

Registered number SC147952

Sulzer Wood Limited
Annual Report and Financial statements
for the year ended 31 December 2019

TUESDAY



S9EM0FDF

SCT

29/09/2020

#155

COMPANIES HOUSE

Sulzer Wood Limited

Contents

Directors and advisers for the year ended 31 December 2019	1
Directors' report for the year ended 31 December 2019	2
Strategic report for the year ended 31 December 2019	4
Independent auditor's report to the members of Sulzer Wood Limited	6
Income statement for the year ended 31 December 2019	9
Balance sheet as at 31 December 2019	10
Statement of changes in equity for the year ended 31 December 2019	11
Notes to the financial statements for the year ended 31 December 2019	12

Sulzer Wood Limited

Registered number: SC147952

Directors and advisers for the year ended 31 December 2019

Directors

A J Percy

P Dewitz

T Gilchrist

Resigned

A J Johnstone

Appointed 01 August 2019

C Shanaghey

Company secretary

I Jones

Registered office

Ground Floor

15 Justice Mill Lane Aberdeen

AB11 6EQ

Independent auditor

BDO

Chartered Accountants & Statutory Auditors

Central Square

29 Wellington Street

Leeds

LS1 4DL

Solicitor

Paull & Williamsons

Investment House

6 Union Row

Aberdeen AB10

1DQ

Banker

HSBC

2 Queens Road

Aberdeen AB15

4ZT

Sulzer Wood Limited

Registered number: SC147952

Directors' report for the year ended 31 December 2019

The directors present their report and the audited financial statements of the company for the year ended 31 December 2019.

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 £3,269,925 (2018: £2,210,000). A dividend was paid of £1,400,000 in 2019 relating to 2018 earnings. No other dividend had been paid in 2019. A final dividend of £3,370,000 was declared before year end and was paid in January 2020. This amount has been included in the financial statements within creditors at 31 December 2019.

Total assets have increased to £17,675,000 (2018: £11,979,000).

Directors

The directors in office at any time during the year and up to the date of signing the financial statements were as follows:

A J Percy
P Dewitz
T Gilchrist
C Shanaghey

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 auditors appointed for 2019 are BDO.

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.

Sulzer Wood Limited

Registered number: SC147952

Directors' report for the year ended 31 December 2019 (continued)

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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 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 estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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



I Jones
Company secretary
25 September 2020

Sulzer Wood Limited

Registered number: SC147952

Strategic report for the year ended 31 December 2019

Review of business and future developments

Turnover for the financial year to 31 December 2019 year increased by 32% in comparison with the year ended 31 December 2018, which was mainly attributable to retrofit and repairs. Part of this was offset by a reduction in field service.

Order related gross profit on sales increased by 34.6%. This was due to volume of retrofit work (increase 102%) albeit lower margin and repair work (increase 35.6%) with an incremental increase in margin. Gross margin improved versus 2018 due to improved utilization on the shop floor, controlled quality and warranty costs and, some sale of scrap. Gross margin improvement 35%. The businesses utilization in the year was very strong as client's demands for pump repair during the year increased. The business also maintained good cost control within its overheads. The business will continue to invest in people and tangible assets to support efficiencies and client work demand, so clients have the reassurance of reliable resources in meeting their deliverables while continuing to support their pump operating life extensions and reliability improvement programs for the North Sea.

Outlook and principal risks

The general economic environment remains challenging with the onset of COVID-19 and, impact on the global markets. With the economic slowdown and in turn less need for hydrocarbons the North Sea sector has been badly impacted.

This sector had already undertaken a huge exercise to restructure its cost base to balance the recovery of drilling and exporting but events in late Q1 and early Q2 where the markets oil price collapsed have led to operators to reducing their spends for the foreseeable future.

Prior to COVID-19 operators announced decommissioning programs in the North Sea but with COVID-19 the sector is expecting this rate to increase. With less fields operating the number of pumps to be serviced will in turn, reduce.

The business has strong customer relations and a reliable supply chain, with this Sulzer Wood is well-placed to help our clients to achieve operational savings and we expect our proven track record in delivering equipment reliability solutions to yield positive 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.

Sulzer Wood Limited

Registered number: SC147952

Strategic report for the year ended 31 December 2019 (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 viewpoint we have access to clients at a strategic level and are thus able to develop business strategies which meet the needs of their individual businesses.

