

Registered number SC147952

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**Sulzer Wood Limited**  
**Annual Report and Financial statements**  
**for the year ended 31 December 2014**

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# **Sulzer Wood Limited**

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# **Sulzer Wood Limited**

Registered number: SC147952

## **Directors and advisers for the year ended 31 December 2014**

### **Directors**

A J Percy

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D A Stewart (appointed 1/1/14)

S J Nicol (appointed 1/1/14)

S S Nadkarni (appointed 1/1/14)

### **Company secretary**

R Brown

### **Registered office**

John Wood House

Greenwell Road

East Tullos

Aberdeen

AB12 3AX

### **Independent auditor**

KPMG LLP

Chartered Accountants & Statutory Auditors

One Snowhill

Snow Hill Queensway

Birmingham

B4 6GH

### **Solicitors**

Paull & Williamsons

Investment House

6 Union Row

Aberdeen

AB10 1DQ

### **Bankers**

HSBC

2 Queens Road

Aberdeen

AB15 4ZT

# **Sulzer Wood Limited**

Registered number: SC147952

## **Directors' report for the year ended 31 December 2014**

The directors present their report and the audited financial statements of the company for the year ended 31 December 2014.

### **Principal activities**

The company's principal activity during the year was the provision of specialist services relating to the repair of pumps and oil related equipment.

### **Results and dividends**

The company's after tax profit for the year is £2,956,000 (2013: £2,988,000). A dividend was paid in the year of £2,400,000 and shared in accordance with the joint venture agreement (2013: £1,700,000). Total assets have increased to £11,186,000 (2013: £9,514,000).

### **Directors**

The directors in office at any time during the year and up to the date of signing the financial statements are disclosed on page 1.

The company maintains liability insurance for its directors and officers. By virtue of the articles of association, the company has also provided indemnity for its directors and the secretary, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006. The liability insurance was in place throughout the accounting year, as well as at the date of approval of the financial statements.

### **Auditor**

Pursuant to section 487 of the Companies Act 2006, the auditor is deemed to be reappointed and therefore KPMG LLP will continue in office.

### **Statement of disclosure of information to auditor**

In so far as the directors are aware:

- There is no relevant audit information of which the company's auditor is unaware, and
- The directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

### **General meetings**

The company has elected in pursuance of the Companies Act 2006, not to lay accounts before the members in general meeting. Members, however, may by notice in writing to the company at its registered office require that the accounts are laid before the company in general meeting.

## **Directors' report for the year ended 31 December 2014 (continued)**

### **Statement of directors' responsibilities**

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

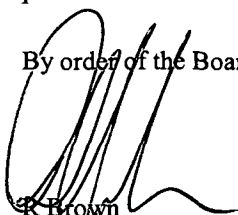
Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must 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 and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

By order of the Board



R Brown  
**Company secretary**  
25<sup>th</sup> May 2015

# **Sulzer Wood Limited**

Registered number: SC147952

## **Strategic report for the year ended 31 December 2014**

### **Review of business and future developments**

Turnover for the financial year to 31 December 2014 year reduced by 22.8% in comparison with the year ended 31 December 2013, which was mainly attributable to the reduction in Retrofit business with other business streams at a similar level compared to prior year. Operating profit is largely consistent with the year ended 31 December 2013, due to increased SRGP in some business streams driven by efficiencies and the reduction in the Retrofit business had minimal impact due to low SRGP.

The business continues to develop through its strategy of value addition in the form of pump operating life extensions and reliability improvements for North Sea Oil & Gas Operators.

### **Outlook and principal risks**

#### ***Brent Crude Oil price risk***

The nature of the business is such that the most significant risk is the reduction in the price of Brent Crude Oil. Operators within the North Sea face high lifting costs which in the current time of low Brent Crude Oil prices, puts pressure on Operators and supporting industries to remain cost effective and profitable, with increased pressure from Operators to add value & minimise costs. With our best-in-class technical resources, Sulzer Wood are well-placed to help our clients achieve operational savings and we do expect our proven track record in delivering equipment reliability solutions to yield good results in the medium term.

