

Registered number: 3966507

BURCKHARDT COMPRESSION (UK) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the Year Ended 31 March 2017



BURCKHARDT COMPRESSION (UK) LIMITED

COMPANY INFORMATION

Directors Mr C Webb
Mr R C Züst (resigned 2 December 2016)

Company secretary Mr C Webb

Registered number 3966507

Registered office Units 1 & 2
Arena 14 Bicester Park
Charbridge Lane
Bicester
Oxfordshire
OX26 4SS

Independent auditors PricewaterhouseCoopers LLP
Exchange House
Central Business Exchange
Midsummer Boulevard
Central Milton Keynes
MK9 2DF

Bankers HSBC Bank plc
168 High Street
Guildford
Surrey
GU1 3YU

BURCKHARDT COMPRESSION (UK) LIMITED

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BURCKHARDT COMPRESSION (UK) LIMITED

STRATEGIC REPORT For the Year Ended 31 March 2017

The Company built on its previous success in securing aftermarket work on non-Burckhardt compressors in line with the Group's reciprocating compressor aftermarket business strategy and is still recognised as being one of leading Group subsidiary in this business area. This business is varied and often complex and the competitive nature of the market requires a high level of customer interaction and service quality delivered in a short timeframe with high attention to detail.

On 26th April 2017 the Group Management approved the business plan proposed by the Company to set up a Service Centre concept in partnership with an experienced Swedish compressor service company to expand Burckhardt's activities in the Nordic Countries. This is in the form of a framework agreement with the partner that, through them and in their name, Burckhardt Compression (UK) Ltd (BCGB) will set up a new office/workshop facility including all equipment required therein and recruit service, workshop and administration staff. The new workshop business will, however, be managed and commercially administered by BCGB. The Group has determined that this region has real potential for market share growth on its own compressors and on other brands, however, the Service Centre approach was felt to be appropriate rather than establishing a permanent entity from the outset in the Nordic Countries. Following this partnership coming into place as of 6th July 2017 the Group Management formally extended the Company's Area of Responsibility to include the Nordic Countries and therefore take full responsibility for increasing service and repairs work the local aftermarket. A service centre for the Burckhardt business market segments will be established in the Gothenburg area in Sweden.

The sales turnover this year was the highest it has been in aftermarket business since the company was established in 2002. This was boosted by sales of spare parts or receipt of commissions connected with a UK operators and ship managers for LNG and LPG carriers.

A good profit was posted by the Company this year largely due to the receipt of sales commissions as the gross margins in the aftermarket are lower for this mixed (Burckhardt/Other Brand) equipment business and we had experienced higher than normal warranty costs.

The results compared with measured financial objectives were as follows:

- EBIT Local (After Centralized Services) - £505,899 achieved vs target £274,000
- Generated Order Intake for new compressors - £1.54 million achieved vs target £17.3 million (Note: the previously buoyant global LPG marine compressor market virtually collapsed following the setting of this target in April 2016, hence the Order Intake was not forthcoming, see below)
- Generated Sales Turnover for compressor aftermarket, excluding commissions, in UK territory - £7.17 million achieved vs target £5.00 million
- New aftermarket customers – 21 achieved vs target 20

The potential uncertainties for the aftermarket business to grow are as follows:-

- Reduced sales of Compressor Systems in UK and Nordic Countries – less installation and maintenance work,
- Reduced sales of spare parts for the Gas Transport & Storage market sector – ships may be managed out of other countries,
- Postponement or cancellation of investment for maintenance and plant improvement in existing UK process plants due to uncertainty regarding Brexit,
- Low level Oil & Gas sector business in the UK and Norway
- Increased competition from other UK and Nordic Countries service and component companies,
- Supply-chain delays or deficiencies affect our ability to provide a full-service offer
- Limit of trained and experienced technicians available and/or suitable sub-contract labour as and when required
- Delay in establishing a new service centre in Gothenburg area in Sweden
- End-users may close their process plants where we service compressors,

BURCKHARDT COMPRESSION (UK) LIMITED

STRATEGIC REPORT (CONTINUED)
For the Year Ended 31 March 2017

End-users may replace them with different machinery,
End-users may decide to reinvest in maintenance teams and chose not to outsource.

