognised in the financial statements.

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

In the course of preparing the financial statements, no judgements have been made in the process of applying the company's accounting policies, other than those involving estimations (which are described below) that have had a significant effect on the amounts recognised in the financial statements.

##### b. Critical accounting estimates and assumptions

###### *(i) Revenue recognitions – percentage of completion method*

The company applies the percentage of completion method (POC) in accounting for construction contracts as outlined in the accounting policy 2.3. 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 the 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.

###### *(ii) Useful economic lives of tangible fixed assets*

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

###### *(iii) Inventory provision*

The company considers the recoverability of the cost of the inventory and associated provisioning required. When calculating the inventory provision, management considers the nature and condition of inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials.



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**PIPEX LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**4. Turnover**

Turnover represents the amounts derived from provision of goods and services which fall within the company's ordinary activities, stated net of value added tax.

A geographical analysis of turnover is as follows:

	<b>12 months ended 31 December 2017 £</b>	<b>9 months ended 31 December 2016 £</b>
Europe	12,880,295	7,864,434
Americas	38,162	3,078
Middle East	69,120	173,859
Africa	121,417	129,457
Far East	51,873	6,620
	<u>13,160,867</u>	<u>8,177,448</u>

An analysis of turnover by category is as follows:

	<b>2017 £</b>	<b>2016 £</b>
Sale of goods	8,402,753	4,749,253
Provision of services and construction contracts	4,758,114	3,428,195
	<u>13,160,867</u>	<u>8,177,448</u>

**5. Other operating income**

	<b>12 months ended 31 December 2017 £</b>	<b>9 months ended 31 December 2016 £</b>
Grant income	114,526	57,552

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017

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6. Operating profit/(loss)

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

	12 months ended 31 December 2017 £	9 months ended 31 December 2016 £
Operating leases - land and buildings	66,000	64,000
Operating leases - plant and machinery	132,003	103,000
Depreciation of tangible fixed assets (note 15)	258,121	202,073
Depreciation of assets held under finance lease and hire purchase (note 15)	45,540	34,148
Amortisation of intangible assets (note 14)	128,847	93,860
Auditors' remuneration (note 7)	23,750	42,000
Exchange differences	(131,350)	15,192
Government grant amortisation	(44,496)	(33,372)
	<u>          </u>	<u>          </u>

7. Auditors' remuneration

	12 months ended 31 December 2017 £	9 months ended 31 December 2016 £
Fees payable to the company's auditor for the audit of the company's annual financial statements	23,750	23,000
The audit of the company's parent's and subsidiaries' annual financial statements	-	19,000
	<u>          </u>	<u>          </u>
	<u>23,750</u>	<u>42,000</u>

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017

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**8. Employees**

The company's employees' contracts of employment are with National Oilwell Varco UK Limited. However, as the employment costs associated with these employees are borne by the business, the company has included relevant disclosures below.

Staff costs, excluding directors' remuneration, were as follows:

	<b>12 months ended 31 December 2017 £</b>	<b>9 months ended 31 December 2016 £</b>
Wages and salaries	<b>4,701,103</b>	<b>3,423,548</b>
Social security costs	<b>450,517</b>	<b>302,731</b>
Cost of defined contribution scheme (note 30)	<b>206,423</b>	<b>148,009</b>
Share based payments (note 28)	<b>70,000</b>	<b>26,000</b>
	<b><u>5,428,043</u></b>	<b><u>3,900,288</u></b>

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

	<b>12 months ended 31 December 2017 No.</b>	<b>9 months ended 31 December 2016 No.</b>
Administrative and support	<b>22</b>	<b>23</b>
Production	<b>131</b>	<b>127</b>
	<b><u>153</u></b>	<b><u>150</u></b>

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017

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9. Income from shares in group undertakings

	12 months ended 31 December 2017 £	9 months ended 31 December 2016 £
Pipex Composite Pipes Limited	2,294,710	-
Pipex Drainage & Civils Products Limited	640,018	-
Pipex Project Services Limited	432,772	-
	<u>3,367,500</u>	<u>-</u>

These amounts represent interim dividends declared by Pipex Composite Pipes Limited, Pipex Drainage & Civils Products Limited and Pipex Project Services Limited, which were satisfied by set-off against the intercompany debt due from Pipex Limited to these subsidiaries for the transfer of the trade and assets on 31 March 2016.

10. Directors' remuneration

The directors of the company who served during the year are also directors of the holding company and fellow subsidiaries.

