

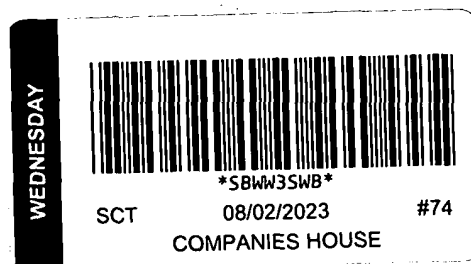
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EDINBURGH MAILBOX

Registration number: SC147952

# Sulzer (Aberdeen) Limited

Financial Statements

for the Year Ended 31 December 2021



## **Sulzer (Aberdeen) Limited**

### **Contents**

<b>Company Information</b>	<b>1</b>
<b>Strategic Report</b>	<b>2 to 4</b>
<b>Directors Report</b>	<b>5 to 6</b>
<b>Statement of Directors' Responsibilities</b>	<b>7</b>
<b>Independent Auditor's Report</b>	<b>8 to 12</b>
<b>Income Statement</b>	<b>13</b>
<b>Balance Sheet</b>	<b>14</b>
<b>Statement of Changes in Equity</b>	<b>15</b>
<b>Notes to the Financial Statements</b>	<b>16 to 39</b>

## **Sulzer (Aberdeen) Limited**

### **Company Information**

<b>Directors</b>	P Dewitz R P Ramsamy- Appointed 22/03/2021 T Gilchrist - Resigned 22/03/2021 C Shanaghey- Resigned 22/03/2021 H Ruckstuhl- Appointed 22/03/2021 C Powles - Resigned 17/01/2022 J R Davenport- Appointed 17/01/2022
<b>Registered office</b>	Formartine House Castle Street Castlepark Industrial Estate Ellon Aberdeenshire AB41 6RF
<b>Solicitors</b>	Paull & Williamsons Union Plaza 6th floor 1 Union Wynd Aberdeen West Yorkshire AB10 1DQ
<b>Bankers</b>	HSBC Bank Plc 95-99 Union Street Aberdeen AB11 6BD
<b>Auditors</b>	BDO Chartered Accountants & Statutory Auditors Central Square 29 Wellington Street Leeds England LS1 4DL

## **Sulzer (Aberdeen) Limited**

### **Strategic Report for the Year Ended 31 December 2021**

#### **Fair review of the business**

Turnover for the financial year to 31 December 2021 decreased by 13.1% in comparison with the prior year ended 31 December 2020, which was mainly attributable to the PPR (Pumps, Parts & Retrofits) product line.

Gross margin declined versus 2020. This was caused by the continuation of the pandemic during the year relating to COVID-19. As well as impacting major capital spends from oil and gas operators, the business saw a turnaround in its normal shop floor load to offshore. The business generates less margin with its field service teams. The business changed its warranty accrual policy by taking a percentage of revenue instead of specific provisions. This caused an increase within the warranty line for 2021 but ensures no exposure on future warranty specific work. The business maintained good cost control within its overheads. The business will continue to invest in people to support business developments and tangible assets to support efficiencies and client work requirements. Clients have the reassurance of reliable resources in meeting their deliverables while continuing to support their pump operating life extensions and, reliability programs for the North Sea.

#### **Principal risks and uncertainties**

Price of oil has risen considerably over the last 6 months caused by the Russian-Ukraine events. While the rise of the price of oil in the industry is good, the extent of the increase has caused delays in maintenance as operators capitalise on the high prices. The biggest impact has been in large retrofit orders but general pump service has been slow to pick up. The operators still have a duty to maintain their equipment to reduce risk and, to keeping the fields recovering oil. The business is expecting to see reasonable activity levels but expects a higher demand towards the end of the year.

The North Sea industry is expecting to see a shift on focus from hydrocarbon energy to cleaner energy. The business will adapt to these challenges over the coming years but as the Ukraine crisis has worsened the reliance on 'safe' country operating countries to support global demand will increase. Recent communication from key operators have started to invest large sums of money into the renewable sector but also to existing oil fields and, possible new ones. The company will support and invest to support the diversified approach in both cleaner energy and existing infrastructure demands.

With self-isolation restrictions easing it allows more flexibility in the workforce to react to customer demands and, so the business will be able to react to work demands from our clients easier.