However, the sales turnover from commissions received from previous years' Compressor Systems orders through the UK territory was significantly down due to a global slump in new process plant and vessel construction. This particularly hit the Transport and Storage industry sector for LNG and LPG compressors. Very few new orders were placed for LPG compressors to be delivered next year and there were no onshore sales of Compressor Systems. This does not bode well for continuing commissions in the next financial year

The potential uncertainties for the new compressors business to continue or grow are as follows:-
new construction projects onshore or at sea are deferred or cancelled due to continuing low oil and gas prices,
loss of orders to competition on technical or commercial grounds,
the orders are placed outside this territory thus reducing the commissions

Overall the Company continued to out-perform that desired by the Group under the Mid-Range Plan by a good margin. The targets set for the next year should enable the Company to turn in another profitable result.

This report was approved by the board and signed on its behalf.



Mr C Webb
Director

Date: 06/10/2017

BURCKHARDT COMPRESSION (UK) LIMITED

DIRECTORS' REPORT For the Year Ended 31 March 2017

The directors present their audited report and the financial statements for the year ended 31 March 2017.

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice, (United Kingdom Accounting Standards, comprising FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, comprising FRS102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Principal activities

The core business of the company continued as the promotion of sales of its own range of reciprocating compressors and related equipment and also the supply of spare parts, workshop repairs, compressor revamps, installation, commissioning and maintenance services for its own compressors and other brands of reciprocating compressors, screw compressors and diaphragm compressors. In addition, the company promoted the sales of, and supplied spare parts, workshop repairs, and maintenance services for specialised reciprocating compressors, vacuum pumps and centrifugal pumps on behalf of selected companies through representation agreements.

Results and dividends

The profit for the financial year amounted to £370,005 (2016 - £503,702).

The company has not recommended a dividend.

BURCKHARDT COMPRESSION (UK) LIMITED

DIRECTORS' REPORT (CONTINUED) For the Year Ended 31 March 2017

Directors

The directors of the company who served during the year and up to the date of signing the financial statements were:

Mr C Webb
Mr R C Züst (resigned 2 December 2016)

Future developments

Since the Year End the Company is engaged in developing better contacts and opportunities for new compressor systems and the aftermarket in the UK and the Nordic Countries that are consistent with the Group strategy for organic growth. We continue to develop our environmental and occupational health and safety (EOHS) systems with assistance from our external consultant for eventual audit and accreditation for ISO14001 and OHSAS18001 respectively in 2018.

The Company has not engaged in any research and development activities but continues to invest in engineering design for key non-Burckhardt compressor components and developing a responsive and quality-led supply chain for the same.

Financial risk management

Price risk

The Company is largely shielded from commodity price risk since it is primarily a service company. A large proportion of the components required are sourced from the immediate parent company in Switzerland, which due to its size and standing enjoys significant global purchasing power and increasing access to low-cost sourcing opportunities both within the Group and outside.

Credit risk

The Company is exposed to credit related losses in the event of non-performance by counterparties to financial instruments. Credit risk is mitigated by having a core long-standing customer base which has generated a good credit record with the Company over time, and in selecting new business counterparties selecting those companies that are large players in the industry.

Liquidity risk

Through regular cash forecasts and a commitment by the Parent Company to maintain and grow the Company which manifests in internal extended-payment terms on current account and flexibility of loan repayment, the Company maintains a situation of sufficient available funding for both operations and any planned expansion.

Interest rate cash flow risk

The Company has no material interest bearing liabilities other than a parent company loan, which is reviewed/renewed every five years.

BURCKHARDT COMPRESSION (UK) LIMITED

DIRECTORS' REPORT (CONTINUED)
For the Year Ended 31 March 2017

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and

the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Post balance sheet events

There have been no significant events affecting the Company since the year end.

This report was approved by the board and signed on its behalf.



