



Company Search Report

Company Name	NATIONAL OILWELL VARCO UK LIMITED	
Registered Number	00873028	
Country	UK	
Registry	Companies House	
Search	Positive	
Date of Incorporation	04/03/1966	



Name & Registered Office:

NATIONAL OILWELL VARCO UK LIMITED
MARTIN STREET
AUDENSHAW
MANCHESTER
LANCASHIRE
M34 5JA

Status: Active

Company Type: Private Limited Company

Nature Of Business (SIC):

09100 - Support activities for petroleum and natural gas extraction

Accounting Reference Date: 31/12

Last Accounts Made Up To: 31/12/2012 (FULL)

Next Accounts Due: 30/09/2014

Last Return Made Up To: 30/08/2013

Next Return Due: 27/09/2014

Mortgage: Number of Charges: 7 (0 outstanding / 7 satisfied / 0 part satisfied)

Last members list: 30/08/2013

Date of Change:

28/07/2006

02/01/2002

07/01/1998

Previous Name:

VARCO LIMITED

TUBOSCOPE (UK) LIMITED

DREXEL EQUIPMENT(U.K.)LIMITED

Company No.: 00873028

Date of Incorporation: 04/03/1966

Country of Origin: United Kingdom



Companies House
— for the record —

AR01 (ef)

Annual Return



Received for filing in Electronic Format on the: **30/08/2013**

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Company Name: **National Oilwell Varco UK Limited**

Company Number: **00873028**

Date of this return: **30/08/2013**

SIC codes: **09100**

Company Type: **Private company limited by shares**

Situation of Registered Office: **MARTIN STREET AUDENSHAW
MANCHESTER
LANCASHIRE
UNITED KINGDOM
M34 5JA**

Officers of the company

Company Secretary 1

Type: **Person**
Full forename(s): **ALISON MAY**

Surname: **SLOAN**

Former names:

Service Address: **C/O NATIONAL OILWELL VARCO BADENTOY CRESCENT,
BADENTOY INDUSTRIAL PARK
PORTLETHEN
ABERDEEN
UNITED KINGDOM
AB12 4YD**

Company Director 1

Type: **Person**
Full forename(s): **ALASTAIR JAMES**

Surname: **FLEMING**

Former names:

Service Address: **C/O NATIONAL OILWELL VARCO BADENTOY CRESCENT,
BADENTOY INDUSTRIAL PARK
PORTLETHEN
ABERDEEN
UNITED KINGDOM
AB12 4YD**

Country/State Usually Resident: **SCOTLAND**

Date of Birth: **23/12/1977** *Nationality:* **BRITISH**

Occupation: **UK FINANCE CONTROLLER**

Company Director 2

Type: **Person**
Full forename(s): **CHRISTOPHER PAUL**

Surname: **O'NEIL**

Former names:

Service Address: **69 FOREST PARK
STONEHAVEN
KINCARDINESHIRE
UNITED KINGDOM
AB39 2GF**

Country/State Usually Resident: **UNITED KINGDOM**

Date of Birth: **13/12/1973** *Nationality:* **BRITISH**

Occupation: **UK COUNTRY CONTROLLER**

Statement of Capital (Share Capital)

Class of shares	ORDINARY	<i>Number allotted</i>	31361976
		<i>Aggregate nominal value</i>	31361976
<i>Currency</i>	GBP	<i>Amount paid per share</i>	1
		<i>Amount unpaid per share</i>	0

Prescribed particulars

THE SHARES HAVE ATTACHED TO THEM FULL VOTING RIGHTS

Class of shares	ORDINARY	<i>Number allotted</i>	7948188
		<i>Aggregate nominal value</i>	7948188
<i>Currency</i>	GBP	<i>Amount paid per share</i>	9.16
		<i>Amount unpaid per share</i>	0

Prescribed particulars

THE SHARES HAVE ATTACHED TO THEM FULL VOTING RIGHTS

Class of shares	ORDINARY	<i>Number allotted</i>	38606330
		<i>Aggregate nominal value</i>	38606330
<i>Currency</i>	GBP	<i>Amount paid per share</i>	12.465
		<i>Amount unpaid per share</i>	0

Prescribed particulars

THE SHARES HAVE ATTACHED TO THEM FULL VOTING RIGHTS

Statement of Capital (Totals)

<i>Currency</i>	GBP	<i>Total number of shares</i>	77916494
		<i>Total aggregate nominal value</i>	77916494

Full Details of Shareholders

The details below relate to individuals / corporate bodies that were shareholders as at 30/08/2013 or that had ceased to be shareholders since the made up date of the previous Annual Return

A full list of shareholders for the company are shown below

Shareholding 1 : **77916494 ORDINARY shares held as at the date of this return**
Name: **NOV UK HOLDINGS LIMITED**

Shareholding 2 : **0 ORDINARY shares held as at the date of this return**
77916494 shares transferred on 2013-01-18
Name: **VARCO UK ACQUISITIONS LIMITED**

Authorisation

Authenticated

This form was authorised by one of the following:

Director, Secretary, Person Authorised, Charity Commission Receiver and Manager, CIC Manager, Judicial Factor.



**Current Appointments Report for:
NATIONAL OILWELL VARCO UK LIMITED
00873028**

Created: 30/10/2013 10:00:09

Companies House is a registry of corporate information. We carry out basic checks to make sure that documents have been fully completed and signed, but we do not have the statutory power or capability to verify the accuracy of the information that corporate entities send to us. We accept all information that such entities deliver to us in good faith and place it on the public record. The fact that the information has been placed on the public record should not be taken to indicate that Companies House has verified or validated it in any way.

Company Register Information

Company Number: 00873028 **Date of Incorporation:**04/03/1966
Company Name: NATIONAL OILWELL VARCO UK LIMITED
Registered Office: MARTIN STREET
AUDENSHAW
MANCHESTER
LANCASHIRE
M34 5JA
Company Type: Private Limited Company
Country of Origin: United Kingdom
Status: Active
Nature Of Business (SIC): 09100 - Support activities for petroleum and natural gas extraction
Number of Charges: 7 (0 outstanding / 0 part satisfied / 7 satisfied)

Previous Names

Date of Change	Previous Name
28/07/2006	VARCO LIMITED
02/01/2002	TUBOSCOPE (UK) LIMITED
07/01/1998	DREXEL EQUIPMENT(U.K.)LIMITED

Key Filing Dates

Accounting Reference Date: 31/12
Last Accounts Made Up To: 31/12/2012 (FULL)
Next Accounts Due: 30/09/2014
Last Return Made Up To: 30/08/2013
Next Return Due: 27/09/2014

Last members list: 30/08/2013
Last Bulk Shareholders List: Not available

Current Appointments

Number of current appointments: 3/Number of resigned appointments : 20

SECRETARY: SLOAN, ALISON MAY
Appointed: 06/08/2013
Nationality: NATIONALITY UNKNOWN
No. of Appointments: 1
Address: C/O NATIONAL OILWELL VARCO
BADENTOY CRESCENT, BADE
PORTLETHEN
ABERDEEN
UNITED KINGDOM
AB12 4YD

DIRECTOR: FLEMING, ALASTAIR JAMES
Appointed: 31/07/2013 **Date of Birth:** 23/12/1977
Nationality: BRITISH
No. of Appointments: 49
Address: C/O NATIONAL OILWELL VARCO
BADENTOY CRESCENT, BADE
PORTLETHEN
ABERDEEN
UNITED KINGDOM
AB12 4YD
Country/State of Residence: SCOTLAND

DIRECTOR: O'NEIL, CHRISTOPHER PAUL
Appointed: 03/08/2011 **Date of Birth:** 13/12/1973
Nationality: BRITISH
No. of Appointments: 88
Address: 69 FOREST PARK
STONEHAVEN
KINCARDINESHIRE
UNITED KINGDOM
AB39 2GF

Country/State of Residence: SCOTLAND

SECRETARY: BOYLE, THOMAS DOUGLAS MR
Appointed: 16/10/2003 **Date of Birth:** 23/03/1966
Resigned: 28/02/2007
Nationality: BRITISH
No. of Appointments: 87
Address: LANARK
 OLD INN ROAD, FINDON
 PORTLETHEN
 ABERDEEN
 AB12 3RT
Country/State of Residence: SCOTLAND

SECRETARY: FLEMING, ALASTAIR JAMES
Appointed: 30/09/2011
Resigned: 06/08/2013
Nationality: NATIONALITY UNKNOWN
No. of Appointments: 1
Address: C/O NATIONAL OILWELL VARCO
 BADENTOY CRESCENT, BADE
 PORTLETHEN
 ABERDEEN
 UNITED KINGDOM
 AB12 4YD

