Registered number SC147952

Sulzer Wood Limited

Annual Report and Financial statements

for the year ended 31 December 2018

Sulzer Wood Limited

Contents

Sulzer Wood Limited
Registered number: SC147952

Directors and advisers for the year ended 31 December 2018

Directors
A J Percy
P Dewitz
T Gilchrist
Alan Johnstone

Company secretary
I Jones

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Ground Floor
15 Justice Mill Lane
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Independent auditor
KPMG LLP
Chartered Accountants & Statutory Auditors
One Snowhill
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Solicitor
Paull & Williamsons
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AB10 1DQ

Banker
HSBC
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Aberdeen
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Directors' report for the year ended 31 December 2018

The directors present their report and the audited financial statements of the company for the year ended 31 December 2018.

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 £2,210,000 (2017: £1,816,000). An interim dividend was paid in the year of £800,000 shared in accordance with the joint venture agreement (2017: £1,700,000). A final dividend of £1,400,000 was declared before year end and was paid in January 2019. This amount has been included in the financial statements within creditors at 31 December 2018.

Total assets have increased to £11,979,000 (2017: £10,794,000).

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

Alan Johnstone

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 2018 (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 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 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

By order of the Board

I Jones
Company secretary
24 April 2019

Strategic report for the year ended 31 December 2018

Review of business and future developments
Turnover for the financial year to 31 December 2018 year increased by 2.1% in comparison with the year ended 31 December 2017, which was mainly attributable to retrofit and third party. Part of this was offset by a reduction in repair and OEM spares.
Order related gross profit on sales increased by 4.5%. This was due to increased volume of retrofit margin work. Gross margin improved versus 2017 due to improved utilization on the shop floor, controlled quality and warranty costs and, some sale of scrap. Gross margin improvement 15.1%. The business did achieve good cost control within its overheads and, with operators now beginning to spend on their maintenance budgets the businesses growth potential will improve. This will be supported by resource investment to be able to create and add value to clients in developing their pump operating life extensions and reliability improvement programs for the North Sea Oil and Gas operators.

Outlook and principal risks
Brent Crude Oil price risk

The most significant risk to the business continues to be Brent Crude Oil price risk. Although the price has stabilized, it is expected to remain depressed compared to 2014, throughout 2019.
Operators have achieved their planned cost base during the restructuring that has taken place over the last three years and, although the industry expects to deliver further cost savings, this will be less severe than in recent years as operators start to see a return on their investments. Sulzer Wood is well-placed to help our clients 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.

Strategic report for the year ended 31 December 2018 (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. view point 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

I Jones
Company secretary
24 April 2019

Sulzer Wood Limited
Registered number: SC147952

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

Opinion

We have audited the financial statements of Sulzer Wood Limited ("the company") for the year ended 31 December 2018 which comprise the Income Statement, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Other matter

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as valuation of trade receivables and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardized firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

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

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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; or

Directors' responsibilities

As explained more fully in their 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.[1]

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

The purpose of our audit work and to whom we owe our responsibilities

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.

Stephen Ward

Stephen Ward (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

30 April 2019

Income statement for the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Revenue	3	**17,915**	17,541
Cost of sales		**(14,160)**	(14,281)
Gross profit		**3,755**	3,260
Administrative expenses		**(1,027)**	(1,000)
Operating profit and profit before tax		**2,728**	2,260
Income tax expense	6	**(518)**	(444)
Profit for the year		**2,210**	1,816

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 9 to 26 are an integral part of these financial statements.

Sulzer Wood Limited

Registered number: SC147952

Balance sheet as at 31 December 2018

	Note	**2018** **£'000**	2017 £'000
Fixed assets			
Property, plant and equipment	8	**222**	223
Deferred tax assets	9	**3**	-
		225	223
Current assets			
Stocks	10	**1,880**	1,393
Debtors	11	**9,592**	9,178
Cash at bank and in hand	13	**282**	-
		11,754	10,571
Creditors: amounts falling due within one year	14	**(5,301)**	(4,235)
Net current assets		**6,453**	6,336
Total assets less current liabilities		**6,678**	6,559
Provision for liabilities	16	**(260)**	(151)
Net assets		**6,418**	6,408
Capital and reserves			
Called up share capital	17	**198**	198
Profit and loss account		**6,220**	6,210
Shareholders' funds		**6,418**	6,408