Mr C Webb
Director

Date: 06/10/2017

Independent auditors' report to the members of Burckhardt Compression (UK) Limited

Report on the financial statements

Our opinion

In our opinion, Burckhardt Compression (UK) Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 March 2017 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.
-

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the statement of financial position as at 31 March 2017;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and 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 addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves


We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.


Jonathan Gilpin (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Milton Keynes
6 October 2017

BURCKHARDT COMPRESSION (UK) LIMITED

STATEMENT OF COMPREHENSIVE INCOME
For the Year Ended 31 March 2017

	Note	2017 £	2016 £
Turnover	4	6,084,621	7,012,944
Cost of sales		<u>(4,274,576)</u>	<u>(5,171,653)</u>
Gross profit		1,810,045	1,841,291
Administrative expenses		(1,296,523)	(1,166,342)
Other operating charges		(7,623)	(3,677)
Operating profit	5	505,899	671,272
Interest receivable	9	602	948
Interest payable	10	(35,822)	(31,992)
Profit before taxation		470,679	640,228
Taxation on profit	11	(100,674)	(136,526)
Profit for the financial year		370,005	503,702

There were no recognised gains and losses for 2017 or 2016 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2017 (2016:£ NIL).

The notes on pages 12 to 29 form part of these financial statements.

BURCKHARDT COMPRESSION (UK) LIMITED
Registered number: 3966507

STATEMENT OF FINANCIAL POSITION
As at 31 March 2017

	Note	2017 £	2016 £
Fixed assets			
Tangible assets	12	1,330,005	1,258,378
		<u>1,330,005</u>	<u>1,258,378</u>
Current assets			
Stocks	13	338,851	321,909
Debtors: amounts falling due within one year	14	1,985,966	1,628,097
Cash at bank and in hand	15	187,121	634,603
		<u>2,511,938</u>	<u>2,584,609</u>
Creditors: amounts falling due within one year	16	(1,351,277)	(1,407,289)
Net current assets		<u>1,160,661</u>	<u>1,177,320</u>
Total assets less current liabilities		<u>2,490,666</u>	<u>2,435,698</u>
Creditors: amounts falling due after more than one year	17	(1,250,000)	(1,600,000)
Provisions for liabilities			
Deferred tax	19	(57,976)	(43,013)
Other provisions	20	(50,000)	(30,000)
		<u>(107,976)</u>	<u>(73,013)</u>
Net assets		<u><u>1,132,690</u></u>	<u><u>762,685</u></u>
Capital and reserves			
Called up share capital	21	250,000	250,000
Retained earnings	22	882,690	512,685
Total equity		<u><u>1,132,690</u></u>	<u><u>762,685</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



Mr C Webb
Director

Date: 06/10/2017

The notes on pages 12 to 29 form part of these financial statements.

BURCKHARDT COMPRESSION (UK) LIMITED

STATEMENT OF CHANGES IN EQUITY
For the Year Ended 31 March 2017

	Called up share capital £	Retained earnings £	Total equity £
At 1 April 2016	250,000	512,685	762,685
Comprehensive income for the year			
Profit for the financial year	-	370,005	370,005
Total comprehensive income for the year	-	370,005	370,005
At 31 March 2017	<u>250,000</u>	<u>882,690</u>	<u>1,132,690</u>

BURCKHARDT COMPRESSION (UK) LIMITED

STATEMENT OF CHANGES IN EQUITY
For the Year Ended 31 March 2016

	Called up share capital £	Retained earnings £	Total equity £
At 1 April 2015	250,000	8,983	258,983
Comprehensive income for the year			
Profit for the financial year	-	503,702	503,702
Total comprehensive income for the year	-	503,702	503,702
At 31 March 2016	250,000	512,685	762,685

The notes on pages 12 to 29 form part of these financial statements.

BURCKHARDT COMPRESSION (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2017

1. General information

Burckhardt Compression (UK) Limited is a limited liability company incorporated in England. The Registered Office and principal place of business is Units 1 & 2, Arena 14 Bicester Park, Charbridge Lane, Bicester, Oxfordshire OX26 4SS.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

These policies have been consistently applied to all the years presented.