Other minor risks include, but are not limited to:

#### ***Liquidity risk***

The company seeks to manage liquidity risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Forecasts are prepared at company level and facilities arranged through Sulzer AG. Continuity of funding is ensured through a constant dialogue with Sulzer AG ensuring that appropriate funding is available.

#### ***Currency risk***

Transaction risk is managed through ensuring that both sales and purchases are made in the same currency and, if material imbalances are predicted to arise, a decision is made on whether to hedge the exposure.

#### ***Credit risk***

The company's principal financial assets are cash (held by Related Party), work in progress (WIP) and trade debtors.

The credit risk associated with cash is limited as the counterparties have high credit ratings assigned by international credit-rating agencies. The principal credit risk arises therefore from its WIP and trade debtors.

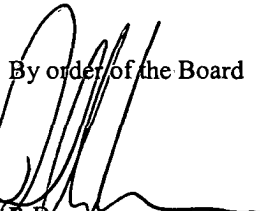
In order to manage credit risk, Purchase Orders are obtained from customers prior to the commencement of work. Third Party Credit checks are performed and reviewed periodically for Customers.

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**Strategic report for the year ended 31 December 2014 (continued)**

**Research and development**

The Sulzer Wood joint venture combines the benefits of pump OEM and oilfield service provider in a single entity. From the Sulzer side we continue to have access to the very latest research and technical development in terms of pump hydraulics, metallurgy improvements and wear-resistant coatings. From a Wood Group PSN viewpoint we have access to clients at a much higher level and are thus able to develop business strategies which meet the needs of their individual businesses.

By order of the Board  
  
R Brown

**Company secretary**  
25<sup>th</sup> May 2015

## **Independent auditor's report to the members of Sulzer Wood Limited**

We have audited the financial statements of Sulzer Wood Limited for the year ended 31 December 2014 set out on pages 8 to 31. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

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 auditor**

As explained more fully in the directors' responsibilities statement set out on page 3, 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). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on 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 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

In our opinion 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.



# **Sulzer Wood Limited**

Registered number: SC147952

## **Independent auditor's report to the members of Sulzer Wood Limited**

### **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.



**Darren Turner (Senior Statutory Auditor)**

**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

One Snowhill

Snow Hill Queensway

Birmingham

B4 6GH

25<sup>th</sup> May 2015

## Income statement for the year ended 31 December 2014

	Note	2014 £'000	2013 £'000
Revenue	5	21,601	27,989
Cost of sales		(16,847)	(22,626)
<b>Gross profit</b>		<b>4,754</b>	<b>5,363</b>
Administrative expenses		(958)	(1,527)
<b>Operating profit and profit before tax</b>	6	<b>3,796</b>	<b>3,836</b>
Income tax expense	8	(840)	(848)
<b>Profit for the year</b>		<b>2,956</b>	<b>2,988</b>

There is no difference between the profit for the year stated above and the total comprehensive income for the year, therefore no separate statement of comprehensive income is presented in these financial statements.

All results relate to continuing activities.

# Sulzer Wood Limited

Registered number: SC147952

## Statement of changes in equity for the year ended 31 December 2014

	Ordinary Share Capital	Retained earnings	Total equity
	£'000	£'000	£'000
Balance at 1 January 2013	198	3,949	4,147
Profit for the year and total comprehensive income	-	2,988	2,988
<b>Transactions with owners:</b>			
Equity dividends (note 9)	-	(1,700)	(1,700)
Balance at 31 December 2013	198	5,237	5,435
<b>Balance at 1 January 2014</b>	<b>198</b>	<b>5,237</b>	<b>5,435</b>
Profit for the year and total comprehensive income	-	2,956	2,956
<b>Transactions with owners:</b>			
Equity dividends (note 9)	-	(2,400)	(2,400)
<b>Balance at 31 December 2014</b>	<b>198</b>	<b>5,793</b>	<b>5,991</b>