By order of the Board



I Jones
Company secretary
25 September 2020

Sulzer Wood Limited

Registered number: SC147952

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

We have audited the financial statements of Sulzer Wood Limited ("the Company") for the year ended 31 December 2019 which comprise the income Statement, the Balance Sheet, the Statement of Changes in Equity and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Directors report and financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Sulzer Wood Limited

Registered number: SC147952

Matters on which we are required to report by exception

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

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

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

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at:

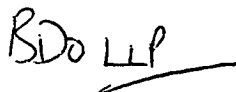
<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Sulzer Wood Limited

Registered number: SC147952

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

A handwritten signature in black ink that reads "BDO LLP" with a horizontal line underneath.

Paul Davies (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory
Leeds, UK

30 September 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Sulzer Wood Limited

Registered number: SC147952

Income statement for the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Revenue	3	23,643	17,915
Cost of sales		(18,555)	(14,160)
Gross profit		5,088	3,755
Administrative expenses		(1,050)	(1,027)
Operating profit and profit before tax		4,038	2,728
Income tax expense	6	(766)	(518)
Profit for the year		3,272	2,210

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.

The notes on pages 12 to 31 are an integral part of these financial statements

Sulzer Wood Limited

Registered number: SC147952

Balance sheet as at 31 December 2019

	Note	2019 £'000	2018 £'000
Fixed assets			
Property, plant and equipment	8	325	222
Right of use assets	8	454	0
Deferred tax assets	9	4	3
		783	225
Current assets			
Stocks	10	2,266	1,880
Debtors	11	14,600	9,592
Cash at bank and in hand	13	26	282
		16,892	11,754
Creditors: amounts falling due within one year	14	(10,954)	(5,301)
Net current assets		5,938	6,453
Total assets less current liabilities		6,721	6,678
Provision for liabilities	16	(307)	(260)
Non-Current Liabilities		(94)	-
Long term lease liabilities	15	(94)	-
Net assets		6,320	6,418
Capital and reserves			
Called up share capital	17	198	198
Profit and loss account		6,122	6,220
Shareholders' funds		6,320	6,418

The financial statements on pages 9 to 30 were approved by the board of directors on 25 09 2020 and were signed on its behalf by:

P Dewitz
Director



25 September 2020

The notes on pages 13 to 31 are an integral part of these financial statements

Sulzer Wood Limited

Registered number: SC147952

Statement of changes in equity for the year ended 31 December 2019

	Called up Share Capital	Profit and loss account	Total shareholders ' funds
	£'000	£'000	£'000
Balance at 1 January 2018	198	6,210	6,408
Profit for the year	-	2,210	2,210
Transactions with owners:			
Equity dividends (note 7)	-	(2,200)	(2,200)
Balance at 31 December 2018	198	6,220	6,418
Balance at 1 January 2019	198	6,220	6,418
Profit for the year	-	3,269	3,272
Transactions with owners:			
Equity dividends (note 7)	-	(3,370)	(3,370)
Balance at 31 December 2019	198	6,119	6,320

The notes on pages 12 to 31 are an integral part of these financial statements.

Sulzer Wood Limited

Registered number: SC147952

Notes to the financial statements for the year ended 31 December 2019

1 Accounting policies

Sulzer Wood Limited (the "Company") is a company incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 have been applied. In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's ultimate parent undertaking, Sulzer AG, includes the company in its consolidated financial statements. The consolidated financial statements of Sulzer AG may be obtained per the details disclosed in note 12. In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures.

- Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital and tangible fixed assets;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of Key Management Personnel;

As the consolidated financial statements of Sulzer AG include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements. The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 2.

Basis of preparation

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report and Directors' Report.

The financial statement has been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The company has net current assets, net assets and positive cash, the company has no external borrowings. The company is also part of Sulzer AG and has access to funding support if required.

Cash flow forecasts have been prepared by the directors for a period of 12 months from the date of approval of these financial statements and have a reasonable expectation that the Company has adequate resources to continue trading for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

The Company has received a letter of support from the parent company who states their intention to continue to provide financial support to the business if or as required.

Sulzer Wood Limited

Registered number: SC147952

The business has undertaken risk planning analysis given the current macro environment considering factors such as the price of oil, reduction in maintenance and retrofit work, potential decommissioning in the North Sea and how competition will try and win work.