One of the directors, who was paid by a fellow UK group company, received remuneration for the year of £113,000 (9 months ended 31 December 2016 - £82,000), amounts receivable under long-term incentive schemes of £13,000 (9 months ended 31 December 2016 - £1,000) and pension contributions of £8,000 (9 months ended 31 December 2016 - £6,000). The director does not believe that it is practicable to apportion this amount between their services as director of the company and their services as director of the holding and fellow subsidiary companies.

Another director was paid by a fellow group company outside of the UK.

11. Interest receivable

	12 months ended 31 December 2017 £	9 months ended 31 December 2016 £
Bank interest	<u>240</u>	<u>93</u>

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**12. Interest payable and similar charges**

	<b>12 months ended 31 December 2017 £</b>	<b>9 months ended 31 December 2016 £</b>
Finance leases and hire purchase contracts	<b>4,549</b>	<b>6,943</b>

**13. Taxation**

	<b>12 months ended 31 December 2017 £</b>	<b>9 months ended 31 December 2016 £</b>
<b>Corporation tax</b>		
Current tax on profit/(loss) for the year/period	<b>67,882</b>	<b>-</b>
Adjustments in respect of previous periods	<b>(182)</b>	<b>30,839</b>
	<b>67,700</b>	<b>30,839</b>
<b>Foreign tax</b>		
Foreign tax on income for the year	<b>-</b>	<b>2,679</b>
	<b>-</b>	<b>2,679</b>
<b>Total current tax</b>	<b>67,700</b>	<b>33,518</b>
<b>Deferred tax</b>		
Origination and reversal of timing differences	<b>(18,445)</b>	<b>(23,837)</b>
Deferred tax adjustment relating to previous periods	<b>(27,685)</b>	<b>(2,475)</b>
Deferred tax on share based payments	<b>-</b>	<b>(4,505)</b>
Losses brought forward/(carried forward)	<b>70,646</b>	<b>(63,036)</b>
<b>Total deferred tax</b>	<b>24,516</b>	<b>(93,853)</b>
<b>Taxation on profit/(loss) for the year/period</b>	<b>92,216</b>	<b>(60,335)</b>

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017

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13. Taxation (continued)

Factors affecting tax charge/(credit) for the year/period

The tax assessed for the year/period is lower than (2016 - *higher than*) the standard rate of corporation tax in the UK of 19.25% (2016 - 20%). The differences are explained below:

	12 months ended 31 December 2017 £	9 months ended 31 December 2016 £
Profit/(loss) before tax	3,659,842	(980,730)
Profit/(loss) multiplied by standard rate of corporation tax in the UK of 19.25% (2016 - 20%)	704,520	(196,146)
Effects of:		
Expenses not deductible for tax purposes	51,019	52,255
Income not taxable for tax purposes	(648,244)	(536)
Adjustments in respect of previous periods	(27,867)	28,364
Overseas tax expensed	-	2,679
Losses carried back	-	48,791
Tax rate differences	12,788	4,258
Total tax charge/(credit) for the year/period	92,216	(60,335)

Factors that may affect future tax charges

UK Corporation tax is calculated at 19.25% (2016: 20%) of the estimated assessable profit/(loss) for the year/period.

The Finance Bill 2015 (no 2) was enacted on 18 November 2015 reducing the UK corporation tax rate to 19% (from 1 April 2017) and 18% (from 1 April 2020).

The Finance Bill 2016 further reduced the UK corporation tax rate to 17% (from 1 April 2020) and was enacted on 15 September 2016. As at 15 September 2016 the reductions in the UK corporation tax rate to 19% (from 1 April 2017) and 17% (from 1 April 2020) were enacted and therefore a rate of 19% has been applied to the deferred tax calculations in these accounts.

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017

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**14. Intangible assets**

	Software £
<b>Cost</b>	
At 1 January 2017	465,134
Additions	15,601
	<hr/>
At 31 December 2017	480,735
	<hr/>
<b>Amortisation</b>	
At 1 January 2017	233,066
Charge for the year	128,847
	<hr/>
At 31 December 2017	361,913
	<hr/>
<b>Net book value</b>	
At 31 December 2017	118,822
	<hr/> <hr/>
At 31 December 2016	232,068
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**15. Tangible assets**