# Sulzer Wood Limited

Registered number: SC147952

## Balance sheet as at 31 December 2014

	Note	2014 £'000	2013 £'000
<b>Assets</b>			
<b>Non current assets</b>			
Property, plant and equipment	10	410	413
Deferred tax assets	11	20	-
		<b>430</b>	<b>413</b>
<b>Current assets</b>			
Inventories	12	3,258	2,086
Trade and other receivables	14	7,498	7,014
Cash and cash equivalents	16	-	1
<b>Total current assets</b>		<b>10,756</b>	<b>9,101</b>
<b>Total assets</b>		<b>11,186</b>	<b>9,514</b>
<b>Capital and reserves</b>			
Ordinary share capital	17	198	198
Retained earnings		5,793	5,237
<b>Total equity</b>		<b>5,991</b>	<b>5,435</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	11	-	10
		<b>-</b>	<b>10</b>
<b>Current liabilities</b>			
Provisions for liabilities	18	129	218
Corporation tax payable		406	649
Trade and other payables	19	4,660	3,202
<b>Total current liabilities</b>		<b>5,195</b>	<b>4,069</b>
<b>Total liabilities</b>		<b>5,195</b>	<b>4,079</b>
<b>Total equity and liabilities</b>		<b>11,186</b>	<b>9,514</b>

The financial statements on pages 8 to 31 were approved by the board of directors on 25<sup>th</sup> May 2015 and were signed on its behalf by:

  
A. Percy  
Director

# Sulzer Wood Limited

Registered number: SC147952

## Statement of cash flows for the year ended 31 December 2014

	Note	2014 £'000	2013 £'000
<b>Cash flows from operating activities</b>	20	3,611	2,610
Income taxes paid		(1,113)	(909)
<b>Net cash flows from operating activities</b>		2,498	1,701
<b>Cash flows from financing activities</b>			
Payment of dividends		(2,400)	(1,700)
<b>Cash flows used in financing activities</b>		(2,400)	(1,700)
<b>Cash flows from investing activities</b>			
Payments to acquire plant and equipment		(99)	-
<b>Net cash used in investing activities</b>		(99)	-
<b>Net (decrease)/increase in cash and cash equivalents</b>		(1)	1
Cash and cash equivalents as at 1 January	16	1	-
<b>Cash and cash equivalents as at 31 December</b>	16	-	1

## **Notes to the financial statements for the year ended 31 December 2014**

### **1 Authorisation of financial statements and statement of compliance with IFRSs**

The company's financial statements for the year were authorised for issue on 25<sup>th</sup> May 2015 and the balance sheet signed on the board's behalf by A J Percy. Sulzer Wood Limited is a limited company incorporated and domiciled in Scotland.

The company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The principal accounting policies adopted by the company are set out in note 2. These policies have been consistently applied, unless otherwise stated.

### **2 Accounting policies**

#### **Basis of preparation**

The company's financial statements have been prepared on the going concern basis and the historical cost basis. All disclosures in these financial statements are made in pounds sterling and are reported to the nearest thousand.

The company's business activities, together with the factors likely to affect its future development, performance and position, is set out in the Strategic report on pages 4 to 5. In addition note 3 to the financial statements include the company's objectives, policies and processes for managing its capital; its financial risk management objectives; and its exposures to credit risk and liquidity risk.

#### **Accounting developments**

##### **a) New and amended standards adopted by the group**

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2014 that would be expected to have a material impact on the company.

##### **(b) New standards, amendments and interpretations not adopted**

The IASB and IFRIC have issued additional standards and amendments which are effective for periods starting after the date of these financial statements. The following standards and amendments have not yet been adopted by the Company:

- Defined benefit plans: employee contributions – amendments to IAS 19 (effective for annual periods beginning on or after 1 February 2015).
- Annual improvements to IFRS 2010-2012 cycle (effective for annual periods beginning on or after 1 February 2015).
- Annual improvements to IFRS 2011-2013 cycle (effective for annual periods beginning on or after 1 February 2015).

None of the standards above are expected to have a material impact on the Company.

## **Notes to the financial statements for the year ended 31 December 2014 (continued)**

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

#### **Revenue recognition**

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. All such revenue is reported net of discounts and value added and other sales taxes.

#### **Sale of services**

Revenue is recognised at the point of completion of the service to the customer, normally at the point of customer acceptance.