The following principal accounting policies have been applied:

2.2 Disclosure exemptions adopted

The company, being a subsidiary of Burckhardt Compression Holdings AG, whose consolidated financial statements are publicly available, has taken advantage of the following disclosure exemptions:

- (a) the requirement to provide a statement of cash flows,
- (b) the requirement to disclose financial liabilities and assets measured at amortised cost,
- (c) the requirement to disclose information regarding their share-based payment arrangements concerning equity instruments in another group entity,
- (d) the requirement to disclose key management personnel compensation in total.

BURCKHARDT COMPRESSION (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2017

2. Accounting policies (continued)

2.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2.4 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

BURCKHARDT COMPRESSION (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2017

2. Accounting policies (continued)

2.4 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold property	- 2% straight line
Plant & machinery	- 20% straight line
Motor vehicles	- 25% straight line
Fixtures & fittings	- 20% straight line
Office equipment	- 33.33% straight line
Computer equipment	- 33.33% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

2.5 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a weighted average basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.6 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.7 Cash at bank and in hand

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

BURCKHARDT COMPRESSION (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2017

2. Accounting policies (continued)

2.8 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

2.9 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.10 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'other operating income'.

2.11 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

BURCKHARDT COMPRESSION (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2017

2. Accounting policies (continued)

2.12 Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the *Income statement over the vesting period*. *Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Statement of financial position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest*. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to *Income statement over the remaining vesting period*.

Where equity instruments are granted to persons other than employees, the *Income statement is charged with fair value of goods and services received*.

2.13 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the *Statement of Comprehensive Income on a straight line basis over the lease term*.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

The Company has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard 01 April 2015 to continue to be charged over the period to the first market rent review rather than the term of the lease.

2.14 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the *Statement of Comprehensive Income* when they fall due. Amounts not paid are shown in accruals as a liability in the *Statement of Financial Position*. The assets of the plan are held separately from the Company in independently administered funds.

BURCKHARDT COMPRESSION (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2017

2. Accounting policies (continued)

2.15 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

2.16 Borrowing costs

All borrowing costs are recognised in the Statement of Comprehensive Income in the year in which they are incurred.

2.17 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

2.18 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and

Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

BURCKHARDT COMPRESSION (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2017

3. Judgments in applying accounting policies and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 2, management is required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based upon historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

There are no sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements.

4. Turnover

An analysis of turnover by class of business is as follows:

	2017 £	2016 £
Provision of Services	3,423,485	2,361,884
Sale of Goods: Parts	1,991,144	1,380,524
Sale of Goods: Commission receivable	669,992	1,050,872
Sale of Goods: Complete systems	-	2,219,664
	<u>6,084,621</u>	<u>7,012,944</u>

Analysis of turnover by country of destination:

	2017 £	2016 £
United Kingdom	4,224,948	5,277,614
Rest of Europe	1,858,478	1,635,124
Rest of the World	1,195	100,206
	<u>6,084,621</u>	<u>7,012,944</u>

BURCKHARDT COMPRESSION (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2017

5. Operating profit

The operating profit is stated after charging:

	2017	2016
	£	£
Depreciation of tangible fixed assets	90,053	68,841
Exchange differences	18,356	(32,808)
Operating lease rentals	94,763	90,613
	<u>193,172</u>	<u>126,646</u>

6. Auditors' remuneration

	2017	2016
	£	£
Fees payable to the Company's auditors and its associates for the audit of the Company's annual financial statements	13,600	17,350
	<u>13,600</u>	<u>17,350</u>

7. Employees

Staff costs, including directors' remuneration, were as follows:

	2017	2016
	£	£
Wages and salaries	1,637,163	1,482,178
Social security costs	189,880	175,543
Other pension costs	86,370	80,207
	<u>1,913,413</u>	<u>1,737,928</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2017	2016
	No.	No.
Administrative	4	4
Marketing, technical and sales	23	21
	<u>27</u>	<u>25</u>

BURCKHARDT COMPRESSION (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2017

8. Directors' remuneration

	2017 £	2016 £
Directors' emoluments	119,063	128,238
Company contributions to defined contribution pension schemes	7,482	7,259
	<u>126,545</u>	<u>135,497</u>

During the year retirement benefits were accruing to 1 director (2016 - 1) in respect of defined contribution pension schemes.