Price of oil has returned to back to reasonable levels after a large fall during the peak of the COVID-19 crisis. The North Sea restructured its cost base to cope with lower levels after the last depressed market state. Sulzer Wood has managed to support clients based on their new requirements by expending the life of the pump and reliable pump service. This will continue during the current environment.

Future orders - the shock waves of recent events meant operators put a freeze on spend and any large retrofit work. With the price of oil recovering the business expects the operators to relax some of the potential freezes but it is not expecting spend to be at 2019 levels. Orders of a repair nature are starting to come in and, with the backlog this will support the business for 2020. Based on what the business can see there is no need to restructure but future events may lead to this if the oil price falls and stays low for a sustained period.

Decommissioning in the North Sea is a threat to the industry and, so Sulzer is challenged to win work and diverse into different areas. The business has the talent and knowledge to succeed in diversification and takes this very seriously to ensure the longevity of the business.

Competition will always try and win on price and, Sulzer are in a good position to be able to defend its position and, maintain good margin work keeping focused on its excellence and quality of service.

The business expects small growth in the next 2 to 3 years as recent events will change the way everyone does business. The business is in a good position with its balance sheet to support any future crisis and, is well known in the sector for its reliable service providing quality maintenance to ensure pumps sustain the harsh conditions of the North Sea.

Sulzer Wood Limited

Registered number: SC147952

Notes to the financial statements for the year ended 31 December 2019 (continued)

1 Accounting policies (continued)

Revenue recognition

Revenue is recognized 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 recognized 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.

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
---------------------	--------------

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 recognized within operating profit in the income statement.

Sulzer Wood Limited

Registered number: SC147952

Notes to the financial statements for the year ended 31 December 2019 (continued)

1 Accounting policies (continued)

Retirement benefits

The company is a member of a group which operates a defined benefit scheme, The Sulzer Pension Scheme, and operates a number of 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 recognized in full by the sponsoring employer which is another member of the group. The company recognizes 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.

Stocks

Stocks are valued at the lower of cost and net realizable value.

Cost 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 realizable 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.

Debtors

Trade debtors are recognized initially at fair value less provision for impairment. A provision for impairment of trade debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the debtors. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade debtor 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 using an allowance account, and the amount of the loss is recognized in the income statement within 'administrative expenses'. When a trade debtor is uncollectible, it is written off against the allowance account for trade debtors. Subsequent recoveries of amounts previously written off are credited against 'administrative expenses' in the income statement.

Other debtors are initially recognized at fair value and subsequently measured at amortized cost.

Cash at bank and in hand

Cash at bank and in hand 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.

Sulzer Wood Limited

Registered number: SC147952

Notes to the financial statements for the year ended 31 December 2019 (continued)

1 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 recognized for all taxable temporary differences and deferred tax assets are recognized 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 realized, 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 recognized when the company has a present obligation that arises because 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.

Creditors

Trade creditors are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method.

Called up 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.

Leases

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Notes to the financial statements for the year ended 31 December 2019 (continued)

1 Accounting policies (continued)

Definition

A lease is a contract, or a part of a contract, that conveys the right to use an asset or a physically distinct part of an asset ("the underlying asset") for a period of time in exchange for consideration. Further, the contract must convey the right to the company to control the asset or a physically distinct portion thereof. A contract is deemed to convey the right to control the underlying asset if, throughout the period of use, the company has the right to:

Obtain substantially all the economic benefits from the use of the underlying asset, and; Direct the use of the underlying asset (eg direct how and for what purpose the asset is used)

Where contracts contain a lease coupled with an agreement to purchase or sell other goods or services (i.e., non-lease components), the non-lease components are identified and accounted for separately from the lease component. The consideration in the contract is allocated to the lease and non-lease components on a relative standalone price basis using the principles in IFRS15.

Initial recognition and measurement

The company initially recognises a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term. The lease liability is measured at the present value of the lease payments to be made over the lease term. The lease payments include fixed payments, purchase options at exercise price (where payment is reasonably certain), expected amount of residual value guarantees, termination option penalties (where payment is considered reasonably certain) and variable lease payments that depend on an index or rate. The right-of-use asset is initially measured at the amount of the lease liability, adjusted for lease prepayments, lease incentives received, the company's initial direct costs (e.g., commissions) and an estimate of restoration, removal and dismantling costs.