The financial statements on pages 9 to 26 were approved by the board of directors on 24 04 2019 and were signed on its behalf by:

P Dewitz
Director

24 April 2019

The notes on pages 9 to 26 are an integral part of these financial statements

Statement of changes in equity for the year ended 31 December 2018

	Called up Share Capital	Profit and loss account	Total shareholders' funds
	£'000	£'000	£'000
Balance at 1 January 2017	**198**	**6,094**	**6,292**
Profit for the year	-	**1,816**	**1,816**
Transactions with owners:			
Equity dividends (note 7)	-	**(1,700)**	**(1,700)**
Balance at 31 December 2017	**198**	**6,210**	**6,408**
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**

The notes on pages 9 to 26 are an integral part of these financial statements.

Notes to the financial statements for the year ended 31 December 2018

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.

Notes to the financial statements for the year ended 31 December 2018 (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.

Notes to the financial statements for the year ended 31 December 2018 (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 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.

Notes to the financial statements for the year ended 31 December 2018 (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.

Operating lease commitments
Operating leases payments are recognized 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 recognized 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 2018 (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

	2018	2017
	£'000	£'000
Rendering of services	**17,915**	17,541

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

	2018	2017
	£'000	£'000
Profit before tax is stated after charging/(crediting):		
Cost of inventories recognized as an expense	**9,312**	10,426
Depreciation of plant and equipment	**60**	64
Operating lease payments	**368**	420
Auditor's remuneration:		
Audit of these financial statements	**12**	12

Notes to the financial statements for the year ended 31 December 2018 (continued)

5 Employee expenses

	2018	2017
	£'000	£'000
Wages and salaries	**4,086**	3,887
Pension costs	**336**	301
Social security costs	**392**	362
	4,814	4,550

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

	2018	2017
	Number	Number
Administration	**6**	7
Product repair	**73**	70
	79	77

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 £336,000 (2017: £301,000). Amounts payable to pension providers at the end of the year amounted to nil (2017: £nil).

6 Taxation

Components of income tax expense	**2018**	2017
	£'000	£'000
Current income tax expense		
Current income tax charge	**536**	**434**
Adjustments to current tax of the prior year	**(16)**	**7**
Total current tax	**520**	**441**
Deferred income tax expense		
Origination and reversal of temporary differences	**-**	**3**
Adjustments to the deferred tax of the prior year	**(3)**	**-**
Total deferred tax (note 9)	**(3)**	**3**
Tax on profit	**518**	**444**

Notes to the financial statements for the year ended 31 December 2018 (continued)

6 Taxation (continued)

Reconciliation of effective tax rate:

	2018	2017
	£'000	£'000
Profit before tax	**2,728**	2,260
Tax at 19% (2017: 19.25%)	**518**	435
Tax effect of non-deductible expenses	**3.0**	3
Tax effect from under provision in previous years	**(3)**	6
Total tax expense	**518**	444

Factors affecting the tax charge for the current year
A reduction in the rate of corporation tax to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2015, and an additional reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Company's future tax charge accordingly. The deferred tax asset at 31 December has been calculated based on the rate of corporation tax that is expected to be in place at the date on which the deferred tax asset reverses.

7 Dividends

	2018	2017
	£'000	£'000
Declared and paid during the year		
Dividends on ordinary shares:		
Ordinary "A" Shares	**1,100**	850
Ordinary "B" Shares	**1,100**	850
	2,200	1,700

Out of the dividend declared 1,400k has not been paid and it's showed in creditors in note 14

Notes to the financial statements for the year ended 31 December 2018 (continued)

8 Property, plant and equipment

At 31 December 2018	Plant and equipment
	£'000
Cost	
At 1 January 2018	1,417
Additions	59
Disposals	(90)
At 31 December 2018	**1,386**
Accumulated depreciation	
At 1 January 2018	1,194
Disposals in year	(90)
Charge for the year	60
At 31 December 2018	**1,164**
Net book amount	
At 31 December 2018	**222**
At 31 December 2017	223

At the balance sheet date, the company was not committed to any capital expenditure (2017: £nil).

