Registered No 400176

Cameron Limited

Report and Financial Statements

31 December 2011

Registered No 400176

Directors
K Fleming
C L Roberts
G B Holmes

Secretary
Abogado Nominees Limited
C L Roberts

Auditors
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Registered No 400176

Directors' report

The directors present their report and accounts for the year ended 31 December 2011

Results and dividends

The loss for the year after taxation amounts to £52,135,000 (2010 – £35,234,000 profit) The directors do not recommend the payment of a dividend

Principal activity

The company's principal activity during the year was the design, manufacture and sale of a wide range of engineering products for the oil, gas transmission, electrical and other engineering industries

During the year, in order to simply the UK Group Structure, the former NATCO, Petreco and DES Operations acquisitions were transferred at Fair Market Value to Cameron Limited The change in Investment and Goodwill reflects this Restructuring As a result, six of the former entities were placed into Liquidation, with one being dissolved in 2011, the remaining, dissolved in 2012

Review of the business and future developments

The company's key financial and other performance indicators during the year were as follows

	2011	*2010*	*Change*
	£000	*£000*	*%*
Turnover	557,883	727,946	-23%
Operating (loss)/profit	(61,321)	45,004	-236%
(Loss)/profit after tax	(52,135)	35,234	-248%
Shareholders' funds	27,575	89,008	-69%
Current assets as % of current liabilities ('quick ratio')	132%	188%	-30%
Average number of employees	2,131	1,676	+27%

The Company continues to be primarily focused in the supply of offshore sub-sea project systems segmented into the provision of new product and aftermarket supplies and services This activity was predominately based in West Africa in 2011, but the forward order book has a reducing reliance in this area, with a significant contract within South America, which is supplemented by increasing activity in the North Sea sector

The Company is appointed and continues to act as it's Centre of Excellence for the manufacture and supply of sub-sea equipment, and this continues to strengthen our position with our key customers

Turnover from Operations for 2011 at £557,883,000 represents a 23% fall, from 2010's Turnover of £727,946,000 This decline was related to the finalization of key West African contracts and the award of major replacement contracts, now received

The Company continues to maintain full commitment in support of all our major contracts and aftermarket services to both existing and new customers worldwide

The Company remains with a positive quick ratio of 132%, the deterioration reflects the movements on contracts but we expect an improvement following the securing of new major projects These new contracts are expected to improve the underlying financial strength of the business in both the near and long term future

Although the Company incurred a loss after tax of £52,135,000, this included a total debtor provision of £32,210,000, within which £22,920,000 was an exceptional cost in respect of an amount due from overseas markets where the directors consider the amounts are unlikely to be recoverable due to restrictions on currency remittances

Registered No 400176

Directors' report

The loss on ordinary activities before group income, debtor provisions and taxation of £31,424,000 represent a decrease of £83,378,000 from the equivalent net profit of £51,954,000 in 2010 This is reflective of the increase in bank overdraft from £16,416,000 to £62,551,000 Whilst the Company expects positive margin and cash contributions from new contracts acquired and a strengthening order book, in the interim the Company is wholly supported by its parent and the wider Cameron International Corporation, and as such there are no immediate funding restraints in delivering its current projects or servicing its creditors

Principal risks and uncertainties facing the company

The company carries out heavy engineering activities that encompass the manufacture of product, engineering and project management

The key business risks are exposure to raw material prices, foreign exchange rate fluctuations, economic conditions, political conditions in overseas markets and cyclical supply and demand in the global energy markets

Exposure to raw material price risk is managed by the placing of steel stock contracts with suppliers to meet the consolidated demands for multiple manufacturing plants

The economics and cyclical demands of the industry require constant monitoring and the company has demonstrated its ability to change to meet these demands through adjustments to capacity and required skills

The corporate treasury policies are structured to minimise exchange losses and also to ensure efficient use of available cash to support on-going working capital and business development The company trades in multi currency contracts worldwide and natural currency offsets minimise exchange exposure Financial instruments, such as currency forwards, are used for hedging purposes only and to provide greater certainty on future revenues and costs The company manages its exchange rate risk through matching, as far as possible, foreign currency manufacturing costs against foreign currency income on related contracts

The company trades worldwide with major customers that carry excellent credit risk which minimises exposures on trade receivables The risk is spread over a number of countries and customers where appropriate letters of credit are utilised

The Company's approach to maintaining high ethical standards is critical to its business success A Code of Ethics is published and all employees receive training to ensure their understanding and compliance