	Freehold land £	Freehold buildings £	Plant and machinery £	Motor vehicles £	Office equipment £	Total £
<b>Cost</b>						
At 1 January 2017	226,951	3,074,982	3,351,738	153,200	193,070	6,999,941
Additions	-	-	92,474	-	19,216	111,690
Disposals	-	-	(4,160)	(7,750)	-	(11,910)
At 31 December 2017	226,951	3,074,982	3,440,052	145,450	212,286	7,099,721
<b>Depreciation</b>						
At 1 January 2017	-	164,776	2,058,874	129,577	97,867	2,451,094
Charge for the year	-	90,522	171,360	11,772	30,007	303,661
Disposals	-	-	(2,049)	(6,231)	-	(8,280)
At 31 December 2017	-	255,298	2,228,185	135,118	127,874	2,746,475
<b>Net book value</b>						
At 31 December 2017	226,951	2,819,684	1,211,867	10,332	84,412	4,353,246
At 31 December 2016	226,951	2,910,206	1,292,864	23,623	95,203	4,548,847



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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017

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16. Investments

	Subsidiary undertakings £
<b>Cost</b>	
At 1 January 2017	89,342
At 31 December 2017	89,342
<b>Impairment</b>	
At 1 January 2017	80,000
Charge for the period	4,682
At 31 December 2017	84,682
<b>Net book value</b>	
At 31 December 2017	4,660
At 31 December 2016	9,342

**Subsidiary undertakings**

The following were subsidiary undertakings of the company:

Name	Class of shares	Holding	Principal activity
Pipex Composite Pipes Limited	Ordinary	100 %	Dormant
Pipex Structural Composites Limited	Ordinary	100 %	Dormant
Pipex Project Services Limited	Ordinary	100 %	Dormant
Pipex Drainage & Civils Products Limited	Ordinary	100 %	Dormant
Pipex PX (Scotland) Limited	Ordinary	100 %	Dormant

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**PIPEX LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**16. Investments (continued)**

During the year the investments in Pipex Composite Pipes Limited and Pipex Drainage & Civils Products Limited were written down to the value of their issued share capital, resulting in the impairment of £4,682 recognised in the Profit and Loss Account.

One of the dormant subsidiaries, Pipex PX (Scotland) Limited was dissolved on 27 March 2018.

The registered office address of all subsidiaries apart from Pipex PX (Scotland) Limited is C/O National Oilwell Varco Stonedale Road, Oldends Lane Industrial Estate, Stonehouse, Gloucestershire, United Kingdom, GL10 3RQ.

The registered office address of Pipex PX (Scotland) Limited is C/O National Oilwell Varco UK Limited, Badentoy Crescent, Badentoy Park, Porthethen, Aberdeen, AB12 4YD.

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.

**17. Stocks**

	2017 £	2016 £
Raw materials and consumables	1,640,275	2,836,590
Work in progress	311,790	360,499
Finished goods and goods for resale	8,972	7,296
	<u>1,961,037</u>	<u>3,204,385</u>

Stock recognised in cost of sales during the year as an expense was £6,487,558 (9 months ended 31 December 2016 - £6,792,581).

**18. Debtors**

	2017 £	2016 £
Trade debtors	3,141,458	3,099,833
Amounts owed by parent undertaking	-	3,078
Amounts owed by fellow subsidiary undertakings	402,998	10,441
Other debtors	50,256	15,271
Prepayments and accrued income	280,999	282,138
Financial instruments	-	18,977
	<u>3,875,711</u>	<u>3,429,738</u>

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**PIPEX LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**18. Debtors (continued)**

Trade debtors are stated after provisions for impairment of £6,906 (*9 months ended 31 December 2016 - £531,374*). During the year an amount of £443,876 was reclassified from provision for impairment of trade debtors to warranty provision (note 23).

**19. Creditors: Amounts falling due within one year**

	2017 £	2016 £
Bank overdraft	1,176,763	1,376,624
Trade creditors	752,142	1,507,496
Amounts owed to subsidiary undertakings	499,137	3,866,637
Amounts owed to fellow subsidiary undertakings	127,044	1,048,419
Corporation tax	19,183	115,734
Other taxation and social security	390,073	74,239
Obligations under finance lease and hire purchase contracts	38,889	57,323
Accruals and deferred income	1,275,064	1,144,959
Financial instruments liability	4,549	-
	<u>4,282,844</u>	<u>9,191,431</u>

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

	2017 £	2016 £
Net obligations under finance leases and hire purchase contracts	<u>-</u>	<u>36,248</u>

**21. Hire purchase and finance leases**

Minimum lease payments under hire purchase fall due as follows:

	2017 £	2016 £
Within one year	38,889	57,323
Between 1-5 years	-	36,248
	<u>38,889</u>	<u>93,571</u>

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**22. Deferred taxation**

	2017 £
At beginning of year	610
Originating and reversal of timing differences	52,201
Losses carried forward	-
Share based payments	-
Adjustments in respect of prior years	(27,685)
<b>At end of year</b>	<b>25,126</b>

The provision for deferred taxation is made up as follows:

	2017 £	2016 £
Accelerated capital allowances	29,631	68,151
Losses carried forward	-	(63,036)
Share based payments	(4,505)	(4,505)
	<b>25,126</b>	<b>610</b>

**23. Other provisions**

	Warranty costs £
At 1 January 2017	-
Additions	508,626
Amounts used	(239,825)
Amounts reversed	(190,061)
<b>At 31 December 2017</b>	<b>78,740</b>

During the year an amount of £443,876 was reclassified from provision for impairment of trade debtors to warranty provision.