9. Interest receivable

	2017 £	2016 £
Other interest receivable	602	948
	<u>602</u>	<u>948</u>

10. Interest payable

	2017 £	2016 £
Loans from group undertakings	35,156	31,992
Other interest payable	666	-
	<u>35,822</u>	<u>31,992</u>

BURCKHARDT COMPRESSION (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2017

11. Taxation on profit

	2017 £	2016 £
Corporation tax		
Current tax on profits for the year	85,711	47,857
Total current tax	<u>85,711</u>	<u>47,857</u>
Deferred tax		
Origination and reversal of timing differences	14,963	3,932
Utilisation of taxable losses	-	84,737
Total deferred tax	<u>14,963</u>	<u>88,669</u>
Taxation on profit	<u><u>100,674</u></u>	<u><u>136,526</u></u>

BURCKHARDT COMPRESSION (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2017

11. Taxation on profit (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2016 - *higher than*) the standard rate of corporation tax in the UK of 20% (2016 - 20%). The differences are explained below:

	2017 £	2016 £
Profit before taxation	<u>470,679</u>	<u>640,228</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2016 - 20%)	94,136	128,046
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	919	1,551
Capital allowances for year in excess of depreciation	(1,173)	(464)
Changes in provisions leading to an increase (decrease) in the tax charge	6,792	7,393
Total tax charge for the year	<u>100,674</u>	<u>136,526</u>

Factors that may affect future tax charges

Based upon current capital investment plans the company expects to be able to continue to claim capital allowances in excess of depreciation in future years. The company has used all the brought forward tax losses which had reduced tax payments in recent years.

The reduction to the main rate of corporation tax from 20% to 19% from 1 April 2017 was substantively enacted on 26 October 2015. On 6 September 2016 Finance Bill 2016 was substantively enacted reducing the main rate of corporation tax further to 17% from 1 April 2020.

BURCKHARDT COMPRESSION (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2017

12. Tangible assets

	Freehold property £	Plant & machinery £	Motor vehicles £	Fixtures & fittings £	Office equipment £
Cost or valuation					
At 1 April 2016	1,328,969	328,072	15,124	49,742	36,587
Additions	6,206	125,669	-	16,388	803
At 31 March 2017	<u>1,335,175</u>	<u>453,741</u>	<u>15,124</u>	<u>66,130</u>	<u>37,390</u>
Depreciation					
At 1 April 2016	167,035	276,922	11,343	35,987	29,839
Charge for the year on owned assets	27,576	38,364	3,781	4,514	2,626
At 31 March 2017	<u>194,611</u>	<u>315,286</u>	<u>15,124</u>	<u>40,501</u>	<u>32,465</u>
Net book value					
At 31 March 2017	<u><u>1,140,564</u></u>	<u><u>138,455</u></u>	<u><u>-</u></u>	<u><u>25,629</u></u>	<u><u>4,925</u></u>
At 31 March 2016	<u><u>1,161,934</u></u>	<u><u>51,150</u></u>	<u><u>3,781</u></u>	<u><u>13,755</u></u>	<u><u>6,748</u></u>

BURCKHARDT COMPRESSION (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2017

12. Tangible assets (continued)

	Computer equipment £	Total £
Cost or valuation		
At 1 April 2016	115,302	1,873,796
Additions	12,614	161,680
At 31 March 2017	<u>127,916</u>	<u>2,035,476</u>
Depreciation		
At 1 April 2016	94,292	615,418
Charge for the year on owned assets	13,192	90,053
At 31 March 2017	<u>107,484</u>	<u>705,471</u>
Net book value		
At 31 March 2017	<u>20,432</u>	<u>1,330,005</u>
At 31 March 2016	<u>21,010</u>	<u>1,258,378</u>

BURCKHARDT COMPRESSION (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2017

13. Stocks

	2017 £	2016 £
Work in progress	236,272	209,903
Parts stock	102,579	112,006
	<u>338,851</u>	<u>321,909</u>

Stock recognised in cost of sales during the year as an expense was £2,507,253 (2016: £3,761,528).