As a subsidiary of a U S parent the Company applies The Sarbanes-Oxley Act of 2002 to ensure that internal controls are established and functioning and that financial reporting is accurate Management assess the internal controls at the end of each year and also as an integral part of the internal audit on an ongoing basis Policies and procedures are also in force and serve to formalise the support for required controls and the execution of ongoing work practices

The Company considers health and safety as a number one priority and Group and local health forums have been established whose goals are to eliminate work related injuries, comply with regulatory requirements and improve performance It reviews performance in these areas, collects data, shares best practices and plans for the future This ensures consistency in performance measurement and improvement activities Forum members also conduct safety audits to identify practices that are working well and areas for improvement Their reporting is used to track completion of corrective actions

Market value of land and buildings

In the opinion of the directors the market value of land and buildings is in excess of the book value

Directors

The present directors of the company are shown on page 1 G B Holmes was appointed a director on 28 November 2011

Directors' report (continued)

Disabled employees

The company gives full and fair consideration to applications for employment made by disabled persons and, where appropriate, would arrange for the retraining of those who become disabled whilst in employment The company also endeavours to give equal opportunities of training, career development and promotion to all employees

Employee involvement

The company recognises its responsibility to provide its employees with information of concern to them and to encourage their participation in the company's development This is achieved by various means, including

(a) works committees
(b) employee suggestion schemes
(c) local notices and bulletins

Disclosure of information to the auditors

As at the date of this report, as far as each director is aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken such steps as he should have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting

On behalf of the board

C L Roberts
Director

4 October 2012

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the report and 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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 and loss of the company for that period In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable 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 proper accounting records which 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

Independent auditors' report

to the members of Cameron Limited

We have audited the financial statements of Cameron Limited for the year ended 31 December 2011 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, and the related notes 1 to 24 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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

Respective responsibilities of directors and auditors

As explained more fully in the Statement of directors' responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements

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 In addition, we read all the financial and non-financial information in the Report and Financial Statements to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its loss 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

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Independent auditors' report

to the members of Cameron Limited (continued)

Matters on which we are required to report by exception

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

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

A J Denton (Senior statutory auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
Leeds

5 October 2012

Profit and loss account

for the year ended 31 December 2011

	Note	Ongoing 2011 £000	Acquisition 2011 £000	Total 2011 £000	2010 £000
Turnover	3	503,498	54,385	557,883	727,946
Cost of sales		468,739	40,659	509,398	625,476
Gross profit		34,759	13,726	48,485	102,470
Marketing and selling costs		14,699	3,564	18,263	12,765
Administrative expenses		38,087	7,513	45,600	24,344
Debtor provision	4	32,210	-	32,210	13,873
(Loss)/profit on ordinary activities before interest	4	(50,237)	2,649	(47,588)	51,488
Income received from subsidiary undertakings				2,313	6,923
Interest receivable and similar income			7	2,255	397
Interest payable and similar charges			8	(18,301)	(13,804)
				(13,733)	(6,484)
(Loss)/profit on ordinary activities before taxation				(61,321)	45,004
Tax on (loss)/profit on ordinary activities			9	(9,186)	9,770
Retained (loss)/profit for the year			19	(52,135)	35,234

Statement of total recognised gains and losses

for the year ended 31 December 2011

	2011 £000	2010 £000
(Loss)/profit on ordinary activities after taxation	(52,135)	35,234
Actuarial (loss)/gain recognised in the pension scheme	(14,100)	10,600
Deferred tax credit/(charge) on pension scheme	3,139	(3,168)
Effect of changes in tax rates on deferred tax charge on pension scheme	463	-
Corporation tax credit on stock options	38	141
Total recognised gains and losses relating to the year	(62,595)	42,807

Balance sheet
at 31 December 2011

	Notes	2011 £000	2010 £000
Fixed assets			
Investments	10	174,725	149,990
Tangible assets	11	43,595	42,041
Intangible assets	12	102,547	-
		320,867	192,031
Current assets			
Stocks	13	109,228	76,211
Debtors	14	307,613	163,787
		416,841	239,998
Creditors amounts falling due within one year	15	316,152	127,398
Net current assets		100,689	112,600
Total assets less current liabilities		421,556	304,631
Creditors amounts falling due after more than one year	16	379,433	212,842
Provisions for liabilities	17	8,173	1,759
Retirement benefit obligations	21	6,375	1,022
		27,575	89,008
Capital and reserves			
Called up share capital	18	83	83
Share premium account	19	54,962	54,962
Profit and loss account	19	(31,589)	31,044
Share based payment reserve	19	4,119	2,919
Shareholders' funds		27,575	89,008

The financial statements were approved for issue by the board of directors and signed on its behalf by