#### **Foreign currencies**

Currency receipts and payments are translated at the rates ruling on the dates of the transactions. Other monetary assets and liabilities in foreign currency are translated at the rates ruling at the year end. Gains or losses resulting from realignment of currencies or from conversion of foreign exchange have been included within operating profit on ordinary activities.

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in pounds sterling which are the company's functional and presentation currency.

#### **Taxation**

Income tax expense represents the sum of the tax currently payable and deferred income tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that are in force by the balance sheet date.

#### **Property, plant and equipment**

Items of plant and equipment are stated at cost of acquisition or production cost less accumulated depreciation and impairment losses.

Depreciation is calculated using the straight line method to allocate cost to their residual values over the estimated useful lives as follows:

Plant and equipment	4 – 10 years
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The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within operating profit in the income statement.

# **Sulzer Wood Limited**

Registered number: SC147952

## **Notes to the financial statements for the year ended 31 December 2014 (continued)**

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

#### **Retirement benefits**

The company is a member of a group which operates a defined benefit scheme, The Sulzer Pension Scheme, and also operates a number defined contribution schemes.

As there is no contractual agreement or stated group policy for charging the net defined benefit cost of the plan to the participating entities, the net defined benefit cost of the pension plan is recognised in full by the sponsoring employer which is another member of the group. The company recognises a cost equal to its contributions payable for the period.

The costs of defined contribution pensions are charged against profits and represent the amount of the contributions payable to the scheme providers in the accounting period.

#### **Inventories**

Inventories are valued at the lower of cost and net realisable value.

Costs is based on a first in first out principle and comprises purchase cost, cost of direct material and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

#### **Trade and other receivables**

Trade receivables are recognised initially at fair value less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the estimated amount recoverable original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within 'administrative expenses'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'administrative expenses' in the income statement.

Other receivables are initially recognised at fair value and subsequently measured at amortized cost.

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

Cash and cash equivalents comprise cash at bank and in hand and short term deposits. Short term deposits are defined as deposits with an initial maturity of three months or less.

Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are included as a component of cash and cash equivalents for the purposes of the cash flow statement.

Bank overdrafts are disclosed within borrowings in current liabilities on the balance sheet.



## **Notes to the financial statements for the year ended 31 December 2014 (continued)**

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

#### **Deferred tax**

Deferred tax is provided in full, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and the carrying amounts in the financial statements.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax is determined using the tax rates that are expected to apply in the period when the asset is realised or the liability is settled.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are offset when they related to income tax levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

#### **Provisions**

Provisions are recognised when the company has a present obligation that arises as a consequence of a past event, it is probable that an outflow of resources will be required to settle that obligation and the obligation can be reliably estimated. The provisions are measured as the estimated expenditure that will be required to settle such obligations as at the balance sheet date. Discounting to present value is employed in the estimation process when the effect of the time value of money is material.

#### **Trade and other payables**

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

#### **Ordinary share capital**

Ordinary shares are classified as equity. Shares are recorded at their nominal value with any surplus received on their issue taken to share premium account. Incremental costs directly attributable to the issue are shown in equity as a deduction from proceeds.

#### **Operating lease commitments**

Operating leases payments are recognised as an expense in the income statement on a straight-line basis over the lease term. The company does not hold any assets under finance lease arrangements.

#### **Dividend distribution**

Dividend distribution to the company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the company's shareholders.

**Notes to the financial statements for the year ended 31 December 2014 (continued)****3 Financial Risk Management****3.1 Financial risk factors**

The company's activities expose it to a variety of financial risks: credit risk and liquidity risk. The company is not exposed to market risk. The Sulzer Corporation has a group wide risk management policy. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance. Risk management is carried out by Corporate Treasury. They identify, evaluate and hedge financial risks in close co-operation with the company. Principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity exist in written documents.

**a) Credit risk**

Credit risk is managed on a corporate-wide basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit risk exposures to customers, including outstanding receivables and committed transactions. For banks and financial institutions, generally only parties with a minimum rating of "A" are accepted. For customers with a large order volume an individual risk assessment to the credit quality of the customer is performed considering independent financial ratings, financial position, past experience and other factors. The maximum credit risk is restricted to the reported amount of financial claims. For more details on the credit risk of trade receivables refer to note 14.