Notes to the financial statements for the year ended 31 December 2018 (continued)

9 Deferred tax assets/(liabilities)

	2018 **£'000**	2017 £'000
At 1 January	-	2
Credited/(charged) to the income statement:		
- current year	-	(2)
- prior year	3	-
At 31 December	**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

	2018 **£'000**	2017 £'000
Inventory	60	77
Work in progress	1,820	1,316
Total	**1,880**	1,393

Notes to the financial statements for the year ended 31 December 2018 (continued)

11 Debtors

	2018	2017
	£'000	£'000
Trade debtors	**3,374**	3,469
Amounts due from related parties (note 12)	**5,933**	5,143
Accrued Income on Contracts	**157**	361
Other debtors	**-**	51
Prepayments	**128**	154
	9,592	9,178

There were no impaired trade debtors at 31 December 2018 and therefore there is no provision or impairment (2017: £nil).

Trade receivables that are less than six months past due are not considered impaired. As at 31 December 2018, trade receivables of £3,374,000 (2017: £3,469,000) 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:

	2018	2017
	£'000	£'000
Up to 1 month	**2,467**	2,462
1 to 3 months	**900**	1,007
3 to 6 months	**7**	-
	3,374	3,469

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.

Notes to the financial statements for the year ended 31 December 2018 (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 8401 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.

	2018	2017
	£'000	£'000
Parent and group undertakings	239	39
Entities with significant influence	876	340
	1,115	379

Purchases of goods
All purchases from related parties were made under commercial terms.

	2018	2017
	£'000	£'000
Parent and group undertakings	**4,007**	2,572

Notes to the financial statements for the year ended 31 December 2018 (continued)

12 Related party transactions (continued)

Dividends paid and due

	2018	2017
	£'000	£'000
Parent and group undertakings	1,100	850
Entities with significant influence	1,100	850
	2,200	1,700

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

	2018	2017
	£'000	£'000
Parent and group undertakings	5,915	4,960
Entities with significant influence	18	183
	5,933	5,143

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

	2018	2017
	£'000	£'000
Parent and group undertakings	217	318
Entities with significant influence	-	2
	217	320

13 Cash at bank and in hand

The cash balance held at 31 December 2018 was £282,167 (2017: nil).

The cash balance held on intercompany account as at 31 December 2018 was £5,663,769 (2017: £4,959,187)

Notes to the financial statements for the year ended 31 December 2018 (continued)

14 Creditors: amounts falling due within one year

	2018	2017
	£'000	£'000
Trade creditors	**1,655**	1,184
Accruals	**1,607**	982
Other taxation and social security	**262**	369
Corporation tax payable	**160**	180
Dividends declared not paid	**1,400**	1,200
Amounts due to related parties (note 12)	**217**	320
	5,301	4,235

Note
The related party accrual included in 'Accruals' is £220,813. This relates to goods received not invoiced(GRNI).

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 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 2017 the company was committed to making the following future aggregate minimum lease payments in respect of non-cancellable operating leases:

	Land and Buildings		**Other**	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
Within one year	**272**	272	**64**	48
Within two to five years	**408**	681	**44**	42
	680	953	**108**	90

Notes to the financial statements for the year ended 31 December 2018 (continued)

16 Provisions for liabilities

	2018 £'000	2017 £'000
At 1 January		
Dilapidations	**126**	116
Warranty Provision	**25**	34
	151	150
Amount (utilised)/charged during the year		
Dilapidations	**13**	10
Warranty Provision	**96**	(9)
	109	1
At 31 December		
Dilapidations	**139**	126
Warranty Provision	**121**	25
	260	151
Total provisions	**260**	151

Dilapidation provision
Provisions for dilapidations are held in respect of the company's leasehold property and are expected to be utilised in the next 4 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.

Notes to the financial statements for the year ended 31 December 2018 (continued)

17 Called up share capital

	2018	2017
	£'000	£'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

No events occurred subsequent to the balance sheet date which required adjustment or disclosure.