Cheryl L Roberts

C L Roberts – Director

4 October 2012

Notes to the accounts

at 31 December 2011

1. Group accounts

Group accounts are not prepared as the company is a wholly owned subsidiary undertaking of Cameron International Corporation

2. Accounting policies

Basis of preparation

The accounts are prepared under the historical cost convention, and in accordance with applicable accounting standards

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the *Review of business and future developments* on page 2

Despite the 2011 losses, and increased overdraft (which is part of a wider group facility), the group has a strong forward order book with an enhanced geographical mix, and lower risk profile The projects contained within the order book are at similar levels to those which generated the higher profits seen in 2010 The project relating to the exceptional item with an accumulated provision of £30,300,000 is in the final stages of completion and further exceptional costs are not anticipated When aligned with the pivotal role the Company has within Cameron group, and hence access to the wider groups strong financial resources, this allows the directors to conclude that the company is well placed to manage its business risks with success

As such, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

Cash flow statement

The company has taken advantage of the exemption conferred under Financial Reporting Standard 1 (revised) from presenting its own cash flow statement as it is a wholly owned subsidiary undertaking of Cameron International Corporation

Goodwill

Goodwill arising on the acquisition of subsidiaries and businesses, representing the excess of the fair value of the consideration over that of the separable net assets acquired is capitalised and written off over its useful economic life of 20 years

Turnover

Turnover, excluding value added tax, derives from the provision of goods and services to customers including amounts attributable to long term contracts Contracts which meet the criteria for long term contracts are included within turnover using percentage completion accounting Turnover reflects the contract costs plus an estimate of profit and is recognised as contractual milestone obligations are met Turnover is adjusted for any changes in the milestone schedules or for any material projected changes in the expected profits on the contracts, as soon as this becomes apparent Full provision is made for contracts foreseen to be loss making

Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value, based on prices prevailing at the date of acquisition, of each asset evenly over its expected useful life, as follows

Freehold buildings	20 – 50 years
Leasehold land and buildings	over the lease term
Plant and machinery	4 – 12 years
Fixtures and fittings	3 – 10 years

The carrying values of fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate that the carrying value may not be recoverable

Notes to the accounts

at 31 December 2011

2. Accounting policies (continued)

Stocks

Stocks are stated at the lower of cost and net realisable value as follows

Cost incurred in bringing each product to its present location and condition

Raw materials	- purchase cost on a first-in, first-out basis
Work-in-progress and finished goods	- cost of direct materials and labour plus attributable overheads based on a normal level of activity

Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal

Long term contracts

For those contracts utilising the percentage completion method, contract revenues and expenses are recognised over the life of the contract The amount of profit attributable to the stage of completion of a long-term contract is recognised when the outcome of the contact can be foreseen with reasonable certainty Provision is also made for any foreseen losses Contract work in progress is stated at cost incurred, less that element transferred to the profit and loss account, after deducting foreseeable losses and payments on account not matched with turnover Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account Payments received in excess of recorded turnover are recorded in creditors as payments received on account

Warranty costs

Estimated warranty expense is accrued either at the time of sale or, in most cases, when specific warranty problems are encountered

Related party transactions

The company has taken advantage of the exemption in Financial Reporting Standard 8 from disclosing transactions with related parties that are controlled by Cameron International Corporation

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or a right to pay less, tax in the future have occurred at the balance sheet date, with the following exceptions

(i) Provision is made for gains on disposal of fixed assets that have been rolled over into replacement assets only where, at the balance sheet date, there is a commitment to dispose of the replacement assets with no likely subsequent rollover or available capital losses

(ii) Provision is made for gains on revalued fixed assets only where there is a commitment to dispose of the revalued assets and the attributable gain can neither be rolled over nor eliminated by capital losses

(iii) Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date All differences are taken to the profit and loss account

Notes to the accounts

at 31 December 2011

2. Accounting policies (continued)

Leasing commitments

Rentals paid under operating leases are charged to income on a straight line basis over the term of the lease

Pensions

The company operates a number of defined benefit pension schemes which require contributions to be made to separately administered funds The service costs are recognised in the accounting periods in which the benefits are earned by employees, and the related finance costs and other changes in the value of assets and liabilities are recognised in the accounting periods in which they arise

The company also operates a defined contribution pension scheme, the costs of which are recognised in the profit and loss account in the period in which they become payable

Share-based payments

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award Fair value is determined by an external valuer using an appropriate pricing model In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of Cameron International Corporation (market conditions)

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and therefore the number of equity instruments that will ultimately vest or in the case of an instrument subject to a market condition, be treated as vesting as described above The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification No reduction is recognised if this difference is negative

