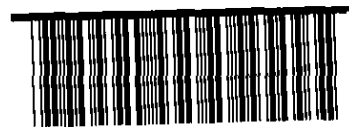



SULZER WOOD LIMITED

Report and Financial Statements

31 December 1999

**Deloitte & Touche
Chartered Accountants
2 Queens Terrace
Aberdeen
AB10 1XL**



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REPORT AND FINANCIAL STATEMENTS 1999

CONTENTS	Page
Officers and professional advisers	1
Directors' report	2
Statement of directors' responsibilities	3
Auditors' report	4
Profit and loss account	5
Balance sheet	6
Cash flow statement	7
Notes to the accounts	9

REPORT AND FINANCIAL STATEMENTS 1999

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

M E Thomas
R W Whiteley
W Edgar
G W Smith

SECRETARY

C Watson

REGISTERED OFFICE

John Wood House
Greenwell Road
East Tullos
Aberdeen

SOLICITORS

Paull & Williamsons
Investment House
6 Union Row
Aberdeen

AUDITORS

Deloitte & Touche
Chartered Accountants
2 Queens Terrace
Aberdeen

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 1999.

ACTIVITIES

The principal activity of the company is the provision of specialist services relating to the repair of pumps and oil related equipment.

REVIEW OF DEVELOPMENTS, FINANCIAL POSITION AND FUTURE PROSPECTS

In the year the company has achieved a turnover of £10,104,701 (1998: £9,962,936) and a profit before taxation of £1,046,776 (1998: £1,090,104). The directors remain optimistic about long term growth prospects.

DIVIDENDS AND TRANSFER TO RESERVES

The profit for the year after taxation amounted to £723,532 (1998: £748,010). The directors have proposed a final dividend of £370,827 (1998: nil). The retained profit of £352,705 (1998: £748,010) has been transferred to reserves.

YEAR 2000

Following their initial review, the directors continue to be alert to the potential risks and uncertainties surrounding the year 2000 issue. As at the date of this report, the directors are not aware of any significant factors which have arisen, or that may arise, which will affect the activities of the business; however, the situation is still being monitored. Any future costs associated with this issue cannot be quantified but are not expected to be significant.

DIRECTORS AND THEIR INTERESTS

The present membership of the Board is set out on page 1. All directors served during the year, with the exception of R A Jukes who resigned on 1 July 1999, and R W Whiteley who was appointed on that date.

No director had an interest in the ordinary shares of the company at 1 January 1999 and 31 December 1999.

The directors' interests in the parent company, Sulzer Roteq UK Limited, are disclosed in that company's accounts.

AUDITORS

A resolution for the reappointment of Deloitte & Touche as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed by order of the Board



Secretary

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or 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; 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. 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.

AUDITORS' REPORT TO THE MEMBERS OF

SULZER WOOD LIMITED

We have audited the financial statements on pages 5 to 15 which have been prepared under the accounting policies set out on page 9.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

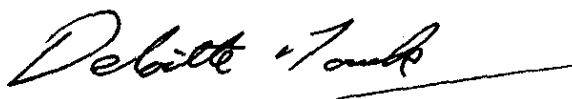
Basis of opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants and Registered Auditors

23rd August 2000

PROFIT AND LOSS ACCOUNT
Year ended 31 December 1999

	Note	1999 £	1998 £
TURNOVER: continuing operations	2	10,104,701	9,962,936
Cost of sales		<u>(7,491,716)</u>	<u>(7,423,632)</u>
Gross profit		2,612,985	2,539,304
Administrative expenses		<u>(1,592,938)</u>	<u>(1,485,817)</u>
OPERATING PROFIT - continuing operations		1,020,047	1,053,487
Other interest receivable and similar income		<u>26,729</u>	<u>36,617</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	1,046,776	1,090,104
Tax on profit on ordinary activities	5	<u>(323,244)</u>	<u>(342,094)</u>
PROFIT FOR THE FINANCIAL YEAR		723,532	748,010
Dividends payable	6	<u>(370,827)</u>	<u>-</u>
RETAINED PROFIT TRANSFERRED TO RESERVES	14	<u>352,705</u>	<u>748,010</u>

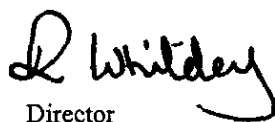
A statement of total recognised gains and losses is not required as there are no recognised gains or losses for the current and preceding financial year other than as stated above.