Subsequent measurement

After the commencement date, the company measures the lease liability by:

- (a) Increasing the carrying amount to reflect interest on the lease liability;
- (b) Reducing the carrying amount to reflect the lease payments made; and
- (c) Re-measuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in substance fixed lease payments or on the occurrence of other specific events.

Interest on the lease liability in each period during the lease term is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. Interest charges are [presented separately as non-operating /included in finance cost] in the income statement, unless the costs are included in the carrying amount of another asset applying other applicable standards. Variable lease payments not included in the measurement of the lease liability, are included in operating expenses in the period in which the event or condition that triggers them arises. The related right-of-use asset is accounted for using the Cost model in IAS 16 and depreciated and charged in accordance with the depreciation requirements of IAS 16 Property, Plant and Equipment as disclosed in the accounting policy for Property, Plant and Equipment. Adjustments are made to the carrying value of the right of use asset where the lease liability is re-measured in accordance with the above. Right of use assets are tested for impairment in accordance with IAS 36 Impairment of assets as disclosed in the accounting policy in impairment.

Notes to the financial statements for the year ended 31 December 2019 (continued)

1 Accounting policies (continued)

Lease modifications

If a lease is modified, the modified contract is evaluated to determine whether it is or contains a lease. If a lease continues to exist, the lease modification will result in either a separate lease or a change in the accounting for the existing lease.

(a) The modification increases the scope of the lease by adding the right to use one or more underlying assets; and
(b) The consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract. If both of these conditions are met, the lease modification results in two separate leases, the unmodified original lease and a separate lease. The company then accounts for these in line with the accounting policy for new leases. If either of the conditions are not met, the modified lease is not accounted for as a separate lease and the consideration is allocated to the contract and the lease liability is re-measured using the lease term of the modified lease and the discount rate as determined at the effective date of the modification. For a modification that fully or partially decreases the scope of the lease (e.g., reduces the square footage of leased space), IFRS 16 requires a lessee to decrease the carrying amount of the right-of-use asset to reflect partial or full termination of the lease. Any difference between those adjustments is recognised in profit or loss at the effective date of the modification. For all other lease modifications which are not accounted for as a separate lease, IFRS 16 requires the lessee to recognise the amount of the re-measurement of the lease liability as an adjustment to the corresponding right-of-use asset without affecting profit or loss.

Short term and low value leases

The company has made an accounting policy election, by class of underlying asset, not to recognise lease assets and lease liabilities for leases with a lease term of 12 months or less (i.e., short-term leases). The company has made an accounting policy election on a lease-by-lease basis, not to recognise lease assets on leases for which the underlying asset is of low value. Lease payments on short term and low value leases are accounted for on a straight line bases over the term of the lease or other systematic basis if considered more appropriate. Short term and low value lease payments are included in operating expenses in the income statements.

Sub leases

If an underlying asset is re-leased by the company to a third party and the company retains the primary obligation under the original lease, the transaction is deemed to be a sublease. The company continues to account for the original lease (the head lease) as a lessee and accounts for the sublease as a lessor (intermediate lessor). When the head lease is a short term lease, the sublease is classified as an operating lease. Otherwise, the sublease is classified using the classification criteria applicable to Lessor Accounting in IFRS 16 by reference to the right-of-use asset in the head lease (and not the underlying asset of the head lease). After classification lessor accounting is applied to the sublease.

Dividend distribution

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

Sulzer Wood Limited

Registered number: SC147952

Notes to the financial statements for the year ended 31 December 2019 (continued)

2 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.

3 Revenue

	2019 £'000	2018 £'000
Rendering of services	23,643	17,915

All turnover relates to the UK geographical market.

All turnover relates to provision of specialist services relating to the repair of pumps and oil related equipment.

4 Expenses and auditor's remuneration

	2019 £'000	2018 £'000
Profit before tax is stated after charging/(crediting):		
Cost of inventories recognized as an expense	13,018	9,312
Depreciation of plant and equipment	386	60
Operating lease payments	-	368
<i>Auditor's remuneration:</i>		
Audit of these financial statements	20	12

Sulzer Wood Limited

Registered number: SC147952

Notes to the financial statements for the year ended 31 December 2019 (continued)

5 Employee expenses

	2019	2018
	£'000	£'000
Wages and salaries	4,533	4,086
Pension costs	368	336
Social security costs	408	392
	5,309	4,814

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

	2019	2018
	Number	Number
Administration	6	6
Product repair	77	73
	83	79

There were no emoluments paid to any of the directors in either year.