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is expensed immediately Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement

Notes to the accounts

at 31 December 2011

3. Turnover and segmental analysis

An analysis of turnover by geographical market is given below

	2011	*2010*
	£000	*£000*
United Kingdom	40,632	103,709
Other European countries	24,918	31,664
North and South America	70,401	47,671
Africa	379,622	518,748
Australasia	4,787	3,715
Asia	37,523	22,439
	557,883	727,946

Turnover and profit before taxation are not analysed by each class of business as the directors believe it would be detrimental to the interests of the company For the same reason the directors have not included an analysis of net assets by class of business

4. (Loss)/profit on ordinary activities before interest

This is stated after charging

	2011	*2010*
	£000	*£000*
Auditors' remuneration - audit services	165	111
Depreciation of tangible fixed assets	6,797	4,875
Amortisation of goodwill	5,397	-
Impairment of investments	2,313	-
Operating lease rentals - land and buildings	2,650	1,866
- plant and machinery	442	627
Debtor provision	32,210	13,873

£22,920,000 (2010 £13,873,000) of the debtor provision is in respect of amounts due from overseas markets, where the directors consider such amounts are exceptional in nature and unlikely to be recoverable due to restrictions on currency remittances The remaining £9,290,000 relates to amounts due which the directors believe there is significant uncertainty over its future recoverability

5. Directors' remuneration

	2011	*2010*
	£000	*£000*
Total		
Emoluments, excluding pension contributions	-	142

	2011	*2010*
	No	*No*
Number of directors who received share options in respect of qualifying service	3	3
Number of directors who exercised share options	3	2

Notes to the accounts

at 31 December 2011

5. Directors' remuneration (continued)

The number of directors to whom retirement benefits are accruing in respect of qualifying service under the company's pension schemes was

	2011	*2010*
	No	*No*
Money purchase scheme	1	2
Defined benefit scheme	-	1

In 2010, one of the directors was employed directly in the UK and emoluments paid in 2010 of £142,000 were in respect of this director All directors in 2011 are employed by our ultimate parent undertaking, Cameron International Corporation

6. Staff costs

	2011	*2010*
	£000	*£000*
Wages and salaries	87,231	74,085
Social security costs	11,962	10,821
Defined benefit pension scheme current service cost	1,300	1,500
Other pension costs	3,864	2,695
Share-based payment charge	1,162	868
	105,519	89,969

The average monthly number of employees during the year was made up as follows

	2011	*2010*
	No	*No*
Office and management	1,462	998
Manufacturing	669	678
	2,131	1,676

7. Interest receivable and similar income

	2011	*2010*
	£000	*£000*
Interest on short term deposits	12	9
Interest receivable from group undertakings	417	80
Other interest receivable	26	8
Net finance income on pension scheme	1,800	300
	2,255	397

Notes to the accounts

at 31 December 2011

7. Interest receivable and similar income (continued)

Net finance income/(charges) on pension scheme		
Expected return on pension scheme assets	10,600	9,500
Interest on pension scheme liabilities	(8,800)	(9,200)
	1,800	300

8. Interest payable and similar charges

	2011	*2010*
	£000	*£000*
On bank overdrafts	1,272	112
Interest payable to group undertakings	17,026	13,644
Interest payable on third party loans	3	48
	18,301	13,804

9. Tax

(a) Tax on (loss)/profit on ordinary activities
The tax credit is made up as follows

	2011	*2010*
	£000	*£000*
Current tax		
UK Corporation tax on (losses)/profits for the period	-	6,392
(Over)/under-provided in prior years	531	(212)
Foreign tax suffered	171	-
Total current tax (Note 9(b))	702	6,180
Deferred tax		
Origination and reversal of timing differences	(10,475)	3,835
Share-based payment	-	(243)
Under-provided in prior years	(39)	270
Effect of changes in tax rates	626	(272)
Total deferred tax	(9,888)	3,590
Tax on (loss)/profit on ordinary activities	(9,186)	9,770
Equity items		
Current tax	-	(141)
Deferred tax	(3,177)	2,968
Effect of changes in tax rates	(463)	200
	(3,640)	3,027

Notes to the accounts

at 31 December 2011

9. Tax (continued)

(b) Factors affecting current tax charge

The tax assessed on the (loss)/profit on ordinary activities for the year is higher (2010 – lower) than the standard rate of corporation tax of 26 5% (2010 – 28%) The differences are reconciled below