SECRETARY: LEIGHTON, KATHERINE JENNIFER
 MRS
Appointed: 28/02/2007 **Date of Birth:** 15/08/1974
Resigned: 21/10/2010
Nationality: BRITISH
No. of Appointments: 76
Address: KIRK HOUSE
 VICTORIA TERRACE, KEMNAY
 INVERURIE
 ABERDEENSHIRE
 AB51 5RL

Country/State of Residence: SCOTLAND

SECRETARY: LUMSDEN, DUNCAN STORDY
Appointed: pre25/12/1991 **Date of Birth:** 22/01/1945
Resigned: 18/10/1996
Nationality: BRITISH
No. of Appointments: 38
Address: 6 KINGSHILL AVENUE
ABERDEEN
ABERDEENSHIRE
AB15 5HD

SECRETARY: MILLETT, RONALD JAMES
Appointed: 29/10/1999 **Date of Birth:** 14/04/1943
Resigned: 16/10/2003
Nationality: BRITISH
No. of Appointments: 33
Address: FLAT K
60 FONTHILL ROAD
ABERDEEN
AB11 6UJ

SECRETARY: O'NEIL, CHRISTOPHER PAUL MR
Appointed: 11/09/2009 **Date of Birth:** 13/12/1973
Resigned: 30/09/2011
Nationality: BRITISH
No. of Appointments: 27
Address: 69 FOREST PARK
STONEHAVEN
KINCARDINESHIRE
AB39 2GF

SECRETARY: PAULL & WILLIAMSONS
Appointed: 18/10/1996
Resigned: 06/04/2009
Nationality: BRITISH

No. of Appointments: 963
Address: UNION PLAZA (6TH FLOOR)
 1 UNION WYND
 ABERDEEN
 AB10 1DQ

SECRETARY: PAULL & WILLIAMSONS LLP
Appointed: 06/04/2009
Resigned: 30/09/2011
Nationality: BRITISH
No. of Appointments: 367
Address: UNION PLAZA 6TH FLOOR
 1 UNION WYND
 ABERDEEN
 UNITED KINGDOM
 AB10 1DQ

DIRECTOR: BARETT, DEAN
Appointed: pre25/12/1991 **Date of Birth:** 05/12/1923
Resigned: 07/07/1997
Nationality: AUSTRALIAN
No. of Appointments: 2
Address: ST GEORGES BUILDING
 2 ICE HOUSE STREET 24TH
 FLOOR
 HONG KONG
 HONG KONG

DIRECTOR: BOYLE, THOMAS DOUGLAS MR
Appointed: 16/10/2003 **Date of Birth:** 23/03/1966
Resigned: 04/07/2011
Nationality: BRITISH
No. of Appointments: 87
Address: LANARK
 OLD INN ROAD, FINDON
 PORTLETHEN
 ABERDEEN

AB12 3RT
Country/State of Residence: SCOTLAND

DIRECTOR: HARRIMAN, CHRISTOPHER DONALD
Appointed: pre25/12/1991 **Date of Birth:** 30/12/1949
Resigned: 07/07/1997
Nationality: BRITISH
No. of Appointments: 3
Address: 18 BELVIDERE STREET
 ABERDEEN
 AB2 4QS

DIRECTOR: KEENER, DAVID JAMES
Appointed: 04/07/2011 **Date of Birth:** 03/04/1957
Resigned: 03/08/2011
Nationality: USA
No. of Appointments: 71
Address: ORANJESTRAAT 33
 4819 XP
 RIJSBERGEN
 NETHERLANDS
Country/State of Residence: NETHERLANDS

DIRECTOR: LOH, LIM YOUNG
Appointed: pre25/12/1991 **Date of Birth:** 14/01/1944
Resigned: 29/05/1996
Nationality: SINGAPOREAN
No. of Appointments: 1
Address: 23 BALMORAL ROAD £ 22-23
 1025
 SINGAPORE
 FOREIGN

DIRECTOR: LUMSDEN, DUNCAN STORDY
Appointed: 05/03/1992 **Date of Birth:** 22/01/1945

Resigned: 18/10/1996
Nationality: BRITISH
No. of Appointments: 38
Address: 6 KINGSHILL AVENUE
 ABERDEEN
 ABERDEENSHIRE
 AB15 5HD

DIRECTOR: MC ANALLY, JOE EDWN
Appointed: pre25/12/1991 **Date of Birth:** 26/12/1954
Resigned: 07/07/1997
Nationality: USA
No. of Appointments: 1
Address: 1007 BENTLEY BATE FORT
 WORTH
 TEXAS 76720
 USA
 FOREIGN

DIRECTOR: MCCAFFERTY, FRANCIS BRUCE
Appointed: pre25/12/1991 **Date of Birth:** 22/02/1946
Resigned: 07/07/1997
Nationality: BRITISH
No. of Appointments: 1
Address: 21 EAST STATION PLACE
 NEWPORT ON TAY
 FIFE
 DD6 8EG

DIRECTOR: MILLETT, RONALD JAMES
Appointed: 24/07/1997 **Date of Birth:** 14/04/1943
Resigned: 15/02/2006
Nationality: BRITISH
No. of Appointments: 33
Address: HOFKOPPEL 34, 29303
 BERGEN

O T WOHLDE
GERMANY

DIRECTOR: MURRAY, HECTOR MURDO
Appointed: pre25/12/1991 **Date of Birth:** 19/11/1946
Resigned: 07/07/1997
Nationality: BRITISH
No. of Appointments: 2
Address: 48 RENNY CRESCENT
 MONTROSE
 ANGUS
 DD10 9BN

DIRECTOR: STUART, PETER JOHN MR
Appointed: pre25/12/1991 **Date of Birth:** 17/04/1957
Resigned: 28/02/2007
Nationality: BRITISH
No. of Appointments: 53
Address: 1 ROSEHILL ROAD
 MONTROSE
 ANGUS
 DD10 8ST
Country/State of Residence: SCOTLAND

DIRECTOR: VALENTINE, STEVEN GRENVILLE
Appointed: 15/02/2006 **Date of Birth:** 13/06/1964
Resigned: 23/08/2013
Nationality: BRITISH
No. of Appointments: 93
Address: 4 BARNES CLOSE
 HASLINGTON
 CREWE
 CW1 5ZG
Country/State of Residence: ENGLAND

Recent Filing History

Documents filed since 05/07/2012

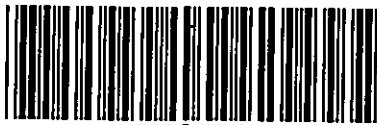
DATE	FORM	DESCRIPTION
02/09/2013	AR01	30/08/13 FULL LIST
<i>02/09/2013</i>	<i>LATEST SOC</i>	<i>02/09/13 STATEMENT OF CAPITAL;GBP 77916494</i>
28/08/2013	AP01	DIRECTOR APPOINTED ALASTAIR JAMES FLEMING
26/08/2013	TM01	APPOINTMENT TERMINATED, DIRECTOR STEVEN VALENTINE
23/08/2013	TM02	APPOINTMENT TERMINATED, SECRETARY ALASTAIR FLEMING
23/08/2013	AP03	SECRETARY APPOINTED ALISON MAY SLOAN
09/07/2013	AA	FULL ACCOUNTS MADE UP TO 31/12/12
10/01/2013	AR01	25/12/12 FULL LIST
05/07/2012	AA	FULL ACCOUNTS MADE UP TO 31/12/11

National Oilwell Varco UK Limited

Report and Financial Statements

31 December 2012

TUESDAY



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RM 02/07/2013 #137
COMPANIES HOUSE

Registered No 00873028

Directors

C P O'Neil
S G Valentine

Secretary

A J Fleming

Auditors

Ernst & Young LLP
Blenheim House
Fountainhall Road
Aberdeen
AB15 4DT

Bankers

Barclays Bank Plc
Union Plaza
1 Union Wynd
Aberdeen
AB10 1SL

Solicitors

Burness Paull & Williamsons LLP
Union Plaza
1 Union Wynd
Aberdeen
AB10 1DQ

Registered Office

Martin Street
Audenshaw
Manchester
M34 5JA

Directors' report

Registered No. 00873028

The directors present their report and financial statements for the year ended 31 December 2012

Results and dividends

The profit for the year, after taxation, was £126,477,000 (2011 - £31,763,000) Dividends of £37,300,000 were paid during the year (2011 - £nil) The directors recommend that no final dividend be paid and the profit to be transferred to reserves

Principal activity and review of business

The company's principal activity during the year was that of manufacturing, wholesale and servicing of equipment and accessories for the offshore oil and gas industry