Decommissioning in the North Sea is a threat to the industry and, so Sulzer (Aberdeen) Limited is challenged to win work and diversify 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 company has recognised the high inflationary rise caused by macro events to both the business and peoples cost of living. All contractual rates will be assessed individually with the clients during 2022.

## **Sulzer (Aberdeen) Limited**

### **Strategic Report for the Year Ended 31 December 2021 (continued)**

#### **Principal risks and uncertainties (continued)**

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 through cash pooling), 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.

#### **Section 172**

The directors are committed to operating the business in a flexible and committed way. This underpins our approach to everything we do and everyone we deal with. Our team is committed to acting responsibly, managing our resources sustainably, engaging with our people and supporting the communities in which we operate.

The directors of the company maintain that no exceptional key decisions were undertaken that directly or indirectly affected business stakeholders during 2021. Business decisions typically associated with the continued success of the company are undertaken by the management team on a monthly basis in accordance to their roles and duties when considering the dynamics of the trading environment. As a subsidiary company of a Sulzer AG, major decision making, such as new business or infrastructure acquisition, is not unilaterally undertaken without review with the parent company. Decisions on key personnel changes are determined at Group level.

The directors of the company are very focused on providing industry leading standards on environmental sustainability, supply chain integrity, provenance and security of supply to our customers. The company builds upon our strong supplier and customer relationships and strives to develop our commercial capabilities through investment and focus on supply chain innovation, brand development, consumer and market insight and effective category management.

The company has the best interests of employees at its heart and encourages their wellbeing through a number of internal initiatives and social engagements.

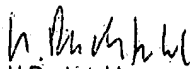
**Sulzer (Aberdeen) Limited**

**Strategic Report for the Year Ended 31 December 2021 (continued)**

**Research and development**

The company combines the benefits of pump OEM and oilfield service provider in a single entity. Sulzer will continue to have access to the very latest research and technical development in terms of pump hydraulics, metallurgy improvements and wear-resistant coatings.

Approved by the Board on 6 February 2023 and signed on its behalf by:



H. Ruckstuhl  
Director

## **Sulzer (Aberdeen) Limited**

### **Directors' report for the year ended 31 December 2021**

The directors present their report and the financial statements for the year ended 31 December 2021.

#### **Principal activity**

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 £2,011,000 (2020: £2,708,000). A dividend was paid of £2,512,000 in 2021 relating to 2020 earnings. No other dividend had been paid in 2021. A final dividend of £1,700,000 was declared before year end and was paid in January 2022. This amount has been included in the financial statements within creditors at 31 December 2021.

Total assets have increased to £14,449,000 (2020: £13,815,000).

#### **Directors of the company**

The directors, who held office during the year, were as follows:

P Dewitz

R P Ramsamy- Appointed 22/03/2021

T Gilchrist - Resigned 22/03/2021

C Shanaghey- Resigned 22/03/2021

H Ruckstuhl- Appointed 22/03/2021

C Powles - Resigned 17/01/2022

J R Davenport- Appointed 17/01/2022

#### **Directors' liabilities**

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.

#### **Employee involvement**

The Company places a high value on the continuous development of its employees. Regular employee satisfaction surveys are conducted with the results being used to improve the business. Communication with employees is vital to the success of the business. Monthly team briefings and the Company Works Council ensure that employees are aware of the financial performance and economic factors affecting the company.

#### **Employment of disabled persons**

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and that appropriate adaptations are arranged. It is the policy of the Company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

## **Sulzer (Aberdeen) Limited**

### **Directors' report for the year ended 31 December 2021**

#### **Going concern**

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.

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, recent sanction activity and how competition will try and win work.

Further information on the company's assessment of its going concern status is presented in note 1 of the financial statements.

#### **Disclosure of information to the auditors**


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.

#### **Reappointment of auditors**

Pursuant to section 487 of the Companies Act, the shareholders have agreed to the appointment of Rodl & Partner as auditor for the year ending 31 December 2022. BDO LLP will therefore cease to act as auditor.

Approved by the Board on 6 February 2023 and signed on its behalf by:



H Ruckstuhl  
Director



## **Sulzer (Aberdeen) Limited**

### **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 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 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

## **Sulzer (Aberdeen) Limited**

### **Independent Auditor's Report to the Members of Sulzer (Aberdeen) Limited**

#### **Opinion on the financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 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.

We have audited the financial statements of Sulzer (Aberdeen) Limited ("the Company") for the year ended 31 December 2021 which comprise the income statement, the balance sheet, the statement of changes in equity and 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).