	2011	*2010*
	£000	*£000*
(Loss)/profit on ordinary activities before taxation	(61,321)	45,004
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax of 26 5% (2010 – 28%)	(16,250)	12,601
Permanent differences	2,252	676
Goodwill amortisation	1,430	-
Intercompany bad debt provision	2,461	-
Impairment of investment	613	-
Non-taxable income	(613)	(1,938)
Research and development relief claimed	(908)	(960)
Group relief surrendered for no payment	845	-
Difference between depreciation and capital allowances	(16)	(346)
Utilisation of tax losses	-	(1,167)
Current year losses carried forward	13,008	-
Timing differences relating to pension liability	(2,562)	(2,090)
Difference in respect of share-based payments	(261)	(384)
Foreign tax	171	-
Adjustments in respect of previous periods	532	(212)
Current tax /charge	702	6,180

c) Factors that will affect future tax charges

Finance Act 2011, which was substantively enacted in July 2011, included provisions to reduce the rate of corporation tax to 26% with effect from 1 April 2011 and 25% with effect from 1 April 2012 Accordingly, any deferred tax balances have been revalued to the lower rate of 25% in these accounts

Subsequent to the balance sheet date, further legislation has been enacted which has reduced the corporation tax rate to 24% with effect from 1 April 2012 and 23% from 1 April 2013 It has also been announced that the main rate of corporation tax rate will further reduce to 22% by 1 April 2014 As these further reductions in UK corporate tax rates have not been substantially enacted at the balance sheet date, they are considered non-adjusting events and no adjustments have been made The impact of these future reductions will be taken into account at subsequent reporting dates, once the change has been substantively enacted If these changes had been substantively enacted the deferred tax asset would have reduced by £1,553,489

Notes to the accounts
at 31 December 2011

10. Investments

Shares in subsidiary undertakings

	£000
Cost	
At 1 January 2011	149,990
Acquisitions	27,048
At 31 December 2011	177,038
Provision for impairment	
Impairment charge for the year and at 31 December 2011	(2,313)
At 31 December 2011	174,725
At 31 December 2010	149,990

The principal subsidiary undertakings at 31 December 2011 were

Name of company	*Nature of business*
Cameron Offshore Engineering Limited	Oil field service aftermarket support
International Valves Limited	Valve distribution
D E S Operations Limited	Oilfield equipment & system manufacture
Cameron Systems Limited	Metering equipment for oil & gas industry
Petreco International (Middle East) Limited	Metering equipment for oil & gas industry
Jiskoot Limited*	Process equipment for oil & gas industry
Cameron Petroleum Investments Limited	Non-trading
Cameron Products Limited	Process engineering
Petreco – KCC Limited	Process engineering
Axsia Limited	Process engineering
Axsia Group	Process engineering
Cameron Technologies	Measurement Systems

* Owned by subsidiary undertaking

All holdings are of ordinary shares, all subsidiary undertakings are wholly owned and all subsidiary undertakings are registered in England and Wales

On 1 January 2011 the trade and certain assets and liabilities of Cameron Products Limited, Cameron Systems Limited and D E S Operations Limited were transferred to Cameron Limited, after which those companies have been non-trading

As part of the group organisation, investments in subsidiary undertakings were acquired and include Axsia Group Limited, Richard Mosley Limited, Axsia Howmar Limited, KCC group Limited, KCC Process Equipment Limited, RJB Engineering Limited and Petreco International (Middle East) Limited

Notes to the accounts

at 31 December 2011

11. Tangible fixed assets

	Freehold land and buildings £000	*Plant and machinery £000*	*Fixtures and fittings £000*	*Total £000*
Cost				
At 1 January 2011	18,881	67,093	890	86,864
Additions	279	6,961	148	7,388
Disposals	-	(1,666)	(5)	(1,671)
Group acquisitions	358	-	605	963
At 31 December 2011	19,518	72,388	1,638	93,544
Depreciation				
At 1 January 2011	8,333	35,919	571	44,823
Provided during the year	759	5,857	181	6,797
Disposals	-	(1,666)	(5)	(1,671)
At 31 December 2011	9,092	40,110	747	49,949
Net book value				
At 31 December 2011	10,426	32,278	891	43,595
At 31 December 2010	10,548	31,174	319	42,041

12. Intangible assets

	Goodwill £000
Cost	
At 1 January 2011	-
Goodwill on Acquisition	107,944
At 31 December 2011	107,944
Amortisation	
At 1 January 2011	-
Charge for the year	(5,397)
At 31 December 2011	(5,397)
Net book value	
At 31 December 2011	102,547
At 31 December 2010	-