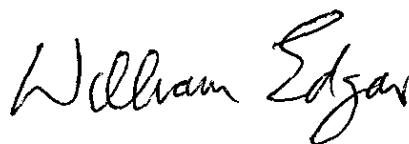
BALANCE SHEET
At 31 December 1999

	Note	1999 £	1998 £
FIXED ASSETS			
Tangible assets	7	404,847	435,084
CURRENT ASSETS			
Stocks	8	2,349,347	2,865,635
Debtors	9	2,227,966	2,301,746
Cash at bank and in hand		464,246	373,869
		5,041,559	5,541,250
CREDITORS: amounts falling due within one year	10	(2,180,241)	(3,052,986)
NET CURRENT ASSETS		2,861,318	2,488,264
TOTAL ASSETS LESS CURRENT LIABILITIES		3,266,165	2,923,348
PROVISIONS FOR LIABILITIES AND CHARGES	12	(21,747)	(31,635)
		3,244,418	2,891,713
CAPITAL AND RESERVES			
Called up share capital	13	198,000	198,000
Profit and loss account	14	3,046,418	2,693,713
TOTAL EQUITY SHAREHOLDERS' FUNDS		3,244,418	2,891,713

These financial statements were approved by the Board of Directors on

Signed on behalf of the Board of Directors


Director



CASH FLOW STATEMENT
Year ended 31 December 1999

	<i>Note</i>	£	1999 £	£	1998 £
Net cash inflow from operating activities	1		595,190		604,663
Returns on investments and servicing of finance					
Interest received			<u>26,729</u>		<u>36,617</u>
Taxation					
UK corporation tax paid			(443,918)		(309,383)
Capital expenditure					
Purchase of tangible fixed assets		(88,979)		(82,485)	
Proceeds from sales of fixed assets		<u>1,355</u>		<u>7,350</u>	
			<u>(87,624)</u>		<u>(75,135)</u>
Increase in cash			<u>90,377</u>		<u>256,762</u>

NOTES TO THE CASH FLOW STATEMENT
Year ended 31 December 1999

1. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	1999	1998
	£	£
Operating profit	1,020,047	1,053,487
Depreciation	115,849	110,272
Loss/(gain) on sale of fixed assets	2,012	(3,600)
Decrease/(increase) in stock	516,288	(691,525)
Decrease/(increase) in debtors	73,780	(769,951)
(Decrease)/increase in creditors	(1,132,786)	905,980
Net cash inflow from operating activities	<u>595,190</u>	<u>604,663</u>

2. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	1999	1998
	£	£
Increase in cash	90,377	256,762
Net funds at 1 January	<u>373,869</u>	<u>117,107</u>
Net funds at 31 December	<u>464,246</u>	<u>373,869</u>

3. ANALYSIS OF NET FUNDS

	At 1 January 1999	Cash Flow	At 31 December 1999
	£	£	£
Cash on hand and at bank	<u>373,869</u>	<u>90,377</u>	<u>464,246</u>

NOTES TO THE ACCOUNTS

Year ended 31 December 1999

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Tangible fixed assets

Depreciation is provided on a straight line basis to write off the cost of each asset over its estimated useful life. The estimated useful lives are as follows:

Short leasehold land and buildings	4 years
Plant and equipment	5 - 10 years
Motor vehicles	4 years
Computer equipment	5 years

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost represents materials, direct labour and appropriate production overheads.

Deferred taxation

Deferred taxation is provided at the anticipated tax rates on differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that it is probable that a liability or asset will crystallise in the future.

Leases

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the periods of the leases.