#### **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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Independence**

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.

## **Sulzer (Aberdeen) Limited**

### **Independent Auditor's Report to the Members of Sulzer (Aberdeen) Limited (continued)**

#### **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

#### **Other information**

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

## **Sulzer (Aberdeen) Limited**

### **Independent Auditor's Report to the Members of Sulzer (Aberdeen) Limited (continued)**

#### **Other Companies Act 2006 reporting**

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

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

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

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

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

#### **Responsibilities of directors**

As explained more fully in the 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.

## **Sulzer (Aberdeen) Limited**

### **Independent Auditor's Report to the Members of Sulzer (Aberdeen) Limited (continued)**

#### **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.*

#### *Extent to which the audit was capable of detecting irregularities, including fraud*

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

As part of the audit, we gained an understanding of the legal and regulatory framework applicable to the Company, the industries, and geographies in which it operates, and considered the risk of acts by the Company that were contrary to applicable laws and regulations, including fraud. We considered the Company's compliance with laws and regulations that have a direct impact on the financial statements including, but not limited to, company law and tax legislation in the jurisdictions within which the Company operates, and we considered the extent to which non-compliance might have a material effect on the financial statements.

Based on our understanding we designed our audit procedures to identify instances of non-compliance with such laws and regulations. Our procedures included reviewing the financial statement disclosures and agreeing to underlying supporting documentation where necessary.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting inappropriate journal entries to improve performances and management bias in accounting estimates. Our audit procedures included, but were not limited to:

- agreement of the financial statement disclosures to underlying supporting documentation;
- challenging assumptions and judgements made in significant accounting estimates;
- specific reviews over journal entries to revenue to ensure postings to revenue were reasonable, required and not arbitrarily improving performance;
- identifying and testing journal entries on the areas where we identified significant risks, being cash, revenue, material postings, and any with unusual entry combinations;
- holding discussions with management and those charged with governance, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud; and
- review of minutes of Board meetings throughout the period, to identify any inconsistencies with our audit work or matters of which we needed to be aware.

## **Sulzer (Aberdeen) Limited**

### **Independent Auditor's Report to the Members of Sulzer (Aberdeen) Limited (continued)**

#### **Auditor's responsibilities for the audit of the financial statements (continued)**


Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at:

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

#### **Use of our report**

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

DocuSigned by:  
  
DA45EAE45B2AAE7...  
**Paul Davies**  
(Senior Statutory Auditor)  
For and on behalf of BDO Statutory Auditor  
Leeds, UK

Date 6 February 2023

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

## Sulzer (Aberdeen) Limited

### Income Statement for the Year Ended 31 December 2021

	Note	2021 £ 000	2020 £ 000
Turnover	3	17,342	19,948
Cost of sales		<u>(13,965)</u>	<u>(15,668)</u>
Gross profit		3,377	4,280
Administrative expenses		<u>(1,030)</u>	<u>(979)</u>
Operating profit	4	<u>2,347</u>	<u>3,301</u>
Profit before tax		2,347	3,301
Tax on profit	7	<u>(336)</u>	<u>(593)</u>
Profit for the year		<u><u>2,011</u></u>	<u><u>2,708</u></u>

The above results were derived from continuing operations.

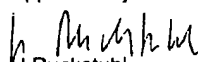
There is no difference between the profit for the year stated above and the total comprehensive income for the year, therefore no separate statement of comprehensive income is presented in the financial statements.

The notes on pages 16 to 39 form an integral part of these financial statements.

**Sulzer (Aberdeen) Limited**  
**(Registration number: SC147952)**  
**Balance Sheet as at 31 December 2021**

			As restated
	Note	31 December 2021 £ 000	31 December 2020 £ 000
<b>Fixed assets</b>			
Tangible assets	9	367	315
Right of use assets	10	1,372	924
Deferred tax assets	7	<u>3</u>	<u>3</u>
		<u>1,739</u>	<u>1,242</u>
<b>Current assets</b>			
Stocks	11	1,267	2,178
Trade and other debtors	12	11,442	10,375
Cash at bank and in hand	14	<u>2</u>	<u>21</u>
		12,711	12,574
<b>Trade and other creditors</b>	15	<u>(6,155)</u>	<u>(6,368)</u>
<b>Net current assets</b>		<u>6,556</u>	<u>6,206</u>
<b>Total assets less current liabilities</b>		8,295	7,448
<b>Deferred tax liability</b>	7	(12)	-
<b>Provisions for liabilities</b>		(347)	(267)
<b>Long term lease liabilities</b>	16	<u>(1,109)</u>	<u>(665)</u>
<b>Net assets</b>		<u>6,827</u>	<u>6,516</u>
<b>Capital and reserves</b>			
Called up share capital	18	198	198
Profit and loss account		<u>6,629</u>	<u>6,318</u>
<b>Shareholders' funds</b>		<u>6,827</u>	<u>6,516</u>