The Company contributes towards stakeholders' individual pension arrangements. The pension charge for the year was £368,000 (2018: £336,000). Amounts payable to pension providers at the end of the year amounted to nil (2018: £nil).

Sulzer Wood Limited

Registered number: SC147952

Notes to the financial statements for the year ended 31 December 2019 (continued)

6 Taxation

Components of income tax expense	2019 £'000	2018 £'000
Current income tax expense		
Current income tax charge	759	536
Adjustments to current tax of the prior year	6	(16)
Total current tax	765	520
Deferred income tax expense		
Origination and reversal of temporary differences	-	-
Adjustments to the deferred tax of the prior year	1	(3)
Total deferred tax (note 9)	1	(3)
Tax on profit	766	518
Reconciliation of effective tax rate:	2019 £'000	2018 £'000
Profit before tax	4,038	2,728
Tax at 19% (2018: 19%)	768	518
Tax effect of non-deductible expenses	0	3
Tax effect from under provision in previous years	1	(3)
Total tax expense	769	518

Factors affecting the tax charge for the current year

The standard rate of corporation tax for 2019 was 19%. This is the same as 2018.

Sulzer Wood Limited

Registered number: SC147952

Notes to the financial statements for the year ended 31 December 2019 (continued)

7 Dividends

	2019	2018
	£'000	£'000
Declared and paid during the year		
Dividends on ordinary shares:		
Ordinary "A" Shares	1,685	1,100
Ordinary "B" Shares	1,685	1,100
	3,370	2,200

Out of the dividend declared £3,370k has not been paid and it's shown in creditors in note 15.

Sulzer Wood Limited

Registered number: SC147952

Notes to the financial statements for the year ended 31 December 2019 (continued)

8 Property, plant and equipment

At 31 December 2019

	Plant and equipment
	£'000
Cost	
At 1 January 2019	1,386
Additions	161
Disposals	(96)
At 31 December 2019	1,451
Accumulated depreciation	
At 1 January 2019	1,164
Disposals in year	(97)
Charge for the year	59
At 31 December 2019	1,126
Net book amount	
At 31 December 2019	325
At 31 December 2018	223

At the balance sheet date, the company was not committed to any capital expenditure (2018: £nil).

Sulzer Wood Limited

Registered number: SC147952

Notes to the financial statements for the year ended 31 December 2019 (continued)

Right of use assets

	Machinery £000	Property £000	Other £000	Total £000
Cost or valuation				
At 01 January 2019	23	717	42	782
At 31 December 2019	23	717	42	782
Depreciation				
Charge for the year	10	297	21	328
At 31 December 2019	10	297	21	328
Carrying amount				
At 31 December 2019	13	420	21	454

Sulzer Wood Limited

Registered number: SC147952

Notes to the financial statements for the year ended 31 December 2019 (continued)

9 Deferred tax assets/(liabilities)

	2019 £'000	2018 £'000
At 1 January	3	-
Credited/(charged) to the income statement:		
- current year	-	-
- prior year	1	3
At 31 December	4	3

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

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

10 Stocks

	2019 £'000	2018 £'000
Inventory	42	60
Work in progress	2,224	1,820
Total	2,266	1,880

Sulzer Wood Limited

Registered number: SC147952

Notes to the financial statements for the year ended 31 December 2019 (continued)

11 Debtors

	2019 £'000	2018 £'000
Trade debtors	2,630	3,374
Amounts due from related parties (note 12)	9,008	5,933
Amounts recoverable on contract	2,814	157
Other debtors	0	-
Prepayments	148	128
	14,600	9,592

There were no impaired trade debtors at 31 December 2019 and therefore there is no provision or impairment (2018: £nil).