Pension costs

The company operates a number of defined contribution pension schemes. Pension costs charged to the profit and loss account represent amounts payable by the company to these schemes.

2. TURNOVER AND PROFITS

In the opinion of the directors turnover (stated net of value added tax) and profits are derived from one class of business in the UK.

NOTES TO THE ACCOUNTS

Year ended 31 December 1999

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

No remuneration was paid to the directors (1998: £Nil).

	1999 £	1998 £
Employee costs during the year:		
Wages and salaries	2,139,293	1,937,738
Social security costs	195,738	170,153
Other pension costs	82,830	73,651
	<u>2,417,861</u>	<u>2,181,542</u>
	No	No
Average number of persons employed:		
Production	64	62
Sales	6	4
Administration	12	12
	<u>82</u>	<u>78</u>

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	1999 £	1998 £
Profit on ordinary activities before taxation is after charging / (crediting):		
Rentals under operating leases:		
Hire of plant and machinery	59,492	46,262
Other operating leases	184,091	189,230
Depreciation and other amounts written off fixed assets:		
Owned assets	115,849	110,272
Auditors' remuneration	5,850	4,850
Gain on sale of fixed assets	(2,012)	(3,600)

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1999 £	1998 £
United Kingdom corporation tax at 30.25% (1998: 31%)	332,949	347,319
Deferred tax	(9,706)	(3,188)
	<u>323,243</u>	<u>344,131</u>
Prior year under / (over) provision		
Corporation tax	183	2,390
Deferred tax	(182)	(4,427)
	<u>323,244</u>	<u>342,094</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 1999

6. DIVIDENDS PAYABLE

	1999 £	1998 £
Equity shares		
'B' Ordinary shares – final proposed - £3.78 per share	370,827	-

7. TANGIBLE FIXED ASSETS

Cost	Short Leasehold Land and Buildings £	Plant and Equipment £	Motor Vehicles £	Total £
At 1 January 1999	30,174	1,185,777	34,885	1,250,836
Additions	1	88,978	-	88,979
Disposals	-	(87,649)	(2,250)	(89,899)
At 31 December 1999	30,175	1,187,106	32,635	1,249,916
Depreciation				
At 1 January 1999	15,088	770,953	29,711	815,752
Charge for year	7,544	105,717	2,588	115,849
Disposals	-	(84,282)	(2,250)	(86,532)
At 31 December 1999	22,632	792,388	30,049	845,069
Net Book Value				
At 31 December 1999	7,543	394,718	2,586	404,847
At 31 December 1998	15,086	414,824	5,174	435,084

8. STOCKS

	1999 £	1998 £
Raw materials	95,775	90,038
Work in progress	812,061	1,416,076
Finished goods and goods for resale	1,441,511	1,359,521
	2,349,347	2,865,635

NOTES TO THE ACCOUNTS
Year ended 31 December 1999

9. DEBTORS

	1999 £	1998 £
Trade debtors	1,290,442	1,774,812
Prepayments	271,085	114,104
Amounts due from parent company	10,148	14,536
Amounts due from fellow subsidiaries	28,775	10,305
Amounts due from fellow associates	627,516	387,219
Other debtors	-	770
	<u>2,227,966</u>	<u>2,301,746</u>

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1999 £	1998 £
Trade creditors	931,105	1,191,779
Accruals and deferred income	207,876	240,509
Amount owed to parent company	103,303	767,148
Amounts owed to fellow subsidiaries	108,005	207,952
Amounts owed to fellow associates	14,661	17,958
Corporation tax	238,923	349,709
Other creditors (note 11)	205,541	277,931
Dividends payable	370,827	-
	<u>2,180,241</u>	<u>3,052,986</u>

11. OTHER CREDITORS

	1999 £	1998 £
This heading includes:		
Taxation and social security	<u>191,943</u>	<u>213,844</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 1999

12. DEFERRED TAXATION

	Balance at 1 January 1999 £	Credit to profit and loss account £	Balance at 31 December 1999 £
Deferred taxation liability	31,635	9,888	21,747