Approved by the Board on 6 February 2023 and signed on its behalf by:

  
H Ruckstuhl  
Director



**Sulzer (Aberdeen) Limited**

**Statement of Changes in Equity for the Year Ended 31 December 2021**

	<b>Share capital £ 000</b>	<b>Retained earnings £ 000</b>	<b>Total £ 000</b>
At 1 January 2021	198	6,318	6,516
Profit for the year		2,011	2,011
Total comprehensive income	-	2,011	2,011
Dividends	-	(1,700)	(1,700)
At 31 December 2021	198	6,629	6,827
	<b>Share capital £ 000</b>	<b>Retained earnings £ 000</b>	<b>Total £ 000</b>
At 1 January 2020	198	6,122	6,320
Profit for the year	-	2,708	2,708
Total comprehensive income	-	2,708	2,708
Dividends	-	(2,512)	(2,512)
At 31 December 2020	198	6,318	6,516

The notes on pages 16 to 39 form an integral part of these financial statements.  
Page 15

## **Sulzer (Aberdeen) Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2021**

#### **1 Accounting policies**

##### ***Basis of Preparation***

Sulzer (Aberdeen) Limited (the "Company") is a private company limited by share capital and incorporated and domiciled in the UK. The address of the registered office is given on the company information page and the nature of the companies operations and its principal activities are set out in the strategic report.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101") and in accordance with the Companies Act 2006.

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 13. In these financial statements, the company has applied the exemptions available under FRS 101 and s401 of Companies Act 2006 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;
- disclosures in respect of the compensation of Key Management Personnel; and
- certain disclosures required under IFRS 15 Revenue from Contracts with Customers, including details of changes in contract assets and liabilities, and details of incomplete performance obligations.

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.

##### **New standards, interpretations and amendments effective from 1 January 2021**

There were a number of narrow scope amendments to existing standards which were effective from 1 January 2021. None of these had a material impact on the company.

## **Sulzer (Aberdeen) Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)**

#### **1 Accounting policies (continued)**

##### ***Going Concern***

The financial statements have been prepared on a going concern basis.

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.

Sulzer group and the sectors it trades with have been faced with a challenging and fast-moving sanctions environment during the past year as a result of the war in Ukraine. Sulzer (Aberdeen) Limited does not trade directly or indirectly with Russian customers or suppliers and has therefore not suffered any adverse consequence to its business as a result of sanctions imposed against Russia. The shares of our ultimate parent company, Sulzer AG, are publicly listed on the SIX Swiss Exchange and Sulzer therefore cannot generally control who buys or sells its shares. Due to the current shareholder structure of Sulzer, particular attention is given to global sanction regimes by the directors to help mitigate any risk that Sulzer would become an unintended target. This is achieved using our internal Legal and Compliance functions, through strategic instructions of external law firms and, measures implemented within Sulzer AG's constitutional documents to ensure any sanctioned individual cannot be deemed to control Sulzer. The director's current assessment is that any adverse impact occurring from increased sanctions, during the next 12 months from the date of approval of the accounts, is minimal.

In May 2022 Sulzer group announced its withdrawal from the Russian market. This decision had no negative consequence for our company as business with Russia represents only 2.1% of global sales for Sulzer worldwide, and Sulzer (Aberdeen) Limited is no different with a strong order backlog.

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.

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 during Q1 2022 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 (Aberdeen) Limited 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.

## **Sulzer (Aberdeen) Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)**

#### **1 Accounting policies (continued)**

##### ***Going concern (continued)***

Future orders - the shock waves of recent events meant operators reduced spend on large retrofit work. 2022 is expected to see an increase in spend against 2021 as operators start to reinvest.

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.