The company traded as the following divisions Amclyde Norson Engineering, ASEP Elmar, Brandt, Brandt Environmental, Capital Valves, Coil Services (North Sea), CTES, Distribution Services, Grant Prideco, Hydra Rig, MD Totco, Mission Montrose, Portable Power, Procon Engineering, Rig Solutions, Tuboscope, Tuboscope Far East and XL Systems throughout the year The company also began trading as

- Downhole Tools as part of the NOV Cameroon Branch
- Mission Forth Valley and Mission Techdrill divisions after acquiring and transferring the trade, assets and liabilities of Forth Valley Engineering Limited and Techdrill Limited, which specialise in the supply of pipes, drilling equipment and manifolds to the oil field development industry
- Wilson division after acquiring and transferring the trade, assets and liabilities of Wilson Limited, a supply and distribution company

The company operates branches in Norway, Azerbaijan and Cameroon

Also during 2012, the company

- Increased its investment in NOV ASEP Elmar Do Brasil Equipamentos E Servicos Para Petroleu Ltda

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

	2012 £000	2011 £000	Change £000
Turnover	474,921	355,793	33%
Profit on ordinary activities before taxation	140,578	36,830	282%
Shareholder's funds	784,464	711,061	10%
Current assets as a percentage of current liabilities	103%	95%	N/A
Average number of employees	1,752	1,387	12%

Turnover increased through the acquisition and transfer of the Mission Forth Valley, Mission Techdrill and Wilson businesses, along with a full period of accounting for the Mission Montrose and Capital Valves divisions acquired in 2011

Profit before taxation increased significantly in 2012 which includes the results of the newly transferred Mission Forth Valley, Mission Techdrill and Wilson divisions

Shareholders' funds increased by 10% The profit for the year was offset by an increase to the merger reserve

At the year end, the company has returned to a net current assets position, this is largely due to increases in trade debtors and inventories from the recently transferred divisions

Employee levels rose during the year following further acquisitions

Directors' report

Registered No. 00873028

Principal risks and uncertainties

Market risks

The sale of oilfield equipment and services to the offshore oil and gas industry correlate strongly with the price of oil and drilling activity which is outside the company's direct control. However, the long term prospects for this sector are deemed to be promising due to increasing world energy use and continued political uncertainty in various areas of the world.

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 our customers. The company also endeavours to utilise the strengths of being part of a large successful multinational group, National Oilwell Varco, Inc to strategically acquire businesses to strengthen its market position.

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.

Financial risk management

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

Foreign exchange risk

The company is exposed to foreign currency exchange rate fluctuations, primarily between sterling and the US dollar. The continued financial uncertainty across Europe is indirectly affecting currencies worldwide. The company uses forward foreign currency contracts to reduce this exposure. The directors do not consider the fair value of the contracts in place at 31 December 2012 to be materially different to the issue cost.

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 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.

Directors' report

Registered No. 00873028

Financial risk management (continued)

Price risk

The directors do not consider the company to be exposed to commodity price risk as the goods and services supplied to customers are delivered based on fixed price lists and are not linked to commodity price movements

Research and development

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

Future developments

The directors believe that turnover and profitability of the company will continue to reflect market conditions in the coming years, due to the quality and service levels provided by the company, the benefits of being part of a growing global group and continued market buoyancy. The directors are focused on continuing to expand the company through strategic acquisitions

Post balance sheet events

In 2013, the company

- Transferred the Mission Forth Valley, Mission Montrose and Mission Techdrill divisions for book value to a fellow group company on 1 January 2013
- The company began trading as the APL (UK) division after transferring the trade, assets and liabilities of APL (UK) Limited on 1 May 2013 for \$2,048,000
- Acquired Itasco Precision Limited, a company that operates a machining and welding facility, for £5,500,000 on 16 April 2013

Going Concern

The current economic conditions create an element of uncertainty over demand for some of the company's services but the directors' forecasts and projections, taking account of reasonable possible changes in trading performance, show that the company is expected to have a sufficient level of financial resources available and therefore the directors believe that the company is well placed to manage its business risks successfully despite the economic uncertainty. After making enquiries and taking into consideration the net current assets position, the directors have a strong expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to prepare the financial statements on a going concern basis

Directors

The current directors are shown on page 1

Political and charitable donations

During the year the company made charitable donations of £11,102 (2011 - £20,421)

Directors' report

Registered No. 00873028

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 handicapped or 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

Employee involvement

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

Disclosure of information to auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware Having made enquiries of fellow directors and the group's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information

Re-appointment of auditors

In accordance with S 487 of the Companies Act 2006, a resolution is to be proposed at the Annual General Meeting for reappointment of Ernst & Young LLP as auditor of the Company

On behalf of the board



C P O'Neil
Director

28 June 2013



Directors' Responsibilities Statement

The directors are responsible for preparing 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 those financial statements, the directors are required to

- select suitable accounting policies and then apply consistently,
- make judgements and estimates that are reasonable and prudent, and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements

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

Independent auditor's report

to the members of National Oilwell Varco UK Limited

We have audited the financial statements of National Oilwell Varco UK Limited for the year ended 31 December 2012 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 27. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). These standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition we read all the financial and non-financial information in the Report and Financial Statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatement or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 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 Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report

to the members of National Oilwell Varco UK Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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

Ernst & Young LLP

Moira Ann Lawrence (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
Aberdeen
28 June 2013

Profit and loss account

for the year ended 31 December 2012

	<i>Notes</i>	<i>2012</i> £000	<i>2011</i> £000
Turnover	2	474,921	355,793
Cost of sales		<u>(378,866)</u>	<u>(282,170)</u>
Gross profit		96,055	73,623
Selling and distribution expenses		(9,953)	(7,424)
Administrative expenses		<u>(39,473)</u>	<u>(32,725)</u>
Operating profit	3	46,629	33,474
Profit on disposal of tangible fixed assets		231	344
Income from shares in group undertakings		95,128	4,333
Amounts written off fixed asset investments	11	(325)	(50)
Interest payable	5	(2,053)	(1,645)
Interest receivable	5	597	383
Other finance income/(expenses)	23	<u>371</u>	<u>(9)</u>
Profit on ordinary activities before taxation		140,578	36,830
Taxation on profit on ordinary activities	8	<u>(14,101)</u>	<u>(5,067)</u>
Profit for the financial year	19	<u>126,477</u>	<u>31,763</u>

All activities in the current and prior year relate to continuing operations

Statement of total recognised gains and losses

for the year ended 31 December 2012

	<i>2012</i> £000	<i>2011</i> £000
Profit for the financial year	126,477	31,763
Actuarial (loss)/gain relating to the pension schemes	(1,416)	2,060
Deferred taxation attributable the actuarial (loss)/gain	<u>326</u>	<u>(577)</u>
Total gains and losses recognised in the year	<u>125,387</u>	<u>33,246</u>

Balance sheet

at 31 December 2012

	Notes	2012 £000	2011 £000
Fixed assets			
Intangible assets	9	24,117	21,706
Tangible assets	10	50,555	40,676
Investments	11	698,734	663,927
		<u>773,406</u>	<u>726,309</u>
Current assets			
Stock	12	109,687	91,457
Debtors	13	218,067	123,549
Cash at bank and in hand		91,791	72,027
		<u>419,545</u>	<u>287,033</u>
Creditors: amounts falling due within one year	14	<u>(406,934)</u>	<u>(301,686)</u>
Net current assets/(liabilities)		<u>12,611</u>	<u>(14,653)</u>
Total assets less current liabilities		786,017	711,656
Creditors: amounts falling due after more than one year	15	-	(10)
Provision for liabilities	16	<u>(1,553)</u>	<u>(1,126)</u>
Net assets excluding pension asset		784,464	710,520
Pension asset	23	-	541
Net assets including pension asset		<u>784,464</u>	<u>711,061</u>
Capital and reserves			
Called up share capital	17	77,916	77,916
Share premium account	19	507,714	507,714
Merger reserve	19	(33,388)	(17,007)
Share-based payment reserve	19	7,033	5,336
Profit and loss account	19	<u>225,189</u>	<u>137,102</u>
Total shareholders' funds	19	<u>784,464</u>	<u>711,061</u>

The financial statements were approved by the Board of Directors and authorised for issue on 28 June 2013



C P O'Neil

Director

Notes to the financial statements

at 31 December 2012

1. Accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost accounting convention and in accordance with applicable accounting standards

Group financial statements

The financial statements present information about the company as an individual undertaking and not about its group. The company is not required to prepare group financial statements under section 401 of the Companies Act 2006 as the company and all of its subsidiary undertakings are consolidated in the consolidated financial statements of National Oilwell Varco, Inc, which are prepared in accordance with US GAAP and are drawn up to 31 December 2012

Cashflow statement

The company has taken advantage of the exemptions within FRS1 and has not produced a cashflow statement

Revenue recognition

Product turnover is recognised after delivery to, or pick up by, the customer, as this is when the significant risks and rewards of ownership of the goods have passed to the buyer. Revenue associated with the rental of tools and equipment is recognised as the tool is used by, or in the possession of, the customer. Revenue for servicing or repairing customer equipment is recognised only after the services have been performed.