An impairment reversal of £9,251 (2016: loss £29,161) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

14. Debtors

	2017 £	2016 £
Due within one year		
Trade debtors	1,050,983	710,248
Amounts owed by group undertakings	499,320	465,545
Other debtors	136,828	17,665
Prepayments and accrued income	298,835	434,639
	<u>1,985,966</u>	<u>1,628,097</u>

15. Cash at bank and in hand

	2017 £	2016 £
Cash at bank and in hand	187,121	634,603
	<u>187,121</u>	<u>634,603</u>

BURCKHARDT COMPRESSION (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2017

16. Creditors: Amounts falling due within one year

	2017 £	2016 £
Trade creditors	81,290	182,579
Amounts owed to group undertakings	556,820	533,119
Corporation tax	85,711	47,857
Other taxation and social security	206,243	384,982
Other creditors	82,398	30,827
Accruals and deferred income	338,815	227,925
	<u>1,351,277</u>	<u>1,407,289</u>

17. Creditors: Amounts falling due after more than one year

	2017 £	2016 £
Intercompany loan	<u>1,250,000</u>	<u>1,600,000</u>

18. Loans

Analysis of the maturity of loans is given below:

	2017 £	2016 £
Amounts falling due 2-5 years		
Intercompany loan	<u>1,250,000</u>	<u>1,600,000</u>

The intercompany loan is repayable in November 2020 with accelerated partial or total repayment being allowed, with the permission of the immediate parent company. Interest is paid quarterly on the principal outstanding. The interest rate is reviewable at the commencement of every calendar year and the rate charged for the current year was 2.25% (2016: 2.0%)

BURCKHARDT COMPRESSION (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2017

19. Deferred taxation

	2017 £
At beginning of year	43,013
Charged to profit or loss	14,963
Utilised in year	-
At end of year	57,976

The deferred taxation balance is made up as follows:

	2017 £
Accelerated capital allowances	57,976

20. Other provisions

	Warranty provision £
At 1 April 2016	30,000
Charged to profit or loss	64,097
Utilised in year	(44,097)
At 31 March 2017	50,000

Warranty provision

The company provides a 12 month warranty on spare parts, repairs, valve service and field service overhauls as part of its offer to customers. During the financial year ended 31 March 2017 actual warranty claims totalled £44,097 (2016 - £15,630) of which £30,000 was drawn from the 31 March 2016 provision. The warranty provision for the 31 March 2017 is £50,000 (2016 - £30,000). Due to the nature of the warranties provided the timing and cash outflows are uncertain.

BURCKHARDT COMPRESSION (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2017

21. Called up share capital

	2017	2016
	£	£
Shares classified as equity		
Allotted, called up and fully paid		
250,000 (2016: 250,000) Ordinary shares of £1 each	<u>250,000</u>	<u>250,000</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

22. Reserves

Retained earnings

Retained earnings represent cumulative profits and losses net of other adjustments.

23. Pension commitments

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £86,370 (2016 - £80,207). At the year end contributions of £6,044 (2016 - £5,854) were payable to the fund and are included within creditors.

24. Commitments under operating leases

At 31 March 2017 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2017	2016
	£	£
Not later than 1 year	79,332	76,252
Later than 1 year and not later than 5 years	71,813	82,764
	<u>151,145</u>	<u>159,016</u>

25. Related party transactions

The company has taken advantage of the exemption conferred by section 33 in Financial Reporting Standard 102 "Related party disclosures" not to disclose transactions with wholly owned members of the group headed by Burckhardt Compression Holdings AG.

BURCKHARDT COMPRESSION (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2017

26. Controlling party

The immediate parent company and controlling party is Burckhardt Compression AG.

The ultimate parent company is Burckhardt Compression Holdings AG, a company incorporated in Switzerland. Burckhardt Compression Holdings AG prepares group financial statements which include the results of the company. Copies of the group financial statements are available from Burckhardt Compression Holdings AG, Winterthur, CH-8401, Switzerland.