##### ***Prior period adjustment***

During the year, the Directors have reviewed the property lease contract and determined that the lease term used during the transition to IFRS16 in 2019 was incorrectly determined. The lease term of this contract on transition was calculated using an expiry date of June 2021, when the lease term should have been August 2024. Adjustments have been posted to restate this position as at 1 January 2020 resulting in an increase to the opening right of use assets of £854,000 and an equal and opposite increase to the right of use liabilities. The impact on the net book value of this right of use asset at at 31 December 2020 are also £854,000 as there is no impact to the profit and loss on this restatement. This restatement impacts the balance sheet, Note 10 and Note 16 respectively.

## **Sulzer (Aberdeen) Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)**

#### **1 Accounting policies (continued)**

##### ***Revenue Recognition***

Sales comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the companies activities. Sales are shown net of value-added tax, returns, rebates and discounts.

The core principle is that sales are recognized at an amount that reflects the consideration to which the company expects to be entitled in exchange for transferring goods or services to a customer. Sales are recognized when (or as) the company satisfies a performance obligation by transferring a promised good or service (that is, an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

A customer obtains control of a good or service if it has the ability to direct the use of, and obtain substantially all of the remaining benefits from, that good or service (e.g. use, consume, sale, hold). A customer could have the future right to direct the use of the asset and obtain substantially all of the benefits from it (for example, upon making a prepayment for a specified product). There are two methods to recognize sales:

- Over time method: Sales, costs and profit margin recognition in line with the progress of the project.
- Point in time method: Sales recognition when the performance obligation is satisfied at a certain point in time.

The company determines at contract inception, whether control of each performance obligation transfers to a customer over time or at a point in time. Arrangements where the performance obligations are satisfied over time are not limited to services arrangements. The assessment of whether control transfers over time or at a point in time is critical to the timing of revenue recognition.

##### ***Over time method (OT)***

Sales are recognized over time if any of the following is met:

- Customer simultaneously receives/consumes as the company performs.
- The company creates/enhances an asset and customer controls it during this process.
- Created asset has no alternative use for the customer and the company has enforceable right to payment (including reasonable profit margin) for performance up to date if the customer terminates the contract for convenience.

## **Sulzer (Aberdeen) Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)**

#### **1 Accounting policies (continued)**

##### *Point in time*

A performance obligation is satisfied at a point in time if none of the criteria for satisfying a performance obligation over time is met. Sales are recognized when (or as) the customer obtains control of that asset (depending on incoterms). The following points indicate that a customer has obtained control of an asset:

- The entity has a present right to payment.
- The customer has legal title.
- The customer has physical possession.
- The customer has the significant risks and rewards of ownership.
- The customer has accepted the asset.

For contracts applying the point in time method, the transfer of risks and rewards of ownership (depending on international commercial terms) typically depicts the transfer in control most appropriately.

##### *Sale of Goods*

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 from services is recognised by reference to the stage of completion. Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract. Where the contract outcome cannot be measured reliably, revenue is recognised to the extent of the expenses recognised that are recoverable.

Major long-term customer orders are reported using the percentage of completion method (PoC), based on the percentage of costs to date compared to the total estimated contract costs, contractual milestones or performance. The income statement contains a share of sales, including an estimated share of profit, while the balance sheet includes the corresponding trade accounts receivable after adjustment for advance payments received. When it appears probable that the total contract will be loss making, the amount of expected loss is recognised immediately in the income statement.

##### *Government grants*

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received, and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as other income over the years necessary to match the grant on a systematic basis to the costs that it is intended to compensate. No government grants were received during the period.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life if the relevant asset by equal annual instalments.

## **Sulzer (Aberdeen) Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)**

#### **1 Accounting policies (continued)**

##### **Foreign currency transactions and balances**

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.

##### **Tax**

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.

##### **Tangible assets**

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

##### **Depreciation**

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 (Aberdeen) Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)**

#### **1 Accounting policies (continued)**

##### **Defined benefit pension obligation**

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.

##### **Stock**

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.



## **Sulzer (Aberdeen) Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)**

#### **1 Accounting policies (continued)**

##### **Trade 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. Impairment provisions for current and non-current trade debtors are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade debtors is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade debtors. For trade debtors, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within cost of sales in the statement of comprehensive income. On confirmation that the trade debtor will not be collectable, the gross carrying value of the asset is written off against the associated provision. 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 and cash equivalents**

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.