Notes to the accounts

at 31 December 2011

12. Intangible assets (continued)

Goodwill relates to the hive up of the assets and liabilities of both Cameron Products Limited, Cameron Systems Limited and D E S Operations Limited on 1 January 2011 The goodwill is being amortised on a straight line basis over a period of 20 years which is equal to the period over which the Company is expected to derive economic benefit

The following table sets out the book values and the provisional fair values of the identifiable assets and liabilities acquired as part of the transfer of Cameron Systems Limited, Cameron Products Limited and D E S Operations Limited

	Cameron Systems £000	*Cameron Products £000*	*DES £000*	*Total £000*
Fixed Assets				
Tangible	660	277	26	963
Intangibles – Goodwill*	-	-	-	-
Investments	-	12 861	-	12,861
Current Assets				
Stocks	764	542	-	1,306
Debtors	11,975	35,379	7,807	55,161
Amounts owed from group companies	11,596	11,059	70	22,725
Cash at bank and in hand	9,152	6,822	497	16,471
Total Assets	34,147	66,940	8,400	109,487
Creditors				
Trade creditors and accruals	13,592	34,731	1,642	49,965
Amounts owed to group undertakings	7,989	14,705	4,853	27,547
Provisions for liabilities	1,372	467	7	1,846
Total Liabilities	22,953	49,903	6,502	79,358
Net Assets	11,194	17,037	1,898	30,129
Goodwill	50,256	40,575	17,113	107,944
Consideration	61,450	57,612	19,011	138,073
Discharged by				
Inter-company loan	61,450	57,612	19,011	138,073

*Goodwill of £6,759,000 has been fair valued to zero as part of the acquisition accounting and is therefore incorporated in the total goodwill arising on the acquisition

Notes to the accounts

at 31 December 2011

13. Stocks

	2011 £000	2010 £000
Raw materials and consumables	2,920	873
Work in progress	67,116	48,081
Finished goods and goods for resale	75,120	93,288
Payments on account	(71,915)	(91,259)
	73,241	50,983
Long term contract work in progress		
Net costs	35,987	25,228
	109,228	76,211

14 Debtors

	2011 £000	2010 £000
Amounts due within one year		
Trade debtors	87,606	71,600
Amounts due from group undertakings	178,043	71,226
VAT recoverable	1,143	-
Deferred tax	10,821	-
Prepayments and accrued income	15,802	20,543
	293,415	163,369
Amounts due after more than one year		
Amounts due from group undertakings	14,198	418
	307,613	163,787

15. Creditors: amounts falling due within one year

	2011 £000	2010 £000
Bank overdrafts	62,551	16,416
Trade creditors	24,039	24,688
Amounts due to group undertakings	170,669	48,309
Corporation tax payable	3,202	916
Social security and other taxes	-	3,515
Accruals and deferred income	55,691	33,554
	316,152	127,398

Notes to the accounts

at 31 December 2011

16. Creditors: amounts falling due after more than one year

Loans from fellow subsidiary undertakings

	2011	2010
	£000	£000
Amount wholly repayable after more than five years		
Repayable on 31 December 2018 and carrying interest at the rate of 6 5% per annum	-	80,000
Amount wholly repayable within five years		
Loans	379,433	132,842
	379,433	212,842

17. Provisions for liabilities

	Warranty Provisions	Deferred tax	Total
	£000	£000	£000
At 1 January 2011	479	1,280	1,759
Provisions acquired on acquisition	2,166	(320)	1,846
Additional provisions during the year	5,715	(11,781)	(6,066)
Amounts utilised in the year	(187)	-	(187)
Transferred to Debtors	-	10,821	10,821
At 31 December 2011	8,173	-	8,173

The warranty provisions relate to claims made against long term contracts, and will crystallise within the next 12 months

As deferred tax is an asset it has been recognised in debtors in Note 14

Deferred taxation

	Deferred tax provision/(asset)	Offset against pension deficit	Total
	£000	£000	£000
At 1 January 2011	1,280	(378)	902
Transfers in	(320)	-	(320)
Profit and loss account	(11,743)	1,855	(9,888)
Statement of total recognised gains and losses	(38)	(3,602)	(3,640)
At 31 December 2011	(10,821)	(2,125)	(12,946)

Notes to the accounts

at 31 December 2011

17. Provisions for liabilities (continued)

Deferred taxation is recognised/provided at 25% in the accounts as follows

	2011	*2010*
	£000	*£000*
Capital allowances in advance of depreciation	2,579	3,023
Tax losses carried forward	(6,542)	-
Other timing differences	(6,858)	(1,743)
Deferred tax (asset)/liability	(10,821)	1,280