**b) Liquidity risk**

Prudent liquidity risk management includes maintaining sufficient cash, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. Management monitors forecast figures of the company's liquidity reserve on the basis of expected cash flow. Cash inflow from operating activities was £2,498,000 (2013: £1,701,000).

The table below analyses the company's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet to the contractual date. The amounts disclosed in the table below are the contractual undiscounted cash flows calculated with the year end closing rates. Borrowings include the notional amount as well as interest payments.

## Notes to the financial statements for the year ended 31 December 2014 (continued)

### 3 Financial Risk Management (continued)

#### 3.1 Financial risk factors (continued)

##### b) Liquidity risk (continued)

£'000s	2014				
	< 1 yr	1-2 yrs	2-5 yrs	> 5 yrs	Total
Amounts falling due					
Trade payables	2,749	-	-	-	2,749
Payables to related parties	833	-	-	-	833
Other liabilities	1,078	-	-	-	1,078
	4,660	-	-	-	4,660

£'000s	2013				
	< 1 yr	1-2 yrs	2-5 yrs	> 5 yrs	Total
Amounts falling due					
Trade payables	692	-	-	-	692
Payables to related parties	1,116	-	-	-	1,116
Other liabilities	1,394	-	-	-	1,394
	3,202	-	-	-	3,202

#### 3.2 Capital risk management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for their stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The company does not have significant externally imposed capital requirements. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the same industry the company monitors capital on the basis of the gearing ratio. This ratio is calculated as total financial debt divided by total equity (debt to equity ratio). The equity capital as shown in the balance sheet corresponds to the managed equity capital. The gearing ratio as at 31 December 2014 was 0% (2013: 0%) and the company maintains operations without borrowings.

#### 3.3 Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to the short-term nature of trade receivables. The carrying value of financial liabilities for disclosure purposes are assumed to approximate to their fair value due to their short-term nature.

# Sulzer Wood Limited

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## Notes to the financial statements for the year ended 31 December 2014 (continued)

### 4 Critical accounting estimates and judgements

All estimates and assessments are continually reviewed and are based on historical experiences and other factors, including expectations regarding future events that appear reasonable under the given circumstances. The company makes estimates and assumptions that relate to the future. By their nature, these estimates will only rarely correspond to actual subsequent events. In the opinion of the Directors, there are no estimates and assumptions that carry a significant risk, in the form of a substantial adjustment to the present value of assets and liabilities within the next financial year.

### 5 Revenue

	2014	2013
	£'000	£'000
Rendering of services	21,601	27,989

### 6 Operating profit

	2014	2013
	£'000	£'000
<b>Operating profit is stated after charging/(crediting):</b>		
Cost of inventories recognised as an expense	11,177	17,272
Depreciation of plant and equipment	102	120
Auditor's remuneration – audit services	12	12
Operating lease payments	422	410
<b>Included in cost of sales:</b>		
Raw materials and consumables used	11,177	17,272
Changes in inventories	1,172	(1,070)
Employee expenses (note 7)	4,498	4,198
<b>Included in administrative expenses:</b>		
Employee expenses (note 7)	437	923
Depreciation	102	120

## Notes to the financial statements for the year ended 31 December 2014 (continued)

### 7 Employee expenses

	2014	2013
	£'000	£'000
Wages and salaries	4,029	4,198
Pension costs	501	483
Social security costs	405	440
	4,935	5,121

The average monthly number of employees (including directors) during the year was made up as follows:

	2014	2013
	Number	Number
Administration	9	9
Product repair	82	84
	91	93

There were no emoluments paid to any of the directors in either year. Directors received emoluments from other group companies. These emoluments have not been recharged to the entity, and no formal allocation of these emoluments between the group companies has been performed. As such, any emoluments not borne by the entity have not been disclosed.