Trade receivables that are less than six months past due are not considered impaired. As at 31 December 2019, from the total amount of trade receivables at the period end of £2,630,000 (2018: £3,374,000), the total amounts being over 30 past due was £520,412 (2018: 906,315). There has been no impairment on these aged debt amounts in line with the company policy. 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:

	2019 £'000	2018 £'000
Up to 1 month	2,109	2,467
1 to 3 months	520	900
3 to 6 months	-	7
	2,630	3,374

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.

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.

Sulzer Wood Limited

Registered number: SC147952

Notes to the financial statements for the year ended 31 December 2019 (continued)

12 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 8400 Winterthur, Switzerland, or can be downloaded from the website at 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 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.

	2019 £'000	2018 £'000
Parent and group undertakings	90	239
Entities with significant influence	47	876
	137	1,115

Purchases of goods

All purchases from related parties were made under commercial terms.

	2019 £'000	2018 £'000
Parent and group undertakings	2,725	4,007

Sulzer Wood Limited

Registered number: SC147952

Notes to the financial statements for the year ended 31 December 2019 (continued)

12 Related party transactions (continued)

Dividends paid and due

	2019	2018
	£'000	£'000
Parent and group undertakings	1,685	1,100
Entities with significant influence	1,685	1,100
	3,370	2,200

Due from related parties

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

	2019	2018
	£'000	£'000
Parent and group undertakings	9,008	5,915
Entities with significant influence	-	18
	9,008	5,933

Due to related parties

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

	2019	2018
	£'000	£'000
Parent and group undertakings	3,811	217
Entities with significant influence	-	-
	3,811	217

13 Cash at bank and in hand

The cash balance held at 31 December 2019 was £25,728 (2018: £282,167).

The cash balance held on intercompany account as at 31 December 2019 was £8,610,378 (2018: £5,633,769)

Sulzer Wood Limited

Registered number: SC147952

Notes to the financial statements for the year ended 31 December 2019 (continued)

14 Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Trade creditors	2,245	1,655
Short term lease obligations	342	0
Accruals	544	1,607
Other taxation and social security	422	262
Corporation tax payable	218	160
Dividends declared not paid	3,370	1,400
Amounts due to related parties (note 12)	3,811	217
	10,954	5,301

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.

15 Leases

	2019 £'000	2018 £'000
Current portion of long-term lease liabilities	342	0
Long term lease liabilities	94	0
	436	0

Total cash outflows related to leases

Total cash outflows related to leases are presented in the table below

	31 December 2019 £ 000	31 December 2018 £ 000
Payment		
Right of use assets	(357)	(357)
Interest	(5)	0
Total cash outflow	(362)	(357)

Sulzer Wood Limited

Registered number: SC147952

Notes to the financial statements for the year ended 31 December 2019 (continued)

16 Provisions for liabilities

	2019 £'000	2018 £'000
At 1 January		
Dilapidations	139	126
Warranty Claim	106	-
VGI Discount	-	-
Warranty Provision	15	25
	260	151
Amount (utilized)/charged during the year		
Dilapidations	12	13
Warranty Claim	(30)	106
VGI Discount	15	-
Warranty Provision	51	(10)
	48	109
At 31 December		
Dilapidations	151	139
Warranty Claim	76	106
VGI Discount	15	-
Warranty Provision	65	15
	307	260
Total provisions	307	260

Dilapidation provision

Provisions for dilapidations are held in respect of the company's leasehold property and are expected to be utilized in the next 3 years.

Warranty provision

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

Sulzer Wood Limited

Registered number: SC147952

VGI Discount

Provisions for clients reaching milestone agreement based on their contractual terms. The cash outflows whilst uncertain are expected to occur within the next year.

Warranty claim

Provisions for warranties relate to known issues on specific jobs. The value of the provision may change as the investigation is ongoing. The estimate accounted for is the most realistic outcome based on current information and, is expected to be utilized within one year

17 Called up share capital

	2019 £'000	2018 £'000
Called up and fully paid		
100,000 (2017: 100,000) ordinary "A" shares - £1 each	100	100
98,000 (2017: 98,000) ordinary "B" shares - £1 each	98	98
	198	198

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.

18 Subsequent events

The company's basis of income is expected to have a significant negative impact due to the outbreak of the corona virus (COVID-19). No impairment is considered and, no restructuring is planned at this time. The company has implemented comprehensive actions to counteract the effects of the expected loss of income. The overall financial consequences are uncertain. The company follows the ongoing national guidelines related to the outbreak.