All turnover is stated net of VAT, discounts, rebates and any other sales taxes or duty

Segmental reporting

The directors consider that no disclosure should be made of the geographical analysis of profit on ordinary activities before taxation and net assets as it is considered that disclosure of this information would be seriously prejudicial to the interests of the company. All turnover, profit on ordinary activities before taxation and net assets are attributable to the supply of materials, equipment and services for the oil and gas industry.

Goodwill and Merger Reserve

Goodwill is the difference between the cost of an acquired entity and the aggregate of the fair value of that entity's identifiable assets and liabilities.

Positive goodwill is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life. It is reviewed for impairment at the end of the first full financial year following the acquisition, and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Where a positive balance is generated from an inter group reorganisation, goodwill cannot be recognised and the debit balance is instead recorded as a merger reserve within capital and reserves.

Intangible assets

Intangible assets acquired separately from a business are capitalised at cost. Intangible assets acquired as part of an acquisition of a business are capitalised separately from goodwill if the fair value can be measured reliably on initial recognition. Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the year in which it is incurred.

Intangible assets are amortised on a straight line basis over their estimated useful lives up to a maximum of 20 years. The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Investments

Fixed asset investments are valued at historical cost less any provision for impairment.

Notes to the financial statements

at 31 December 2012

1. Accounting policies (continued)

Fixed assets and depreciation

All fixed assets are initially recorded at cost

Depreciation is provided on all tangible fixed assets, other than freehold land and construction in progress, at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected life, as follows

Freehold buildings	30 -50 years
Leasehold improvements	10 years
Plant and machinery	5 - 20 years
Rental equipment	3 - 10 years
Motor vehicles	3 - 4 years
Fixtures and fittings	5 - 10 years

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition, as follows

Raw materials, consumables and goods for resale	-	purchase cost on a first-in, first-out basis
Work in progress and finished goods	-	cost of direct materials and labour plus attributable overheads based on a normal level of activity

Long term contracts

Profit on long-term contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit included is calculated on a prudent basis to reflect the proportion of the work carried out at the year end, by recording turnover and related costs as contract activity progresses. Turnover is calculated as that proportion of total contract value which costs incurred to date bear to total expected costs for that contract. Revenues derived from variations on contracts are recognised only when they have been accepted by the customer. Full provision is made for losses on all contracts in the year in which they are first foreseen.

Warranty costs

A warranty provision is recognised when the company has a legal or constructive obligation as a result of a past sale and it is likely that an outflow of economic benefits will be required to settle the obligation. Provisions for the expected costs of maintenance under guarantees are charged against profits when products have been invoiced.

Research and development

Research and development expenditure is written off as incurred, except that development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured. Any expenditure carried forward is amortised in line with the expected future sales from the related project.

Notes to the financial statements

at 31 December 2012

1. Accounting policies (continued)

Deferred taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or a right to pay less, tax in the future have occurred at the balance sheet date, with the following exceptions

- provision is made for gains on disposal of fixed assets that have been rolled over into replacement assets only where, at the balance sheet date, there is a commitment to dispose of the replacement assets
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the period in which timing differences reversed, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account

Derivative instruments

The company uses forward foreign currency contracts to reduce exposure to foreign exchange rates

Forward foreign currency contracts

The criteria for forward foreign currency contracts are

- the instrument must be related to a firm foreign currency commitment,
- it must involve the same currency as the hedged item, and
- it must reduce the risk of foreign currency exchange movements on the company's operations

The rates under such contracts are used to record the hedged item. As a result, gains and losses are offset against the foreign exchange gains and losses on the related financial assets and liabilities, or where the instrument is used to hedge a committed future transaction, are not recognised until the transaction occurs

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The capital element of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet

The interest elements of the rental obligations are charged in the profit and loss account over the years of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term

Notes to the financial statements

at 31 December 2012

1. Accounting policies (continued)

Pensions

The company operated four schemes, three defined benefit schemes and a hybrid pension scheme which comprised of a defined contribution section with a defined benefit underpin

The contributions in the defined contribution scheme are charged to the profit and loss account as they fall due for payment

The assets of the defined benefit scheme are held separately from those of the company in separate trustee administered funds

The amounts charged to operating profit, regarding the defined benefit schemes, are the current service costs and gains and losses on settlements and curtailments. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest costs and the expected return on the assets are shown as a net amount of other financial costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

Pension scheme assets are measured at fair values and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond or equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of related deferred tax, is presented separately after other assets on the face of the balance sheet.

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.

Notes to the financial statements

at 31 December 2012

2. Turnover

(a) Turnover, which is stated net of value added tax, represents amounts invoiced to third parties

Turnover is attributable to the manufacturing, sale, rental and servicing of equipment and accessories to the offshore oil and gas industry. An analysis of turnover by market is given below

	2012 £000	2011 £000
Europe	249,033	222,776
Americas	48,785	43,746
Asia	73,941	47,826
Africa	78,922	29,350
Other	<u>24,240</u>	<u>12,095</u>
	<u>474,921</u>	<u>355,793</u>

(b) The directors consider that no disclosure should be made of the geographical analysis of profit on ordinary activities before taxation and net assets as it is considered that disclosure of this information would be seriously prejudicial to the interests of the company. All turnover, profit on ordinary activities before taxation and net assets are attributable to the supply of materials, equipment and services for the oil and gas industry

3. Operating profit

This is stated after charging/(crediting)

	2012 £000	2011 £000
Amortisation of intangible assets	4,395	899
Depreciation of owned fixed assets	7,838	5,988
Operating lease rentals	3,875	3,250
land and buildings		
plant and machinery	967	822
Auditors' remuneration (note 4)	219	198
Research and development expenditure written off	233	967
Foreign exchange loss/(gain)	<u>2,000</u>	<u>(2,699)</u>

4. Auditor's remuneration

	2012 £000	2011 £000
Audit of financial statements	219	198
Audit of other group companies	<u>252</u>	<u>232</u>
Total Audit	<u>471</u>	<u>430</u>
All taxation advisory services	<u>124</u>	<u>33</u>
Total non-audit services	<u>124</u>	<u>33</u>
	<u>595</u>	<u>463</u>

Notes to the financial statements

at 31 December 2012

5. Interest payable and receivable

Interest payable

	2012 £000	2011 £000
Bank loans and overdrafts	548	117
Amounts due to group undertakings	<u>1,505</u>	<u>1,528</u>
	<u>2,053</u>	<u>1,645</u>

Interest receivable

	2012 £000	2011 £000
Bank interest	477	383
Amounts due from group undertakings	<u>120</u>	<u>-</u>
	<u>597</u>	<u>383</u>

6. Staff costs

	2012 £000	2011 £000
Wages and salaries	66,417	57,023
Social security costs	7,104	6,155
Other pension costs	<u>2,929</u>	<u>2,250</u>
	<u>76,450</u>	<u>65,428</u>

Included in wages and salaries is a total expense of equity settled share-based payments of £1,697,000 (2011 - £1,238,000)

The average monthly number of employees during the year was as follows

	2012 No	2011 No
Production	1,449	1,150
Sales	117	77
Administration	<u>186</u>	<u>160</u>
	<u>1,752</u>	<u>1,387</u>

Notes to the financial statements

at 31 December 2012

7. Directors' remuneration

	<i>2012</i>	<i>2011</i>
	<i>£000</i>	<i>£000</i>
Aggregate remuneration in respect of qualifying services	<u>153</u>	<u>207</u>
Employer contributions paid to company pension scheme	<u>7</u>	<u>16</u>

	<i>2012</i>	<i>2011</i>
	<i>No</i>	<i>No</i>
Number of directors		
- who are members of company pension scheme	<u>1</u>	<u>2</u>
- who received shares in respect of qualifying services	<u>1</u>	<u>2</u>
- who exercised share options	<u>-</u>	<u>1</u>
- who exercised options over shares in the ultimate parent company	<u>-</u>	<u>1</u>

The amounts in respect of the highest paid director are as follows

	<i>2012</i>	<i>2011</i>
	<i>£000</i>	<i>£000</i>
Aggregate remuneration in respect of qualifying services	<u>153</u>	<u>165</u>
Company contributions paid to money purchase pension schemes	<u>7</u>	<u>13</u>

During 2012, £nil (2011 £33,000) was payable to one director as compensation for loss of office

The directors of the company are also directors of fellow subsidiaries. The directors received total remuneration for the year of £310,000 (2011 £373,000), of which £160,000 was paid by the company and £150,000 by another group company in the UK.