The company benefits from having access to a Group wide cash pooling facility which is controlled by the ultimate parent company. Although the accounts are held and managed locally, the substance of the arrangement is that of an intercompany balance due to the requirement without express consent of the company to sweep cash daily back to the group cash pooling facility, amongst other control barriers. The nature of this facility therefore does not satisfy the definition of cash and cash equivalents and has instead been presented within amounts due to/from group undertakings.

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

## **Sulzer (Aberdeen) Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2021 (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.

##### **Trade creditors**

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

##### **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.

## **Sulzer (Aberdeen) Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)**

#### **1 Accounting policies (continued)**

##### **Leases**

###### *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.

## **Sulzer (Aberdeen) Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)**

#### **1 Accounting policies (continued)**

##### *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 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.

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.

## **Sulzer (Aberdeen) Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2021 (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.

The modification is accounted for as a separate lease if both:

- (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.

## Sulzer (Aberdeen) Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

#### 2 Critical accounting judgements and key sources of estimation uncertainty

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.

##### Revenue Recognition

The company uses the *percentage of completion method (PoC)* in accounting for major long-term contracts. The use of the PoC method requires the company to estimate the proportional revenue and costs. If circumstances arise that may change the original estimates of revenues, costs or extent of progress toward completion, estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in Income in the period in which the circumstances that give rise to the revision become known by management.

#### 3 Turnover

The analysis of the company's turnover for the year from continuing operations is as follows:

	2021	2020
	£ 000	£ 000
Sale of Services	17,342	19,948

All turnover relates to the UK market.

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

#### 4 Operating profit

Arrived at after charging

	2021	2020
	£ 000	£ 000
Depreciation expense	63	64
Depreciation on right of use assets - Machinery	5	10
Depreciation on right of use assets - Property	236	357
Low value/ short term leases	11	6

## Sulzer (Aberdeen) Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

#### 5 Auditors' remuneration

	2021 £ 000	2020 £ 000
Audit of the financial statements	<u>31</u>	<u>24</u>

#### 6 Staff costs

The aggregate payroll costs including directors' remuneration and Furlough was £nil in 2021 (2020: £54k) is as follows:

	2021 £ 000	2020 £ 000
Wages and salaries	4,390	4,134
Social security costs	401	402
Pension costs, defined benefit scheme	<u>362</u>	<u>370</u>
	<u>5,153</u>	<u>4,906</u>

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	2021 No.	2020 No.
Production	77	77
Administration and support	<u>6</u>	<u>6</u>
	<u>83</u>	<u>83</u>

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 £363,000 (2020: £370,000). Amounts payable to pension providers at the end of the year amounted to nil (2020: £nil).

There was no Directors remuneration in both 2021 and 2020.

## Sulzer (Aberdeen) Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

#### 7 Income tax

Tax charged in the income statement

	2021 £ 000	2020 £ 000
<b>Current taxation</b>		
UK corporation tax	322	592
<b>Deferred taxation</b>		
Arising from origination and reversal of temporary differences	14	1
Tax expense in the income statement	<u>336</u>	<u>593</u>

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2020 - the same as the standard rate of corporation tax in the UK) of 19% (2020 - 19%).

The differences are reconciled below:

	2021 £ 000	2020 £ 000
Profit before tax	<u>2,347</u>	<u>3,301</u>
Corporation tax at standard rate	446	627
Decrease in current tax from adjustment for prior periods	(101)	(17)
Decrease from effect of expenses not deductible in determining taxable profit (tax loss)	(12)	(2)
Increase/(decrease) from effect of adjustment in research development tax credit	3	(15)
Total tax charge	<u>336</u>	<u>593</u>

The standard rate of corporation tax for 2021 was 19%. This is the same as 2020.

The Finance Act 2021 was substantially enacted in May 2021 and has increased the corporation tax rate from 19% to 25% with effect from 1 April 2023. The deferred taxation balances have been measured using the rates expected to apply in the reporting periods when the timing differences reverse.



## Sulzer (Aberdeen) Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

#### 7 Income tax (continued)

##### Deferred tax

Deferred tax movement during the year:

	At 1 January 2021 £ 000	Recognised in income £ 000	At 31 December 2021 £ 000
Accelerated tax depreciation	<u>3</u>	<u>(15)</u>	<u>(12)</u>

Deferred tax movement during the prior year:

	At 1 January 2020 £ 000	Recognised in income £ 000	At 31 December 2020 £ 000
Accelerated tax depreciation	<u>4</u>	<u>(1)</u>	<u>3</u>

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.