The deferred tax liability recognised in these accounts represents the full provision and is as follows:

	1999 £	1998 £
Capital allowances in excess of depreciation	25,558	33,234
Other timing differences	(3,811)	(1,599)
	<u>21,747</u>	<u>31,635</u>

13. CALLED UP SHARE CAPITAL

	1999 £	1998 £
Authorised		
100,000 "A" ordinary shares of £1	100,000	100,000
100,000 "B" ordinary shares of £1	100,000	100,000
	<u>200,000</u>	<u>200,000</u>
Called up, allotted and fully paid		
100,000 "A" ordinary shares of £1	100,000	100,000
98,000 "B" ordinary shares of £1	98,000	98,000
	<u>198,000</u>	<u>198,000</u>

NOTES TO THE ACCOUNTS

Year ended 31 December 1999

14. PROFIT AND LOSS ACCOUNT

	1999 £
Balance at 1 January	2,693,713
Retained profit for the year	352,705
Balance as at 31 December	<u>3,046,418</u>

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1999 £	1998 £
Profit for the financial year	723,532	748,010
Dividends	(370,827)	-
Net addition to shareholders' funds	<u>352,705</u>	<u>748,010</u>
Opening shareholders' funds	2,891,713	2,143,703
Closing shareholders' funds	<u>3,244,418</u>	<u>2,891,713</u>

16. OPERATING LEASE COMMITMENTS

At 31 December 1999 the company was committed to making the following payments during the next year in respect of operating leases:

	1999 Building £	1999 Other £	1998 Building £	1998 Other £
Leases which expire:				
Within 1 year	-	9,326	-	30,650
Within 2 - 5 years	-	50,166	-	29,400
After 5 years	184,091	-	100,000	-
	<u>184,091</u>	<u>59,492</u>	<u>100,000</u>	<u>60,050</u>

17. ULTIMATE PARENT COMPANY

The company's immediate parent company is Sulzer Roteq UK Limited. Copies of the Sulzer Roteq UK Limited group accounts are available from The Secretary, Sulzer Roteq UK Limited, Manor Mill Lane, Leeds, LS11 8BR.

The ultimate parent company is Sulzer AG, a company incorporated in Switzerland. Sulzer AG prepares group accounts which include the results of the company. Copies of the group accounts are available from Sulzer AG Winterthur, CH-8401, Switzerland.

NOTES TO THE ACCOUNTS

Year ended 31 December 1999

18. PENSION SCHEME

The company operates a number of defined contribution pension schemes. The assets of the schemes are held separately from those of the company in independently administered funds.

The pension cost charge represents contributions payable by the company to these funds and amounted to £82,830 (1998: £73,651). Contributions totalling £3,804 (1998: £5,157) were payable at the year end and are included in creditors.

19. RELATED PARTY TRANSACTIONS

The company has undertaken the following transactions, under normal terms of trading, with the following related parties.

Relationship	Transaction	Company	Aggregate Value of Transactions £
Fellow subsidiary (including parent company)	Sale of goods and services	Sulzer Roteq Services Ltd Sulzer Roteq UK Ltd Sulzer Pompes Sulzer Luton Ltd Sulzer Weiss GmbH Sulzer Chemtech A.G.	169,101
Fellow associate	Sale of goods and services	Wood Group Engineering Ltd Northern Integrated Services Ltd	1,402,619
Fellow subsidiary (including parent company)	Purchase of materials and services	Sulzer Roteq Services Ltd Mardon DOT Company Ltd Sulzer Roteq UK Ltd Sulzer Roteq Services Maindstone Ltd Sulzer Turbo Limited Sulzer Brazil S.A. Sulzer Roteq Services UK Ltd Sulzer Repcoare AS Sulzer Pompen Benelux BV	1,303,877
Fellow associate	Purchase of materials and services	Rolls Wood Group (Repair and Overhaul) Ltd John Wood Group PLC Wood Group Engineering Ltd Wood Group Pressure Control and Engineering Services Ltd Wood Group Fuel Systems Ltd	16,302