There is no deferred tax that is not provided It is expected that the deferred tax asset will be realised within 2 years

18. Called up share capital

		Authorised		*Allotted, called up and fully paid*
	2011	*2010*	*2011*	*2010*
	No	*No*	*£000*	*£000*
Ordinary shares of £1 each	100,000	100,000	83	83

19. Statement of movements on reserves and reconciliation of movements in shareholders' funds

	Share capital	*Share premium account*	*Profit and loss account*	*Share based payment reserve*
	£000	*£000*	*£000*	*£000*
At 1 January 2010	83	54,962	(11,622)	1,910
Profit for the year	-	-	35,234	-
Gain recognised in the Statement of total recognised gains and losses	-	-	7,432	141
Share based payment charge	-	-	-	868
At 31 December 2010	83	54,962	31,044	2,919
Loss for the year	-	-	(52,135)	-
(Loss)/gain recognised in the Statement of total recognised gains and losses	-	-	(10,498)	38
Share based payment charge	-	-	-	1,162
At 31 December 2011	83	54,962	(31,589)	4,119

Notes to the accounts

at 31 December 2011

20. Other financial commitments

The company has annual commitments under non-cancellable operating leases as follows

	2011		2010	
	Land and buildings	*Other*	*Land and buildings*	*Other*
	£000	*£000*	*£000*	*£000*
Operating leases which expire				
between two and five years	470	250	686	305
after more than five years	1,410	-	840	-
	1,880	250	1,526	305

21. Retirement benefit obligations

The company's principal defined benefit pension scheme, the Cameron Iron Works Retirement Benefits Plan (1974), is funded by the payment of contributions to a separately administered fund

In addition, the company operated a defined contribution pension scheme for which the pension cost is equal to the employer contributions made The pension charge for this scheme in the year ended 31 December 2011 was £3,864,000 (2010 - £2,695,000)

Employer contributions to the Cameron Iron Works Retirement Benefits Plan (1974) in 2012 are estimated to be £5,406,000 The present value of the defined benefit obligation, the related current service cost and past service costs were measured using the projected unit credit method Actuarial gains and losses have been recognised in the period in which they occur (but outside the profit and loss account) through the Statement of Total Recognised Gains and Losses (STRGL)

The principal assumptions used by the independent qualified actuaries to calculate the liabilities under FRS 17 are set out below

			% per annum
	2011	*2010*	*2009*
Inflation (RPI)	3 25	3 50	3 50
Inflation (CPI)	2 25	2 60	-
Rate of general long term increase in salaries	4 75	4 50	4 50
Rate of increase of pensions in payment subject to LPI increases (cap 5 0%)	3 00	3 30	3 30
Rate of increase of pensions in payment subject to LPI increases (cap 2 5%)	2 05	2 20	2 20
Discount rate for scheme liabilities	5 00	5 50	5 75

Mortality assumption

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements The assumptions are that a pensioner currently aged 65 will live on average for a further 23 years if they are male, and for a further 25 years if they are female

Notes to the accounts

at 31 December 2011

21. Retirement benefit obligations (continued)

Scheme assets and expected rate of return

		Fair value	
	2011	*2010*	*2009*
	£000	*£000*	*£000*
Equities	90,400	88,500	81,800
Bonds	57,900	48,000	44,000
Corporate bonds	13,200	11,800	10,800
Property	7,400	7,000	-
Cash/other	1,200	6,700	9,300
	170,100	162,000	145,900

The company employs a building block approach in determining the long-term rate of return on pension plan assets Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles The assumed long-term rate of return on each asset class is set out within this note The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over actual asset allocation for the Plan at 31 December 2011

Analysis of the balance sheet position for the company

	2011	*2010*	*2009*
	£000	*£000*	*£000*
Fair value of scheme assets	170,100	162,000	145,900
Actuarial value of scheme liabilities	(178,600)	(163,400)	(162,100)
Deficit in the scheme	(8,500)	(1,400)	(16,200)
Deferred taxation	2,125	378	4,536
	(6,375)	(1,022)	(11,664)

Five year history of scheme deficit and experience adjustments in assets and liabilities

	2011	*2010*	*2009*	*2008*	*2007*
	£000	*£000*	*£000*	*£000*	*£000*
Fair value of scheme assets	170,100	162,000	145,900	117,900	130,900
Actuarial value of scheme liabilities	(178,600)	(163,400)	(162,100)	(135,000)	(139,500)
Deficit in the scheme	(8,500)	(1,400)	(16,200)	(17,100)	(8,600)
Experience (decrease)/increase in assets	(1,600)	5,600	8,200	(21,900)	700
Experience (increase)/decrease in liabilities	(600)	7,800	500	(200)	(5,200)