Warranty provision relates to expected warranty claims and it is expected that most of these costs will be incurred in the next financial year.

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017

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**24. Deferred government grants**

	2017 £	2016 £
Government grants	97,270	141,766

**25. Share capital**

	2017 £	2016 £
<b>Allotted, called up and fully paid</b>		
24,073 Ordinary A shares of £1 each	24,073	24,073
32,208 Ordinary B shares of £1 each	32,208	32,208
2,985 Ordinary C shares of £1 each	2,985	2,985
1,267 Ordinary D shares of £1 each	1,267	1,267
	<b>60,533</b>	<b>60,533</b>

**26. Reserves**

**Share premium reserve**

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

**Capital redemption reserve**

A statutory, non-distributable reserve into which amounts are transferred following the redemption or purchase of a company's own shares.

**Capital contribution reserve**

This reserve records amounts received from fellow group entities, which are not repayable.

**Share based payments 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.

**27. Adjustment to opening Balance Sheet**

At 31 March 2016 the Amounts owed to group undertakings included an amount totalling £2,526,707 owed to National Oilwell Varco UK Limited. During preparation of the financial statements for the period ended 31 December 2016 it came to light that this amount is not repayable since the date it was advanced to Pipex Limited. As such, the amount of £2,526,707 was re-classified to the Capital contribution reserve at 31 March 2016, which resulted in the adjustment to the company's opening balance sheet at 1 April 2016.

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NOTES TO THE FINANCIAL STATEMENTS  
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**28. Share based payments**

**Senior Executive Plan**

Share options in the company's ultimate parent National Oilwell Varco, Inc. are granted to senior executives. The exercise price of the options is equal to the closing market price of National Oilwell Varco, Inc. common stock on the date of the grant. The options vest over a three year period starting one year from the date of the grant and expire ten years from the date of the grant. There are no cash settlement alternatives.

**Restricted shares**

National Oilwell Varco, Inc. issues restricted stock awards ("RSA") 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 £31.20 (in 2016 grants were made in February at £20.03 and November 2016 at £28.78).

These shares will not vest until the third anniversary of the date of the grant, at which time they will be 100% vested.

**29. Contingent liabilities**

At 31 December 2017 the company had contingent liabilities in respect of outstanding guarantees given for performance bonds and contracting agreements amounting to £130,024 (2016 - £130,564) entered into in the normal course of business.

**30. Pension commitments**

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £206,423 (*9 months ended 31 December 2016 - £148,009*).

Contributions totalling £nil (*9 months ended 31 December 2016 - £nil*) were payable to the scheme at the end of the year/period.

**31. Commitments under operating leases**

	2017 £	2016 £
<b>Plant and equipment</b>		
Not later than 1 year	14,824	16,729
Later than 1 year and not later than 5 years	2,513	7,374
	<u>17,337</u>	<u>24,103</u>

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	2017 £	2016 £
<b>Land and buildings</b>		
Not later than 1 year	<u>33,000</u>	<u>33,000</u>

**32. Related party transactions**

As permitted by FRS 102, the company has not disclosed transactions entered into between two or more wholly owned members of the National Oilwell Varco, Inc. group.

During the year the company entered into transactions, in the ordinary course of business, with other related parties. Transactions entered into during the year/period are as follows:

	<b>Sales to related parties 2017</b>	<i>Sales to related parties 2016</i>
	£	£
Seabox AS	<u>60,547</u>	<u>11,120</u>

**33. Post balance sheet events**

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

**34. Controlling party**

The company's immediate parent undertaking is Pipex PX Limited, a company incorporated in England and Wales.

The company's ultimate parent undertaking is National Oilwell Varco, Inc., a company incorporated in the United States of America. The consolidated accounts of National Oilwell Varco, Inc. are those of the smallest and largest group of which the company is a member and for which group accounts are prepared. Copies of these accounts are available from its principal office at 7909 Parkwood Circle Drive, Houston, Texas, 77036, USA.