Notes to the financial statements

at 31 December 2012

8. Tax

(a) Tax charge on profit on ordinary activities

The tax charge is made up as follows

	2012 £000	2011 £000
<i>Current tax</i>		
Corporation tax	3,326	3,308
Group relief	8,922	4,898
Double taxation relief	(172)	(757)
Adjustments in respect of prior periods	1,019	(2,970)
	<u>13,095</u>	<u>4,479</u>
<i>Overseas tax</i>		
Current year	172	757
Adjustments in respect of prior periods	(351)	44
	<u>(179)</u>	<u>801</u>
Total current tax (note 8(b))	12,916	5,280
<i>Deferred tax</i>		
Origination and reversal of timing differences	(447)	870
Movement on pension accrual	145	255
Deferred tax on share based payments	124	(17)
Adjustments in respect of prior periods	1,363	-
Reversal of provision on Industrial Buildings Allowances	-	(1,321)
	<u>1,185</u>	<u>(213)</u>
	<u>14,101</u>	<u>5,067</u>

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year differs from the standard rate of corporation tax in the UK of 24.5% (2011 – 26.5%) The differences are reconciled below

	2012 £000	2011 £000
Profit on ordinary activities before taxation	<u>140,578</u>	<u>36,830</u>
Profit on ordinary activities multiplied by standard rate of corporation tax of 24.5% (2011 – 26.5%)	34,442	9,760
<i>Effect of</i>		
(Income not taxable)/expenses not deductible for tax purposes	(22,537)	(434)
Capital allowances (less than)/in excess of depreciation	392	(336)
Other timing differences	100	(499)
Capital gains	21	-
Pension provision	(170)	(285)
Adjustments in respect of previous periods	668	(2,926)
Total current tax (note 8(a))	<u>12,916</u>	<u>5,280</u>

Notes to the financial statements

at 31 December 2012

8. Tax (continued)

(c) Factors that may affect future tax charges

UK Corporation tax is calculated at 24.5% (2011: 26.5%) of the estimated assessable profit for the year

In the Budget of June 2010, it was announced that the full rate of UK corporation tax would be reduced by 1% per year for four years starting from 1 April 2011, ultimately bringing the corporation tax rate down to 24%. In addition, it was proposed to reduce the main rate of capital allowances from 20% to 18%.

In the Budget of March 2011, it was announced that the full rate of UK corporation tax would reduce by 2% to 26% effective from 1 April 2011 and then 1% per year for three years thereafter, ultimately bringing the corporation tax rate down to 23%.

In the Budget of March 2012, it was announced that the full rate of UK corporation tax would be reduced to 24% effective from 1 April 2012 and then 1% per year for two years thereafter, ultimately bringing the corporation tax rate down to 22%.

In the Autumn Statement of 2012, it was announced that the full rate of UK corporation tax would be reduced by a further 1% to 21% effective from 1 April 2014. In addition, the Annual Investment Allowance was increased from £25,000 to £250,000 per annum for a 2 year period commencing 1 January 2013.

In the budget of March 2013, it was announced that the full rate of UK corporation tax would be reduced by a further 1% to 20% effective from 1 April 2015.

As at 3 July 2012 the reduction in the UK corporation tax rate to 22% was substantively enacted and has been applied to the deferred tax calculations in these accounts. It is expected that the UK corporation tax rate of 20% will be substantively enacted during 2013 and the expected deferred tax impact is \$37,000.

(d) Deferred tax

Deferred taxation is included in the balance sheet as follows

	2012 £000	2011 £000
Included in debtors		
Accelerated capital allowances	1,599	670
Other timing differences	(1,150)	(1,287)
Share based payments	(536)	(660)
	<u>(87)</u>	<u>(1,277)</u>
Included in defined benefit pension asset (note 23)	-	180
	<u>(87)</u>	<u>(1,097)</u>
	2012 £000	
As at 1 January	(1,097)	
Originating and reversal of timing differences	(172)	
Originating and reversal of timing differences – pension	145	
Adjustments in respects of prior years	1,363	
	<u>239</u>	
Amounts credited to Statement of Total Recognised Gains and Losses	(326)	
At 31 December	<u>(87)</u>	

Notes to the financial statements

at 31 December 2012

9. Intangible fixed assets

	<i>Intangibles</i> £000	<i>Goodwill</i> £000	<i>Total</i> £000
Cost			
At 1 January 2012	20,748	9,537	30,285
Additions	<u>6,806</u>	-	<u>6,806</u>
At 31 December 2012	<u>27,554</u>	<u>9,537</u>	<u>37,091</u>
Amortisation			
At 1 January 2012	2,225	6,354	8,579
Provided during the year	<u>4,037</u>	<u>358</u>	<u>4,395</u>
At 31 December 2012	<u>6,262</u>	<u>6,712</u>	<u>12,974</u>
Net book value			
At 31 December 2012	<u>21,292</u>	<u>2,825</u>	<u>24,117</u>
At 1 January 2012	<u>18,523</u>	<u>3,183</u>	<u>21,706</u>

Notes to the financial statements

at 31 December 2012

10. Tangible fixed assets

	<i>Freehold land and buildings</i>	<i>Leasehold improve- ments</i>	<i>Plant machinery and rental equipment</i>	<i>Motor Vehicles</i>	<i>Fixtures and fittings</i>	<i>Construction in progress</i>	<i>Total</i>
	£000	£000	£000	£000	£000	£000	£000
Cost							
At 1 January 2012	21,861	1,533	58,445	283	4,689	4,800	91,611
Additions	89	245	6,225	63	425	5,949	12,996
Disposals	-	-	(917)	(8)	(7)	-	(932)
Transfers from group undertakings	3,150	-	3,427	12	33	-	6,622
Transfers to group undertakings	-	(69)	(624)	-	(127)	-	(820)
Transfers	2,630	-	976	(49)	304	(5,153)	(1,292)
At 31 December 2012	27,730	1,709	67,532	301	5,317	5,596	108,185
Depreciation							
At 1 January 2012	8,910	1,134	37,353	199	3,339	-	50,935
Charge for the year	845	119	6,158	75	640	-	7,837
Disposals	-	-	(535)	(5)	(7)	-	(547)
Transfers to group undertakings	-	(69)	(414)	-	(112)	-	(595)
At 31 December 2012	9,755	1,184	42,562	269	3,860	-	57,630
Net book value							
At 31 December 2012	17,975	525	24,970	32	1,457	5,596	50,555
At 1 January 2012	12,951	399	21,092	84	1,350	4,800	40,676

The cost of land and buildings includes £20,322,000 (2011 - £17,128,000) of depreciable assets

Notes to the financial statements

at 31 December 2012

11. Fixed asset investments

	<i>Subsidiary undertakings £000</i>	<i>Associate undertakings £000</i>	<i>Total £000</i>
Cost			
At 1 January 2012	903,162	2,029	905,191
Additions	35,138	-	35,138
Disposals	<u>(60,046)</u>	-	<u>(60,046)</u>
At 31 December 2012	<u>878,254</u>	<u>2,029</u>	<u>880,283</u>
Amounts written off			
At 1 January 2012	241,264	-	241,264
Provided during the year	325	-	325
Disposals	<u>(60,040)</u>	-	<u>(60,040)</u>
At 31 December 2012	<u>181,549</u>	<u>-</u>	<u>181,549</u>
Net book value			
At 31 December 2012	<u>696,705</u>	<u>2,029</u>	<u>698,734</u>
At 1 January 2012	<u>661,898</u>	<u>2,029</u>	<u>663,927</u>

During the year, the company acquired Techdrill Limited, Forth Valley Engineering Limited and Wilson United Kingdom Limited for £22.7m, £4.3m and £7.7m respectively. The company also increased its investment in NOV ASEP Elmar Do Brasil Equipamentos E Servicos Para Petroleu Ltda by £300,000.

During 2012, the company dissolved dormant companies, each of which had previously been written down to their issued share capital value.