Notes to the accounts

at 31 December 2011

21. Retirement benefit obligations (continued)

Analysis of movements in scheme assets and liabilities in the year

Scheme liabilities

	2011 *£000*	*2010* *£000*
At 1 January	(163,400)	(162,100)
Current service cost	(1,300)	(1,500)
Interest cost	(8,800)	(9,200)
Contributions by plan participants	(600)	(600)
Actuarial (loss)/gain on plan liabilities	(12,500)	5,000
Net benefits paid out	7,200	5,000
Past service cost	300	-
Curtailments	500	-
At 31 December	(178,600)	(163,400)

Scheme assets

	2011 *£000*	*2010* *£000*
At 1 January	162,000	145,900
Expected return on plan assets	10,600	9,500
Contributions by employer	5,700	5,400
Contributions by plan participants	600	600
Actuarial (loss)/gain on plan assets	(1,600)	5,600
Net benefits paid out	(7,200)	(5,000)
At 31 December	170,100	162,000

22 Related party transactions

Advantage has been taken of FRS 8 not to disclose transactions with entities that are part of the group This is on the basis that all of the voting rights are controlled within the group and consolidated accounts which include these companies are available to the public

23. Share options

The ultimate parent company (Cameron International Corporation) has issued stock options/awards for employees and directors of Cameron Limited At 31 December 2011 the company has grants outstanding under four equity compensation plans, being the 2005 Equity Incentive Plan (the "EQIP"), the Broadbased 2000 Incentive Plan (the "BBIP") and the Long Term Incentive Plan, as Amended and Restated as of November 2002 (the "LTIP")

No awards which were unvested as at 31 December 2011 have been made under the Second Amended and Restated 1995 stock option plan (for non-employee directors)

From 2006 to 2009, the only awards have been in the form of RSUs, made to key employees under the EQIP From 2010 onwards, in addition to the award of RSUs the company also made awards in the form of options under EQIP

Notes to the accounts

at 31 December 2011

23. Share options (continued)

The fair value of options and RSUs granted under the BBIP, LTIP and EQIP is estimated using the Black Scholes option pricing model The following computation parameters were assumed for option and RSU rights outstanding at 31 December 2011

	Long Term Incentive Plan 2002 (options)	*Broadbased 2000 Incentive Plan (options)*	*Equity Incentive Plan 2005 (options)*	*Equity Incentive Plan 2005 (RSUs)*
Weighted average share price at grant	£6 42	£7 01	£27 59	£24 31
Weighted average strike price	£6 40	£7 01	£27 60	-
Weighted average volatility	44 0%	44 0%	49 28%	-
Weighted average expected term (years)	3 0	0 72	2 46	2 52
Risk-free interest rate	2 60%	2 6%	0 68%	-

RSUs vest immediately at the end of the vesting period and are not subject to payment of an exercise price

FRS 20 has been applied to all RSUs and options granted after 7 November 2002 which were unvested as at 1 January 2006

For the calculation of the fair value of RSUs and options it was assumed that no dividends have been paid to stockholders

Changes in the number of option and RSU rights outstanding are detailed in the tables below

Options

	No of options	*Weighted average strike price*
Options outstanding at 1 January 2011	34,348	£20 96
Granted options	8,293	£32 45
Exercised options	(8,368)	£23 94
Options outstanding at 31 December 2011	34,273	£25 24
Of which exercisable	11,848	

The average fair value of options granted prior to 2011 was £7 73 (2010 £7 62) For options exercised in the current period, the average share price on the exercise date was £27 86

Notes to the accounts

at 31 December 2011

23. Share options (continued)

Restricted stock units

	No of options	Weighted average strike price
RSUs outstanding at 1 January 2011	96,085	-
Granted RSUs	37,759	-
Exercised RSUs	(29,194)	-
Forfeited RSUs	(6,523)	-
RSUs outstanding at 31 December 2011	98,127	-
Of which vested	-	-

The average fair value of RSUs granted prior to 2011 was £32 40 (2010 - £26 05) For RSUs vesting in the current period, the average share price on the vesting date was £31 73

24. Parent undertaking and ultimate parent company

The parent undertaking of the group of undertakings for which group accounts are drawn up and of which the company is a member is Cameron International Corporation, which is incorporated in the United States of America Cameron International Corporation is also the company's ultimate parent company and controlling party Copies of the Annual Report of Cameron International Corporation are available from Cameron International Corporation, 1333 West Loop South, Suite 1700, Houston, Texas 77027, USA