### 8 Income tax expense

Components of income tax expense	2014	2013
	£'000	£'000
<b>Current income tax expense</b>		
Current income tax charge	831	912
Adjustments to current tax of the prior year	39	(53)
<b>Total current tax charge</b>	<b>870</b>	<b>859</b>
<b>Deferred income tax expense</b>		
Origination and reversal of temporary differences	-	(14)
Adjustments to the deferred tax of the prior year	(30)	3
<b>Total deferred income tax (credit)/ charge (note 11)</b>	<b>(30)</b>	<b>(11)</b>
<b>Income tax charge</b>	<b>840</b>	<b>848</b>

# Sulzer Wood Limited

Registered number: SC147952

## Notes to the financial statements for the year ended 31 December 2014 (continued)

### 8 Income tax expense (continued)

#### Reconciliation of income tax charge to accounting profit

	2014 £'000	2013 £'000
Profit on ordinary activities multiplied by the effective rate of taxation in the U.K. of 21.5% (2013: 23.25%)	816	892
Tax effect of non deductible expenses	15	6
Tax effect from under or over provision in prior periods	9	(50)
Income tax charge	840	848

The standard Corporation Tax rate in the UK changed from 23% to 21% with effect from 1 April 2014. Accordingly, the Company's profits for 2014 are taxed at 21.5%.

In addition, a further reduction to 20% was enacted in the Finance Act 2013, with effect from 1 April 2015. This change has no significant impact on these financial statements.

### 9 Dividends

	2014 £'000	2013 £'000
<b>Declared and paid during the year</b>		
<b>Dividends on ordinary shares:</b>		
Ordinary "A" Shares	1,200	850
Ordinary "B" Shares	1,200	850
	2,400	1,700

# **Sulzer Wood Limited**

Registered number: SC147952

## **Notes to the financial statements for the year ended 31 December 2014 (continued)**

### **10 Property, plant and equipment**

**At 31 December 2014**

	<b>Plant and equipment</b>
	<b>£'000</b>
<b>Cost</b>	
At 1 January 2014	1,276
Additions	99
<b>At 31 December 2014</b>	<b>1,375</b>
<b>Accumulated depreciation</b>	
At 1 January 2014	863
Charge for the year	102
<b>At 31 December 2014</b>	<b>965</b>
<b>Net book amount</b>	
<b>At 31 December 2014</b>	<b>410</b>
At 31 December 2013	413

At the balance sheet date, the company was not committed to any capital expenditure (2013: £nil).

# **Sulzer Wood Limited**

Registered number: SC147952

## **Notes to the financial statements for the year ended 31 December 2014 (continued)**

### **10 Property, plant and equipment (continued)**

**At 31 December 2013**

	<b>Plant and equipment £'000</b>
<b>Cost</b>	
At 1 January 2013	1,282
Disposals	(6)
<b>At 31 December 2013</b>	<b>1,276</b>
<b>Accumulated depreciation</b>	
At 1 January 2013	743
Charge for the year	120
<b>At 31 December 2013</b>	<b>863</b>
<b>Net Book Value</b>	
<b>At 31 December 2013</b>	<b>413</b>
At 31 December 2012	539



# Sulzer Wood Limited

Registered number: SC147952

## Notes to the financial statements for the year ended 31 December 2014 (continued)

### 11 Deferred tax assets/(liabilities)

	2014 £'000	2013 £'000
At 1 January	(10)	(21)
Credited/(charged) to the income statement:		
- current year	-	14
- prior year	30	(3)
At 31 December	20	(10)

	2014 £'000	2013 £'000
Deferred taxation provided in the accounts comprises		
Depreciation in excess of capital allowances	14	(23)
Short term timing differences	6	13
To be recovered/(paid) after more than 12 months	20	(10)

There are no deferred tax assets or liabilities not recognised in the financial statements.

Deferred tax assets are recognised to the extent that the related tax benefit through future taxable profits is probable based on projections and budgets.

### 12 Inventories

	2014 £'000	2013 £'000
Work in progress	3,258	2,085
Finished goods	0	1
	3,258	2,086

# Sulzer Wood Limited

Registered number: SC147952

## Notes to the financial statements for the year ended 31 December 2014 (continued)

### 13 Financial instruments

#### (a) By category

The accounting policies for financial instruments have been applied to the line items below:

31 December 2014	Cash and cash equivalents £'000	Loans and receivables £'000	Total £'000
<b>Financial assets</b>			
Trade and other receivables	-	7,498	7,498
Cash and cash equivalents	-	-	-
	-	7,498	7,498
		Other financial liabilities £'000	Total £'000
<b>Financial liabilities</b>			
Trade and other payables		4,660	4,660
<b>31 December 2013</b>	<b>Cash and cash equivalents £'000</b>	<b>Loans and receivables £'000</b>	<b>Total £'000</b>
<b>Financial assets</b>			
Trade and other receivables	-	7,014	7,014
Cash and cash equivalents	1	-	1
	1	7,014	7,015
		Other financial liabilities £'000	Total £'000
<b>Financial liabilities</b>			
Trade and other payables		3,202	3,202

## Notes to the financial statements for the year ended 31 December 2014 (continued)

### 13 Financial instruments (continued)

#### (b) Credit quality of financial instruments

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates. Receivables from trade customers are of excellent quality and represent amounts due from long existing customers with minimal defaults in the past.

Cash and cash equivalents are deposits with major UK clearing banks and are considered of good credit quality.

### 14 Trade and other receivables

	2014 £'000	2013 £'000
Trade receivables	4,980	4,778
Receivable from related parties (see note 15)	2,073	2,161
Other receivables	-	15
Prepayments	445	60
	<b>7,498</b>	<b>7,014</b>

There were no impaired trade receivables at 31 December 2014 and therefore there is no provision or impairment (2013: £nil).

Trade receivables that are less than six months past due are not considered impaired. As at 31 December 2014, trade receivables of £4,980,000 (2013: £4,778,000) were past due but not impaired. These relate to a number of blue chip customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2014 £'000	2013 £'000
Up to 1 month	4,861	4,034
1 to 3 months	119	744
3 to 6 months	-	-
	<b>4,980</b>	<b>4,778</b>

The other classes of trade and other receivables do not contain impaired assets.

The carrying amounts of the company's receivables are denominated in pounds sterling.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The company does not hold any collateral as security.

## Sulzer Wood Limited

Registered number: SC147952

### Notes to the financial statements for the year ended 31 December 2014 (continued)

#### 14 Trade and other receivables (continued)

There is no difference between the fair values of trade and other receivables and their carrying values as stated above due to their relatively short maturity date.

All amounts receivable from related parties are unsecured, interest free, and have no fixed date of repayment.

#### 15 Related party transactions

##### Ultimate controlling party

The company's immediate parent is Sulzer (UK) Holdings Limited. The ultimate parent and controlling company is Sulzer AG, a company incorporated in Switzerland. Sulzer AG prepares group financial statements, which include the results of the UK group. Copies of the group's financial statements are available from Sulzer AG, CH 8401 Winterthur, Switzerland, or can be downloaded from the website at [www.sulzer.com](http://www.sulzer.com). Sulzer AG is the only company to consolidate the results of this business.

##### Entities with joint control or significant influence over the entity

The company is jointly owned by Sulzer (UK) Holdings Limited (51%), and Wood Group Engineering & Operations Support Limited (49%).

##### Trading activities

###### Sales of goods

All sales to related parties were made under commercial terms.

	2014 £'000	2013 £'000
Group undertakings	175	163
Associated companies	1,290	528
	<b>1,465</b>	<b>691</b>

###### Purchases of goods

All purchases from related parties were made under commercial terms.

	2014 £'000	2013 £'000
Group undertakings	4,085	4,222
Associated companies	-	-
	<b>4,085</b>	<b>4,222</b>

## Notes to the financial statements for the year ended 31 December 2014 (continued)

### 15 Related party transactions (continued)

#### Dividends paid

	2014	2013
	£'000	£'000
Parent company	1,200	850
Associated companies	1,200	850
	<b>2,400</b>	<b>1,700</b>

#### Receivable from related parties

Amounts receivable from related parties are unsecured, interest free and have no fixed date of repayment.

	2014	2013
	£'000	£'000
Group undertakings	1,677	1,844
Associated companies	396	317
	<b>2,073</b>	<b>2,161</b>

#### Payable to related parties

Amounts payable to related parties are unsecured, interest free and have no fixed date of repayment.

	2014	2013
	£'000	£'000
Parent and subsidiaries undertakings	833	1,116
Associated companies	-	-
	<b>833</b>	<b>1,116</b>

#### Key management compensation

The company considers its key management to comprise only the directors. The compensation paid in respect of the directors in the year was £nil (2013: £nil).