Details of the principal investments in which the company holds more than 20% of the nominal value of any class of share capital are as follows:

Subsidiary undertakings

<i>Name of company</i>	<i>Proportion of voting rights and shares held</i>	<i>Nature of business</i>
Tuboscope Vetco Capital Limited	100%	Inspection services to the oil & gas industry in Kazakhstan
Varco CIS LLC	100% (1)	Holding company
Tuboscope Vetco Moscow CJSC	100% (2)	Inspection services to the oil and gas industry in Russia
Istok Business Services LLC	100% (3)	Business services to the oil & gas industry
NOV Distribution Eurasia LLC	100% (4)	Supply of materials and services to the oil and gas industry

Notes to the financial statements

at 31 December 2012

11. Fixed asset investments (continued)

Subsidiary undertakings

<i>Name of company</i>	<i>Proportion of voting rights and shares held</i>	<i>Nature of business</i>
NOV ASEP Elmar (Middle East) Limited	100%	Sale/rental of oilfield equipment
Elmar Far East Pty Limited	100%	Sale/rental of oilfield equipment
Varco Al Mansoori Service Company LLC	49%	Sale/repair of oilfield equipment
Hebei Huayouyiji Tuboscope Coating Co Limited	60%	OCTG Coating
NOV Mission Products UK Limited	100%	Manufacturing & marketing of oilfield equipment
NOV Ghana Limited	100%	Sale, rental and service of oilfield goods
Mono Pumps Limited	100%	Manufacture and sale of water pumping and treatment equipment
Mono Pumps (Australia) Pty Limited	100% (5)	Manufacture and sale of water pumping and treatment equipment
Mono Pumps (New Zealand) Limited	100% (5)	Manufacture and sale of water pumping and treatment equipment
NOV Downhole Eurasia Limited	100%	Design and manufacture of equipment to the oil and gas industry
Big Red Tubulars Limited	100%	Manufacturing of oilfield equipment
Greystone Technologies Pty Limited	51%	Technology holding company
NOV ASEP Elmar Do Brasil Equipamentos E Servicos Para Petroleu Ltda	100% (6)	Manufacturing and sale of oilfield equipment
NOV Oil and Gas Services Nigeria Limited	100% (7)	Manufacturing and sale of oilfield equipment

Associate undertakings

<i>Name of company</i>	<i>Proportion of voting rights and shares held</i>	<i>Nature of business</i>
Sigma Offshore Limited	19%	Engineering services to the oil and gas industry

Notes to the financial statements

at 31 December 2012

11. Fixed asset investments (continued)

All shareholdings are Ordinary Shares except for Varco CIS LLC and Tuboscope Vetco Moscow CJSC which are Charter Capital

All of the above companies are incorporated in Great Britain, other than Elmar Far East Pty Limited, Mono Pumps (Australia) Pty Limited and Greystone Technologies Pty Limited, which are incorporated in Australia, Varco CIS LLC, Tuboscope Vetco Moscow CJSC, Istok Business Services LLC and NOV Distribution Eurasia LLC which are incorporated in Russia, Varco Al Mansoori Service Company LLC which is incorporated in United Arab Emirates, Hebei Huayouyiji Tuboscope Coating Co Limited which is incorporated in the People's Republic of China, Mono Pumps (New Zealand) Limited which is incorporated in New Zealand, NOV ASEP Elmar Do Brasil Equipamentos E Servicos Para Petroleu Ltda which is incorporated in Brazil, Big Red Tubulars Limited which is incorporated in the British Virgin Islands and NOV Oil and Gas Services Nigeria Limited which is incorporated in Nigeria

- (1) Held by Tuboscope Vetco Capital Limited (99%) and National Oilwell Varco UK Limited (1%)
- (2) Held by Varco CIS LLC
- (3) Held by Varco CIS LLC (99%) and National Oilwell Varco UK Limited (1%)
- (4) Held by Istok Business Services LLC
- (5) Held by Mono Pumps Limited
- (6) Held by National Oilwell Varco UK Limited (99.9%) and Mono Pumps Limited (0.01%)
- (7) Held by National Oilwell Varco UK Limited (99%) and Mono Pumps Limited (1%)

In the opinion of the directors, the aggregate value of the investment in subsidiary undertakings is not less than the amount at which they are stated in the accounts

12. Stock

	2012	2011
	£000	£000
Raw materials and consumables	26,376	11,682
Work in progress	32,093	32,691
Finished goods and goods for resale	51,218	47,084
	<u>109,687</u>	<u>91,457</u>

13. Debtors

	2012	2011
	£000	£000
Trade debtors	82,058	55,880
Amounts owed by other group undertakings	98,466	47,659
Amounts recoverable on contracts	1,926	-
Corporation tax	24,155	11,959
Other taxes and social security costs	530	571
Overseas Tax	730	-
Prepayments and accrued income	7,288	5,330
Other debtors	2,827	873
Deferred tax (note 8)	87	1,277
	<u>218,067</u>	<u>123,549</u>

Notes to the financial statements

at 31 December 2012

14. Creditors: amounts falling due within one year

	2012 £000	2011 £000
Bank overdraft	66,594	34,887
Trade creditors	25,497	19,343
Payments received in advance	15,362	18,349
Amounts due to fellow subsidiary undertakings	246,078	201,142
Amounts due to subsidiary undertakings	1	1
Group relief	22,902	10,280
Overseas tax	-	240
Accruals and deferred income	30,500	17,444
	<u>406,934</u>	<u>301,686</u>

15. Creditors: amounts falling due after more than one year

	2012 £000	2011 £000
Amounts due to group undertakings	-	9
Amounts due to subsidiary undertakings	-	1
	<u>-</u>	<u>10</u>

16. Provisions for liabilities

	<i>Provision for warranty costs £000</i>
At 1 January 2012	1,126
Provided during the year	1,167
Utilised	(484)
Provision written back	(256)
At 31 December 2012	<u>1,553</u>

17. Share capital

	2012 <i>No</i>	<i>Authorised</i> 2011 <i>No</i>	<i>Issued, called up and fully paid</i> 2012 £000	<i>2011 £000</i>
Ordinary shares of £1 each	<u>77,916,494</u>	<u>77,916,494</u>	<u>77,916</u>	<u>77,916</u>

Notes to the financial statements

at 31 December 2012

18. Dividends

	2012	2011
	£000	£000
<i>Declared and paid during the year</i>		
Equity dividends per ordinary share		
Interim March 2012 47 87p	<u>37,300</u>	<u>-</u>
	<u>37,300</u>	<u>-</u>

19. Reconciliation of shareholders' funds and movement on reserves

	<i>Share capital</i>	<i>Share premium</i>	<i>Merger reserve</i>	<i>Share based payment reserve</i>	<i>Profit and loss account</i>	<i>Total Shareholders' funds</i>
	£000	£000	£000	£000	£000	£000
At 1 January 2011	77,916	507,714	-	4,098	103,856	693,584
Profit for the year	-	-	-	-	31,763	31,763
Actuarial gain relating to pension scheme	-	-	-	-	2,060	2,060
Deferred taxation relating to pension scheme	-	-	-	-	(577)	(577)
Share based payment reserve	-	-	-	1,238	-	1,238
Merger reserve	-	-	(17,007)	-	-	(17,007)
At 31 December 2011	<u>77,916</u>	<u>507,714</u>	<u>(17,007)</u>	<u>5,336</u>	<u>137,102</u>	<u>711,061</u>
Profit for the year	-	-	-	-	126,477	126,477
Actuarial loss relating to pension scheme	-	-	-	-	(1,416)	(1,416)
Deferred taxation relating to pension scheme	-	-	-	-	326	326
Dividend paid	-	-	-	-	(37,300)	(37,300)
Share based payment reserve	-	-	-	1,697	-	1,697
Merger reserve	-	-	(16,381)	-	-	(16,381)
At 31 December 2012	<u>77,916</u>	<u>507,714</u>	<u>(33,388)</u>	<u>7,033</u>	<u>225,189</u>	<u>784,464</u>

The addition to the merger reserve was recognised in the year following inter group reorganisations which would have given rise to positive goodwill. This goodwill cannot be recognised in accordance with FRS6 and has therefore been transferred to the merger reserve.

20. Capital commitments

Amounts contracted but not provided in the financial statements amounted to £4,468,000 (2011 £84,000)

21. Contingent liabilities

At 31 December 2012, the company had contingent liabilities in respect of outstanding guarantees given for performance bonds and contracting agreements amounting to £5,401,000 (2011 £4,559,000) entered into in the normal course of business.

Notes to the financial statements

at 31 December 2012

22. Financial commitments

Annual commitments under non-cancellable operating leases are as follows

	<i>Plant and machinery</i>		<i>Land and buildings</i>	
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Operating leases which expire				
Within one year	130	88	734	210
In two to five years	553	371	1,439	1,117
In over five years	14	-	932	1,420
	<u>697</u>	<u>459</u>	<u>3,105</u>	<u>2,747</u>

23. Pension commitments

The company is party to a number of schemes – Tuboscope Holdings Limited scheme, National Oilwell (UK) Limited scheme, the Merpro plan and during the year acquired the Wilson plan, details are given in respect of each below

The company participated in the Tuboscope Holdings Limited 1998 Pension scheme which is a hybrid pension scheme comprising a defined contribution section with a defined benefit underpin. The scheme is set up under trust and the assets are held separately from those of the company.