#### 8 Dividends

##### Final dividends paid/payable

	31 December 2021 £ 000	31 December 2020 £ 000
Final dividend of £17.00 (2020 - £16.85) per each Ordinary A Shares	1,700	1,256
Final dividend of £Nil (2020 - £17.19) per each Ordinary B Shares	-	1,256
	<u>1,700</u>	<u>2,512</u>

Out of the dividend declared £1,700k has not been paid and it's shown in creditors in note 15.

# **Sulzer (Aberdeen) Limited**

## **Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)**

### **9 Tangible assets**

	Other property, plant and equipment £ 000	Total £ 000
<b>Cost or valuation</b>		
At 1 January 2021	1,488	1,488
Additions	117	117
Disposals	(18)	(18)
At 31 December 2021	<u>1,587</u>	<u>1,587</u>
<b>Depreciation</b>		
At 1 January 2021	1,171	1,171
Charge for the year	67	67
Eliminated on disposal	(18)	(18)
At 31 December 2021	<u>1,220</u>	<u>1,220</u>
<b>Carrying amount</b>		
At 31 December 2021	<u>367</u>	<u>367</u>
At 31 December 2020	<u>315</u>	<u>315</u>

At the balance sheet date, the company was not committed to any capital expenditure (2020: £nil).

**Sulzer (Aberdeen) Limited**

**Notes to the Financial Statements for the Year Ended 31 December 2021  
(continued)**

**10 Right of use assets**

	<b>Machinery £ 000</b>	<b>(As restated) Property £ 000</b>	<b>Other £ 000</b>	<b>Total £ 000</b>
<b>Cost or valuation</b>				
At 1 January 2020 (as restated)	23	1,417	42	1,482
At 31 December 2020 (as restated)	23	1,417	42	1,482
At 1 January 2021	23	1,417	42	1,482
Additions and Modifications	19	638	55	712
At 31 December 2021	42	2,055	97	2,194
<b>Depreciation</b>				
At 1 January 2020 (as restated)	10	249	21	280
Charge for year	10	250	18	278
At 31 December 2020 (as restated)	20	499	39	558
At 1 January 2021	20	499	39	558
Charge for the year	5	236	23	264
At 31 December 2021	25	735	62	822
<b>Carrying amount</b>				
At 31 December 2021	17	1,320	35	1,372
At 31 December 2020 (as restated)	3	918	3	924

The value in Additions relate to the extension of the building lease.

**Prior period adjustment**

During the year, the Directors have reviewed the property lease contract and determined that the lease term used during the transition to IFRS16 in 2019 was incorrectly determined. The lease term of this contract on transition was calculated using an expiry date of June 2021, when the lease term should have been August 2024. Adjustments have been posted to restate this position as at 1 January 2020 resulting in an increase to the opening right of use assets of £854,000 and an equal and opposite increase to the right of use liabilities. The impact on the net book value of this right of use asset at at 31 December 2020 are also £854,000 as there is no impact to the profit and loss on this restatement. This restatement impacts the balance sheet, Note 10 and Note 16 respectively.

## Sulzer (Aberdeen) Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

#### 11 Stocks

	31 December 2021 £ 000	31 December 2020 £ 000
Work in progress	1,197	1,998
Other inventories	70	180
	<u>1,267</u>	<u>2,178</u>

The Work in progress takes into account the value of goods which has been recognised under POC (Point of Completion).

Other inventories takes into account Goods in transit and Semi-finished goods.

Raw materials is fully provided under current provision.

#### 12 Trade and other debtors

	31 December 2021 £ 000	31 December 2020 £ 000
Trade debtors	2,544	2,043
Debtors from related parties	7,393	7,296
Amounts recoverable on contract	1,430	849
Prepayments	75	187
	<u>11,442</u>	<u>10,375</u>

## **Sulzer (Aberdeen) Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)**

#### **12 Trade and other debtors (continued)**

Trade debtors above include amounts (detailed below) that are past due at the end of the reporting period and which an allowance for doubtful debts has not been recognised as the amounts are still considered recoverable and there hasn't been a significant change in credit quality.

##### **Age of trade debtors that are past due but not impaired**

	<b>31 December 2021 £ 000</b>	<b>31 December 2020 £ 000</b>
7 to 30 days	2,200	1,671
31 to 60 days	561	368
61 to 90 days	-	4
	<u>2,761</u>	<u>2,043</u>

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.