## **Sulzer Wood Limited**

Registered number: SC147952

### **Notes to the financial statements for the year ended 31 December 2014 (continued)**

#### **16 Cash and cash equivalents**

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
<b>Cash at bank</b>	<b>0</b>	<b>1</b>

The cash balance held on intercompany account as at 31 December 2014 was £1,665,000 (2013: £1,843,000)

#### **17 Ordinary Share capital**

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
<b>Called up and fully paid</b>		
100,000 (2012: 100,000) ordinary "A" shares - £1 each	<b>100</b>	<b>100</b>
98,000 (2012: 98,000) ordinary "B" shares - £1 each	<b>98</b>	<b>98</b>
	<b>198</b>	<b>198</b>

The A & B ordinary shares rank pari passu, and have the same rights, except that only the holders of the A ordinary shares can appoint or remove A directors and only holders of the B ordinary shares can appoint or remove B directors.

During the year ended 31 December 2014, the ownership of the 100,000 ordinary 'A' shares was transferred from Sulzer Pumps (UK) Limited to Sulzer (UK) Holdings Limited for a consideration of £100,000.

**Notes to the financial statements for the year ended 31 December 2014 (continued)****18 Provisions for liabilities**

	2014 £'000	2013 £'000
<b>At 1 January</b>		
Dilapidations	78	66
Warranty Provision	140	260
	<b>218</b>	<b>326</b>
<b>Amount (utilised)/charged during the year</b>		
Dilapidations	13	12
Warranty Provision	(102)	(120)
	<b>(89)</b>	<b>(108)</b>
<b>At 31 December</b>		
Dilapidations	91	78
Warranty Provision	38	140
	<b>129</b>	<b>218</b>
<b>Classified as current</b>	<b>129</b>	<b>218</b>

**Dilapidation provision**

Provisions for dilapidations are held in respect of the company's leasehold property and are expected to be utilised in the next 5 years.

**Warranty provision**

Provisions for warranties include customer claims, penalties and legal clauses relating to delivered goods. The cash outflows whilst inherently uncertain are expected to occur within the next year.

## Sulzer Wood Limited

Registered number: SC147952

### Notes to the financial statements for the year ended 31 December 2014 (continued)

#### 19 Trade and other payables

	2014 £'000	2013 £'000
Trade payables	2,749	692
Accrued liabilities	601	940
Other taxation and social security	477	454
Payable to related parties (see note 15)	833	1,116
	<b>4,660</b>	<b>3,202</b>

There is no difference between the fair value of trade and other payables and their carrying values as stated above due to their relatively short maturity date.

#### 20 Reconciliation of profit for the year to cash inflow from operating activities

	2014 £'000	2013 £'000
<b>Cash flow from operating activities</b>		
Profit for the year	2,956	2,988
Income tax expense	840	848
Depreciation	102	120
Loss on disposal of property plant and equipment	-	6
(Increase)/decrease /in inventories	(1,172)	1,070
(Increase)/decrease/in trade and other receivables	(484)	267
Increase/ (decrease) in trade and other payables	1,458	(2,569)
(Decrease) in provisions	(89)	(120)
<b>Cash flows from operating activities</b>	<b>3,611</b>	<b>2,610</b>



**Notes to the financial statements for the year ended 31 December****2014 (continued)**

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**21 Operating lease commitments**

The company leases office, warehouse and stores under non-cancellable operating lease agreements. The lease terms are between 5 and 10 years, and the lease agreements are renewable at the end of the lease period at market rate. The company also operates plant and machinery and office equipment under cancellable lease agreements.

At 31 December 2014 the company was committed to making the following future aggregate minimum lease payments in respect of non-cancellable operating leases:

	<b>Land and Buildings</b>		<b>Other</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Within one year	<b>324</b>	<b>316</b>	<b>65</b>	<b>96</b>
Within two to five years	<b>1,297</b>	<b>1,285</b>	<b>134</b>	<b>160</b>
	<b>1,621</b>	<b>1,601</b>	<b>199</b>	<b>256</b>