The scheme was established in 1998 and the majority of the then employees of National Oilwell Varco UK Limited contribute to the defined contribution section. Prior to January 1998, employees contributed to various pension schemes.

The trustees secured all remaining defined benefit liabilities with the Legal and General Assurance Society Limited in 2007 and 2008 and the policies were assigned to the individuals in 2009.

The assets and liabilities are fully matched at December 2012.

National Oilwell (U K) Limited Pension Plan

The National Oilwell (U K) Limited Pension Plan is a defined benefit plan for the legacy employees of National Oilwell (U K) Limited, providing benefits based on final pensionable salaries. The assets of the plan are held separately from those of the group, being invested by managers for this purpose. The plan closed to future accrual on 30 June 2012. As a result, the current service cost is only in respect of the period up until closure and the surplus and expected return on assets have been restricted as per paragraphs 37 of FRS17.

The assets of this scheme are held in separate trustee administered funds.

The most recent formal actuarial valuation prepared by a qualified independent actuary of the scheme has an effective date of 1 January 2011. The method used in this valuation is the projected unit method. The next formal valuation of the scheme will have an effective date of 1 January 2014.

The valuation showed that the market value of the assets was £37,440,000 and that the actuarial value of those assets represented 93.8% of the liability at that valuation date.

At 31 December 2012 the financial statements contain a pension accrual of £nil (2011: £nil) relating to this scheme.

Notes to the financial statements

at 31 December 2012

23. Pension commitments (continued)

National Oilwell (U.K.) Limited Pension Plan (continued)

FRS 17 disclosures

The assets and liabilities in the scheme in respect of the defined benefit section and relevant information for disclosure under FRS 17 are as follows

A full actuarial valuation was updated to 31 December 2012 and was converted to a basis consistent with FRS17 by a qualified independent actuary. The major assumptions used by the actuary were (in nominal terms)

	2012	2011
Rate of increase in salaries	4%	4%
Rate of increase of pensions in payment	2.2%	2.1%
Rate of increase in pensions in deferment	2.2%	2.1%
Discretionary increases on pensions in payment	2.2%	2.1%
Discount rate	4.5%	4.9%
Inflation assumption (RPI)	3.0%	3.0%
Inflation assumption (CPI)	2.2%	2.1%
Expected return on scheme assets	5.8%	6.5%
Post retirement mortality – years		
Current pensioners at 65 – male	21.1	21.0
Current pensioners at 65 – female	23.2	23.1
Future pensioners at 65 – male	22.1	22.0
Future pensioners at 65 – female	24.4	24.3

The fair value of the assets in the scheme and the present value of the liabilities in the scheme at each balance sheet date were

	2012	2011
	£000	£000
Equities	24,316	22,458
Bonds	15,750	14,950
Other	-	173
Total fair value of assets	40,066	37,581
Present value of scheme liabilities	(39,451)	(37,146)
Surplus in the plan	615	435
Related deferred tax asset	-	(109)
FRS 17 paragraph 37 restriction	(615)	-
Net pension asset	-	326

Notes to the financial statements

at 31 December 2012

23. Pension commitments (continued)

National Oilwell (U K) Limited Pension Plan (continued)

Analysis of the amount charged to operating costs

	<i>2012</i>	<i>2011</i>
	<i>£000</i>	<i>£000</i>
Current service cost	80	115
FRS 17 paragraph 37 restriction	<u>294</u>	<u>-</u>
	<u>374</u>	<u>115</u>
Amount credited/(charged) to other net finance income/(costs)		
Expected return on pension scheme assets	2,154	2,106
Interest on pension liabilities	<u>(1,780)</u>	<u>(2,120)</u>
Net return/(cost)	<u>374</u>	<u>(14)</u>

Analysis of the actuarial (loss)/gain in the statement of total recognised gains and losses

	<i>2012</i>	<i>2011</i>
	<i>£000</i>	<i>£000</i>
Expected return less actual return on pension scheme assets	1,014	(1,716)
Changes in assumptions underlying the present value of the scheme liabilities	(2,045)	(263)
FRS 17 paragraph 37 restriction	(321)	-
Experience gains on scheme assets	<u>-</u>	<u>4,050</u>
	<u>(1,352)</u>	<u>2,071</u>

Analysis of the changes in the present value of the defined benefit obligations during the year

	<i>2012</i>	<i>2011</i>
	<i>£000</i>	<i>£000</i>
Value at beginning of year	(37,146)	(40,018)
Movement in year		
Current service costs	(80)	(115)
Interest cost	(1,780)	(2,120)
Employee contributions	(37)	(64)
Benefits paid	1,637	1,384
Actuarial (loss)/gain	<u>(2,045)</u>	<u>3,787</u>
Value at end of year	<u>(39,451)</u>	<u>(37,146)</u>

Notes to the financial statements

at 31 December 2012

23. Pension commitments (continued)

National Oilwell (U K) Limited Pension Plan (continued)

Analysis of the changes in the fair value of the plan assets during the year

	2012 £000	2011 £000
Value at beginning of year	37,581	37,453
Movement in year		
Expected return	3,168	2,106
Employer contributions	917	1,058
Employee contributions	37	64
Benefits paid	(1,637)	(1,384)
Actuarial loss	-	(1,716)
Value at end of year	<u>40,066</u>	<u>37,581</u>

History of experience (gains) and losses

	2012 £000	2011 £000	2010 £000	2009 £000	2008 £000
Fair value of scheme assets	40,066	37,581	37,453	33,466	29,289
Present value of defined benefit obligation	(39,451)	(37,146)	(40,018)	(36,053)	(32,727)
Surplus/(deficit) in scheme	<u>615</u>	<u>435</u>	<u>(2,565)</u>	<u>(2,587)</u>	<u>(3,438)</u>
Experience gains and (losses) on scheme liabilities	-	4,050	-	-	(612)

Following the government's announcement of the change in the minimum pension increases from RPI to CPI, pension revaluation in deferment and pension increases in payment for all members are now linked to CPI

Merpro Group Pension & Life Assurance Scheme

During 2011 the trade, assets and liabilities of the Merpro Group was transferred to National Oilwell Varco UK Limited, which included the employee pension scheme. The Merpro scheme has been closed and there are no active members accruing benefits.

The assets of this scheme are held in separate trustee administered funds.

The most recent formal actuarial valuation prepared by a qualified independent actuary of the scheme has an effective date of 6 April 2010. The method used in this valuation is the projected unit method. The next formal valuation of the scheme will have an effective date of 6 April 2013.

The valuation showed that the market value of the assets was £2,729,000 and that the actuarial value of those assets represented 94.36% of the liability at that valuation date.

At 31 December 2012, the financial statements contain a pension accrual of £nil (2011: £nil) relating to this scheme.

Notes to the financial statements

at 31 December 2012

23. Pension commitments (continued)

Merpro Group Pension & Life Assurance Scheme (continued)

FRS 17 disclosures

The assets and liabilities in the scheme in respect of the defined benefit section and relevant information for disclosure under FRS 17 are as follows

A full actuarial valuation was updated to 31 December 2012 and was converted to a basis consistent with FRS17 by a qualified independent actuary. The major assumptions used by the actuary were (in nominal terms)

	2012	2011
Rate of increase in salaries	4.0%	4.0%
Inflation	3.0%	3.0%
Rate of increase of pensions in payment	-%	-%
Rate of increase in pensions in deferment	2.2%	3.0%
Discount rate	4.5%	4.9%
Expected return on scheme assets	4.15%	5.41%
Post retirement mortality – years		
Current pensioners at 65 – male	21.1	21.0
Current pensioners at 65 – female	23.4	23.1
Future pensioners at 65 – male	22.4	22.0
Future pensioners at 65 – female	24.9	24.3

The fair value of the assets in the scheme and the present value of the liabilities in the scheme at the balance sheet date was

	2012	2011
	£000	£000
Equities	668	698
Bonds	156	131
Cash	117	221
Fixed interest gilts	2,024	1,770
Total fair value of assets	2,965	2,820
Present value of scheme liabilities	(2,557)	(2,534)
Surplus in the plan	408	286
Related deferred tax liability	-	(71)
FRS 17 paragraph 37 restriction	(408)	
Net pension asset	-	215

Notes to the financial statements

at 31 December 2012

23. Pension commitments (continued)

Merpro Group Pension & Life Assurance Scheme (continued)

Analysis of the amount charged to operating costs

	2012 £000	2011 £000
FRS 17 paragraph 37 restriction	(3)	-
	<u>(3)</u>	<u>-</u>

Amount credited/(charged) to other net finance income/(costs)

	2012 £000	2011 £000
Expected return on pension scheme assets	118	70
Interest on pension liabilities	<u>(121)</u>	<u>(65)</u>
Net (costs)/return	<u>(3)</u>	<u>5</u>