#### **13 Related party transactions**

##### **Summary of transactions with parent entities**

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

##### **Summary of transactions with entities with joint control or significant interest**

The company is owned by Sulzer (UK) Holdings Limited.

# **Sulzer (Aberdeen) Limited**

## **Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)**

### **13 Related party transactions (continued)**

#### **Income and receivables from related parties**

	Parent £ 000	
<b>2021</b>		
Sale of goods	451	
Amounts receivable from related party	7,393	
		Entities with joint control or significant influence
	Parent £ 000	£ 000
<b>2020</b>		
Sale of goods	141	124
Amounts receivable from related party	7,261	34

#### **Expenditure with and payables to related parties**

	Parent £ 000	
<b>2021</b>		
Purchase of goods	2,965	
Amounts payable to related party	419	
		Parent £ 000
<b>2020</b>		
Purchase of goods	7,145	
Amounts payable to related party	791	

There have been no other transactions with directors other than those disclosed in note 6.

### **14 Cash at bank and in hand**

	31 December 2021 £ 000	31 December 2020 £ 000
Cash at bank	2	21

The cash balance held on intercompany account as at 31 December 2021 was £7,306,245 (2020: £7,258,220).

## Sulzer (Aberdeen) Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

#### 15 Trade and other creditors

	31 December 2021 £ 000	(As restated) 31 December 2020 £ 000
Trade creditors	1,964	1,656
Accrued expenses	549	300
Amounts due to related parties	419	791
Social security and other taxes	1,154	769
Income tax liability	122	64
Current portion of long term lease liabilities	247	276
Dividends payable	1,700	2,512
	<u>6,155</u>	<u>6,368</u>

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.

#### 16 Leases

##### Leases included in creditors

	31 December 2021 £ 000	(As restated) 31 December 2020 £ 000
Current portion of long term lease liabilities	247	276
Long term lease liabilities	<u>1,109</u>	<u>665</u>

##### *Prior period adjustment*

During the year, the Directors have reviewed the property lease contract and determined that the lease term used during the transition to IFRS16 in 2019 was incorrectly determined. The lease term of this contract on transition was calculated using an expiry date of June 2021, when the lease term should have been August 2024. Adjustments have been posted to restate this position as at 1 January 2020 resulting in an increase to the opening right of use assets of £854,000 and an equal and opposite increase to the right of use liabilities. The impact on the net book value of this right of use asset at at 31 December 2020 are also £854,000 as there is no impact to the profit and loss on this restatement. This restatement impacts the balance sheet, Note 10 and Note 16 respectively.

## Sulzer (Aberdeen) Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

#### 16 Leases (continued)

##### Total cash outflows related to leases

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

	31 December 2021 £ 000	(As restated) 31 December 2020 £ 000
<b>Payment</b>		
Right of use assets	(244)	(250)
Interest	(30)	(24)
Annual cash outflow	<u>(274)</u>	<u>(274)</u>

#### 17 Provisions for liabilities

	Warranties £ 000	Other provisions £ 000	Total £ 000
At 1 January 2021	67	201	268
Increase in existing provisions	<u>64</u>	<u>15</u>	<u>79</u>
At 31 December 2021	<u>131</u>	<u>216</u>	<u>347</u>
Total provision	<u>131</u>	<u>216</u>	<u>347</u>

##### Dilapidation Provision

Provisions for dilapidations are held in respect of the company's leasehold property and are expected to be utilized in the next year. The impact of discounting is immaterial.

##### 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.



## Sulzer (Aberdeen) Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

#### 18 Share capital

##### Allotted, called up and fully paid shares

	31 December 2021		31 December 2020	
	No. 000	£ 000	No. 000	£ 000
Ordinary A share capital of £1 each	100	100	100	100
Ordinary B share capital of £1 each	98	98	98	98
	<u>198</u>	<u>198</u>	<u>198</u>	<u>198</u>

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.

On 21st March 2021 Sulzer (UK) Holdings Limited purchased 98,000 Ordinary B Shares from Wood Group Engineering and Operations Support Limited, giving Sulzer 100% controlling interest.

#### 19 Non adjusting events after the financial period

The dividend of £1,700,000 declared in note 8 was paid in January 2022. Subsequent to the balance sheet date, a dividend of £2,388,000 was declared in December 2022 relating to the 31 December 2022 financial results of the company and has been paid in January 2023.