Analysis of the actuarial (loss)/gain in the statement of total recognised gains and losses

	2012 £000	2011 £000
Expected return less actual return on pension scheme assets	(26)	138
Changes in assumptions underlying the present value of the scheme liabilities	(57)	(110)
Experience gains/(losses) on scheme assets	<u>19</u>	<u>(39)</u>
	<u>(64)</u>	<u>(11)</u>

Analysis of the changes in the present value of the defined benefit obligations since acquisition

	2012 £000	2011 £000
Value at beginning of period	(2,534)	(2,411)
Movement in year		
Interest cost	(121)	(65)
Benefits paid	136	91
Actuarial loss	<u>(38)</u>	<u>(149)</u>
Value at end of year	<u>(2,557)</u>	<u>(2,534)</u>

Notes to the financial statements

at 31 December 2012

23. Pension commitments (continued)

Merpro Group Pension & Life Assurance Scheme (continued)

Analysis of the changes in the fair value of the plan assets since acquisition

	2012	2011
	£000	£000
Value at beginning of year	2,820	2,562
Movement in year		
Expected return	118	70
Employer contributions	189	141
Benefits paid	(136)	(91)
Actuarial (loss)/gain	<u>(26)</u>	<u>138</u>
Value at end of year	<u>2,965</u>	<u>2,820</u>

History of experience gains and losses

	2012	2011
	£000	£000
Fair value of scheme assets	2,965	2,820
Present value of defined benefit obligation	<u>(2,557)</u>	<u>(2,534)</u>
Surplus in scheme	408	286
Experience adjustment on scheme assets	(26)	138
Experience adjustment on scheme liabilities	19	(39)

Following the government's announcement of the change in the minimum pension increases from RPI to CPI, pension revaluation in deferment and pension increases in payment for all members are now linked to CPI

Notes to the financial statements

at 31 December 2012

23. Pension commitments (continued)

UK Pension and Life Assurance Plan of Wilson United Kingdom Limited (Wilson Plan)

On 31 October 2012, the trade, assets and liabilities of Wilson United Kingdom Limited was transferred to National Oilwell Varco UK Limited, which included the employee pension scheme

The assets of this scheme are held in separate trustee administered funds

FRS 17 disclosures

The assets and liabilities in the scheme in respect of the defined benefit section and relevant information for disclosure under FRS 17 are as follows

A full actuarial valuation was updated to 31 December 2012 and was converted to a basis consistent with FRS17 by a qualified independent actuary. The major assumptions used by the actuary were (in nominal terms)

	2012
Rate of increase in salaries	4%
Rate of increase of pensions in payment	2.2%
Rate of increase in pensions in deferment	2.2%
Discretionary increases on pensions in payment	2.2%
Discount rate	4.5%
Inflation assumption (RPI)	3.0%
Inflation assumption (CPI)	2.2%
Expected return on scheme assets	5.4%
Post retirement mortality – years	
Current pensioners at 65 – male	21.1
Current pensioners at 65 – female	23.2
Future pensioners at 65 – male	22.1
Future pensioners at 65 – female	24.4

The fair value of the assets in the scheme and the present value of the liabilities in the scheme at the balance sheet date was

	2012
	£000
Equities	-
Bonds	-
Other	3,106
Total fair value of assets	3,106
Present value of scheme liabilities	(2,512)
Surplus in the plan	594
Related deferred tax liability	-
FRS 17 paragraph 37 restriction	(594)
Net pension asset	-

Notes to the financial statements

at 31 December 2012

23. Pension commitments (continued)

UK Pension and Life Assurance Plan of Wilson United Kingdom Limited (Wilson Plan) (continued)

History of experience gains and losses

2012
£000

Fair value of scheme assets	3,106
Present value of defined benefit obligation	<u>(2,512)</u>
Surplus in scheme	594
Experience gains and (losses) on scheme liabilities	-

Following the government's announcement of the change in the minimum pension increases from RPI to CPI, pension revaluation in deferment and pension increases in payment for all members are now linked to CPI

24. Shared based payments

The expense recognised for equity settled share-based payments in respect of employee services received during the year to 31 December 2012 is £1,218,000 for the Senior Executive Plan and £479,000 for the restricted share options (2011 - £910,000 and £328,000 respectively)

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 grant. There are no cash settlement alternatives.

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year

	2012	2012	2011	2011
	No	WAEP £	No	WAEP £
Outstanding as at 1 January	232,005	31.20	269,512	22.15
Granted during the year	78,508	53.98	69,184	51.31
Forfeited during the year	(2,759)	42.63	(12,844)	23.40
Transferred Out during the year	(9,833)	34.60	-	-
Transferred In during the year	54,048	24.67	-	-
Exercised	<u>(30,970)</u>	<u>23.41</u>	<u>(93,847)</u>	<u>19.77</u>
Outstanding at 31 December	<u>320,999</u>	<u>37.29</u>	<u>232,005</u>	<u>31.20</u>
Exercisable at 31 December	<u>166,707</u>	<u>26.34</u>	<u>95,396</u>	<u>22.06</u>

Notes to the financial statements

at 31 December 2012

24. Shared based payments (continued)

For the share options outstanding as at 31 December 2012, the weighted average remaining contractual life is 8.07 years (2011 – 8.44 years)

The weighted average share price at the date of exercise for options exercised was £51.67 (2011 - £48.87)

The weighted average fair value of options granted during the year was £18.92 (2011 - £18.19). The range of exercise prices for options outstanding at the end of the year was £6.12 - £53.98 (2011 - £6.12 - £50.93)

The fair value of equity-settled share options granted is estimated as at the date of grant using a Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the years ended 31 December 2012 and 31 December 2011

	2012	2011
Risk free interest rate	0.90%	2.10%
Expected dividend	\$0.57	\$0.44
Expected option life (years)	3.2	3.1
Expected volatility	51.7%	53.2%

The Black-Scholes model is based on the option plan of National Oilwell Varco, Inc. The use of the Black-Scholes model requires the use of extensive actual employee exercise activity data and the use of a number of complex assumptions including expected volatility, risk-free interest rate, expected dividends and expected term.

The actual volatility for traded options on National Oilwell Varco Inc's stock since 11 March 2005 has been used as the expected volatility assumption required in the Black Scholes model.

The risk-free interest rate assumption is based upon observed interest rates appropriate for the term of employee stock options. The dividend yield assumption is based on the history and expectation of dividend payouts. The estimated expected term is based on actual employee exercise activity for National Oilwell Varco Inc, for the past 10 years.

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. The Company granted restricted shares to key employees on 21 February 2012 at a fair value of £52.82 (2011 - £48.99). These shares will not vest until the third anniversary of the date of the grant, at which time they will be 100% vested.

Notes to the financial statements

at 31 December 2012

24. Shared based payments (continued)

The following table illustrates the number and weighted average grant date fair value (WAGDFV) of, and movements in, restricted shares during the year

	2012	2012	2011	2011
	<i>No</i>	<i>WAGDFV</i>	<i>No</i>	<i>WAGDFV</i>
		£		£
Outstanding as at 1 January	34,835	29 62	37,250	26 04
Granted during the year	13,680	52 82	8,510	48 99
Forfeited during the year	(1,875)	30 46	(3,575)	27 15
Transferred during the year	455	34 05	1,150	18 18
Exercised	<u>(12,050)</u>	<u>18 18</u>	<u>(8,500)</u>	<u>32 82</u>
Outstanding at 31 December	<u>35,045</u>	<u>42 62</u>	<u>34,835</u>	<u>29 62</u>
Exercisable at 31 December	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The weighted average vesting period is 1.15 years (2011 – 1.02 years)

25. Related parties

The company has taken advantage of the exemption provided in Financial Reporting Standard 8 'Related Party Disclosures' not to disclose transactions with wholly owned entities which form part of the group

During the year the company received dividends of £909,342 and £2,631,672 from its investments in Varco Al Mansoori Service Company LLC and Hebei Huayouyiji Tuboscope Coating Co Limited respectively

Also during 2012, the company provided a loan to its investment Sigma Offshore Limited of £1,000,000, bearing interest at 12%

26. Post balance sheet events

In 2013, the company

- Transferred the Mission Forth Valley, Mission Montrose and Mission Techdrill divisions for book value to a fellow group company on 1 January 2013
- The company began trading as the APL (UK) division after transferring the trade, assets and liabilities of APL (UK) Limited on 1 May 2013 for \$2,048,000
- Acquired Itasco Precision Limited, a company that operates a machining and welding facility, for £5,500,000 on 16 April 2013

27. Ultimate parent undertaking

The company's immediate parent undertaking was Tuboscope Holdings Limited and changed to Varco UK Acquisitions Limited in December 2012. Both companies were incorporated in Great Britain

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 the 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